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**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**North American Electric Reliability  
Corporation**

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**Docket No. RR15-\_\_\_\_\_**

**PETITION OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
FOR APPROVAL OF RISK-BASED REGISTRATION INITIATIVE  
RULES OF PROCEDURE REVISIONS**

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December 11, 2014

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## TABLE OF CONTENTS

I. EXECUTIVE SUMMARY .....	2
II. NOTICES AND COMMUNICATIONS.....	8
III. BACKGROUND .....	8
A. Regulatory Framework.....	9
B. Registration Process .....	9
1. Role of Regional Entities.....	11
2. Role of NERC.....	12
C. Revised Definition of Bulk Electric System as Model and Anchor for Risk-Based Registration.....	13
IV. PROPOSED REVISIONS TO REGISTRY CRITERIA.....	15
A. Risk-Based Registration Development Process .....	16
B. Deactivation and Reactivation Processes.....	18
C. Functional Entities Proposed for Removal from the NERC Registry Criteria .....	20
1. Purchasing-Selling Entities.....	20
2. Interchange Authorities .....	25
3. Load-Serving Entities.....	28
D. Threshold for Distribution Providers .....	34
V. RISK-BASED APPLICATION OF RELIABILITY STANDARDS.....	38
A. Background: Applicability of Reliability Standards.....	38
B. Sub-set of Reliability Standards for Underfrequency Load Shedding-Only Distribution Providers.....	40
C. Process for Applying for a Sub-set List of Reliability Standards for Underfrequency Load Shedding-only Distribution Providers .....	44
VI. PROCEDURAL IMPROVEMENTS TO REGISTRATION.....	45
A. Materiality Test .....	45
B. Review Process .....	46
1. Burden of Proof–Statement of Compliance Registry Criteria, Sections I-IV .....	47
2. Burden of Proof – Materiality .....	47
3. Burden of Proof – Sub-set List of Reliability Standards .....	48
C. Common Registration Form.....	48

**TABLE OF CONTENTS**

D. One-time Attestations..... 49

VII. PROPOSED REVISIONS TO RULES OF PROCEDURE ..... 50

    A. Section 302: Essential Attributes for Technically Excellent Reliability  
    Standards..... 50

    B. Section 501: Scope of the Organization Registration and Organization  
    Certification Programs ..... 50

    C. Appendix 2: Definitions Used in the Rules of Procedure ..... 51

    D. Appendix 5A: Organization Registration and Certification Manual ..... 51

    E. Appendix 5B: Statement of Compliance Registry Criteria..... 54

VIII. CONCLUSION..... 56

- Exhibit A** Proposed NERC Rules of Procedure
- Exhibit B** Proposed NERC Rules of Procedure – Redlined version
- Exhibit C** Technical Report: Risk-Based Registration: Technical and Risk Considerations

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The North American Electric Reliability Corporation (“NERC”), pursuant to §215(f) of the Federal Power Act (“FPA”) and 18 C.F.R. § 39.10, requests Federal Energy Regulatory Commission (“FERC” or the “Commission”) approval of revisions to implement the Risk-Based Registration initiative to the following parts of NERC’s Rules of Procedure:

- Section 302: Essential Attributes for Technically Excellent Reliability Standards
- Section 501: Scope of the Organization Registration and Organization Certification Programs
- Appendix 2: Definitions Used in the Rules of Procedure
- Appendix 5A: Organization Registration and Certification Manual
- Appendix 5B: Statement of Compliance Registry Criteria

NERC is providing a description of other related administrative changes for informational purposes only.<sup>1</sup> NERC requests that the proposed revisions be made effective upon Commission approval.

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<sup>1</sup> The Common Registration Form and One-Time Attestations described herein are included only for informational purposes, and NERC is not requesting Commission action on these changes.

## I. EXECUTIVE SUMMARY

NERC's Risk-Based Registration initiative seeks to ensure that the right entities are subject to the right set of applicable Reliability Standards, using a consistent approach to risk assessment and registration. NERC's mission is to assure the reliability of the Bulk-Power System and as an organization, NERC has been transforming its approaches to compliance and enforcement to be forward-looking with a focus on high reliability risk areas. As NERC has matured in its role as the Electric Reliability Organization ("ERO"), it has shifted the paradigms for compliance and enforcement, and for drafting results-based Reliability Standards.<sup>2</sup> Additionally, and likewise, implementation of the NERC Registry Criteria over the last eight years has yielded a wealth of experience and information. Informed by these efforts and consistent with these developments in the framework for compliance, enforcement, and Reliability Standards, NERC is proposing to reform registration in a manner that will drive the registration program toward a mature end-state.

NERC proposes the following three reforms: (1) modifications to the NERC Registry Criteria, including the removal of three functional registration categories (Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities), modifications to the threshold for registering entities as Distribution Providers, and alignment of five functional registration categories to the definition of "Bulk Electric System" (Transmission Owners, Transmission Operators, Generator Owners, Generator Operators, and Distribution Providers); (2) the risk-

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<sup>2</sup> The Find, Fix, Track and Report initiative was a fundamental shift in NERC's compliance and enforcement philosophy designed to provide flexibility and focus resources on issues that pose the greatest risk to reliability. *North American Electric Reliability Corporation*, 138 FERC ¶ 61,193 (2012) (March 15 Order). Similarly, as part of the Paragraph 81 initiative, NERC retired requirements in Reliability Standards that had little to no effect on reliability in order to allow industry stakeholders to focus their resources appropriately on reliability risks and increase the efficiency of the ERO compliance program. *Electric Reliability Organization Proposal to Retire Requirements in Reliability Standards*, Order No. 788, 145 FERC ¶ 61,147 (2013).

based application of sub-set lists of Reliability Standards, as warranted and supported by technical and risk consideration review and analysis, for entities (including Underfrequency Load Shedding-Only Distribution Providers); and (3) procedural improvements to the registration process.<sup>3</sup> Extensive technical justification and risk considerations for these proposed changes are included in the technical report in **Exhibit C**.

These proposed reforms are based on the February 2011 Commission technical conference in Docket No. AD11-6-000 on *Priorities for Addressing Risks to the Reliability of the Bulk-Power System*, where there was a recognition that “if everything is a priority, then nothing is a priority.”<sup>4</sup> Priorities must be driven by a clear understanding of risks and consequences, and the costs and benefits associated with addressing them. With a shift toward risk-based approaches and a learning industry, NERC is introducing quantitative measures of reliability performance. The proposed revisions are a result of NERC’s dedication to taking a risk-based approach to reliability and to incorporating lessons-learned through continuously improving and adapting operations.

The ERO compliance program and stakeholders will benefit from the proposed revisions included herein as efforts will appropriately be directed towards activities with a greater potential impact on reliability – these benefits translate into time and resources saved, which helps ensure that the costs of reliability are proportionate to the benefits. It is important to achieve reliability risk mitigation in a manner that balances affordability of electricity in a competitive global

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<sup>3</sup> The revised definition of “Bulk Electric System” and the accompanying exceptions process has served as a model for the procedural improvements to the registration process and for the proposed modification to the threshold for Distribution Providers. See *North American Electric Reliability Corporation*, 146 FERC ¶ 61,199 (2014).

<sup>4</sup> Additional information available at: <http://www.ferc.gov/EventCalendar/EventDetails.aspx?ID=5561&CalType=%20&CalendarID=116&Date=02/08/2011&View=Listview>.

market with the need to ensure the reliability and security of our North American electricity infrastructure.

As noted above, NERC proposes to remove three functional registration categories from the NERC Compliance Registry--Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities, because their activities are commercial in nature and can be removed for purposes of registration with little to no risk to the reliability of the Bulk-Power System given that these entities do not own or operate Bulk Electric System equipment. Historical enforcement data has confirmed that these entities have not caused or exacerbated events or system disturbances that jeopardized reliability of the grid, and nearly all violations posed a minimal actual risk to reliability and the vast majority posed a minimal potential risk.

NERC also proposes revisions to align five functional registration categories (Transmission Owners, Transmission Operators, Generator Owners, Generator Operators, and Distribution Providers) with the definition of “Bulk Electric System.” For four of these categories (Transmission Owners, Transmission Operators, Generator Owners and Generator Operators), the revisions assure consistency in the identification of Elements and Facilities that make up the Bulk Electric System. In addition, with respect to the Distribution Provider registration category, there are several new and revised criteria.<sup>5</sup> Revisions are proposed to the only Distribution Provider criteria that includes a MW threshold to increase that threshold for registration from 25 MW to 75 MW and to align the “directly connected” language with the definition of “Bulk Electric System.” The 75 MW threshold aligns with the 75 MVA threshold for certain generating resources.

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<sup>5</sup> The revised definition of “Bulk Electric System” and the accompanying exceptions process has served as a model for the procedural improvements to the registration process and for the proposed modification to the threshold for Distribution Providers. See *North American Electric Reliability Corporation*, 146 FERC ¶ 61,199 (2014).

As part of the Risk-Based Registration Initiative, changes are proposed to the NERC Rules of Procedure that explicitly allow NERC to provide a sub-set list of Reliability Standards to entities as warranted, consistent with existing Commission precedent. This provision is then applied to certain Distribution Providers that meet no other Distribution Provider registration criteria, but own, control or operate Underfrequency Load Shedding Protection System(s) needed to implement a required Underfrequency Load Shedding Program designed for the protection of the Bulk Electric System. Additional proposed changes to the NERC Rules of Procedure explicitly recognize the possibility of sub-set lists of Reliability Standards and provide transparency regarding how such sub-set lists would be integrated into the registration process.

In addition, there are several proposed procedural improvements to the registration process, including: (1) the establishment of a materiality test for registration, with clear procedures and criteria for evaluation of whether an entity has a material impact on reliability with respect to above-the-line and below-the-line Registry Criteria determinations; (2) an enhanced process for review by a NERC-led, multi-regional panel of certain registration, deactivation and deregistration decisions, as well as certain requests for sub-set lists of Reliability Standards; (3) development of a common registration form to facilitate uniformity in Regional Entity collection of the information from registration candidates; and (4) one-time attestations that allow entities to record that a specific Reliability Standard requirement is “Not Applicable.” Collectively, these proposed procedural improvements provide additional clarity and transparency regarding registration requirements, roles, and responsibilities. As the Commission has noted, “[a] key element of consistency is the transparency of the ERO



Enterprise's processes and its outcomes.”<sup>6</sup> This improved consistency and coordination should lead to more efficient and uniform work practices.

Fundamentally, the proposed revisions are a refinement of NERC's registration program, will reduce the regulatory burden of approximately 700 organizations, and allow such organizations to focus on issues that impact reliability. Of the 1,603 unique organizations listed on the NERC Compliance Registry, registered for 4,311 reliability functions, only about 700 organizations are expected to be impacted by the proposed deactivations and deregistration.<sup>7</sup> Approximately 200 organizations would be deregistered from the NERC Compliance Registry and approximately 500 organizations would be impacted by the proposed deactivations. For example, as a result of the proposed changes, approximately 14 organizations now on the NERC Compliance Registry as Load-Serving Entities are expected to be deregistered, 197 organizations now on the NERC Compliance Registry as Purchasing-Selling Entities are expected to be deregistered and no organizations now on the NERC Compliance Registry as Interchange Authorities would be deregistered.<sup>8</sup> Just as the Commission regularly reviews its regulations to ensure that they achieve their intended purpose and do not impose an undue burden or unnecessary costs,<sup>9</sup> it is appropriate for NERC to evaluate its registration program in the same light.

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<sup>6</sup> *North American Electric Reliability Corp.*, 149 FERC ¶ 61,141 at P 70 (2014).

<sup>7</sup> Additional information regarding the impact of these changes is included in **Exhibit C**, Appendix C: Proposed Deactivations.

<sup>8</sup> As noted herein, deregistration occurs when all functions of an entity have been deactivated.

<sup>9</sup> Written Testimony of Chairman Jon Wellinghoff before the U.S. House of Representatives Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, July 7, 2011, at p. 2 (“The Commission regularly reviews its regulations to ensure that they achieve their intended purpose and do not impose undue burdens on regulated entities or unnecessary costs on those entities or their customers.”). Subsequently, on July 11, 2011, President Barack Obama issued an Executive Order to independent agencies, such as FERC, to develop and release a plan to review rules that may be outmoded, ineffective, insufficient, or excessively burdensome, and to modify, streamline, expand, or repeal them in accordance with what has been learned. President Barack Obama's Executive Order 13579, Regulation and Independent Regulatory Agencies at Section 2 (July 11, 2011). Chairman Jon Wellinghoff announced that same day that the Commission would implement President Barack Obama's Executive Order. FERC News Release, “FERC To Institute Public Review of Regulations” (July 11, 2011).

The proposed changes reflect significant input from the Risk-Based Registration Advisory Group (comprised of NERC staff, the Regional Entities, FERC technical staff, and industry representatives from the United States and Canada) and the RB-RAG technical task force (comprised of subject matter experts from NERC, the Regional Entities, and industry), both of which were established by NERC to support this initiative. NERC received additional input from industry survey responses, public comments during the meetings of the Board and its committees, as well as the Member Representatives Committee policy input comments. Finally, the proposed changes reflect input from over fifty sets of comments on the design and implementation plan that were submitted in June and nearly forty sets of comments in October 2014.

While three entities are proposed for removal from the Registry Criteria, as users, owners and operators of the Bulk-Power System, these entities remain within in the statutory scope of both the Commission and NERC pursuant to Section 215 of the Federal Power Act. Functionally, Load-Serving Entities, Purchasing-Selling Entities and Interchange Authorities will continue to exist and will continue to perform in the markets or operate under open access transmission tariffs, as applicable. The proposed revisions do not alter the NERC registered ballot body, as codified in Appendix 3D of the NERC Rules of Procedure or the NERC Functional Model.<sup>10</sup>

Provided below is an explanation of the proposed revisions to the Registry Criteria (Section IV), the concept of the risk-based application of Reliability Standards (Section V), an

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<sup>10</sup> For example, Segment 3 of the NERC registered ballot body is comprised of Load-Serving Entities and will remain unchanged. The NERC Functional Model is a guideline for the applicability of Reliability Standards and standard developers are not required to include all tasks envisioned in the model, nor are the developers precluded from developing Reliability Standards that address functions not described in the model, *available at*: [http://www.nerc.com/pa/Stand/Functional%20Model%20Archive%201/Functional\\_Model\\_V5\\_Final\\_2009Dec1.pdf](http://www.nerc.com/pa/Stand/Functional%20Model%20Archive%201/Functional_Model_V5_Final_2009Dec1.pdf)

overview of the procedural improvements to registration (Section VI) and a section-by section explanation of how each of these reforms is proposed for implementation in the NERC Rules of Procedure (Section VII).<sup>11</sup> NERC commits to submitting an informational filing within one year of final Commission action in order to ensure that there are no unintended consequences to reliability as a result of the instant proposal.

## **II. NOTICES AND COMMUNICATIONS**

Notices and communications with respect to this filing may be addressed to the following:<sup>12</sup>

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## **III. BACKGROUND**

Provided below is the following: (a) an explanation of the regulatory framework for revisions to the NERC Rules of Procedure; (b) an overview of the NERC registration process; (c)

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<sup>11</sup> None of the changes proposed herein impact an entity's independent responsibility for funding NERC and the Regional Entities. As noted in the NERC Rules of Procedure, Appendix 5B, entities responsible for funding NERC and the Regional Entities have been identified in the budget documents filed with FERC, and presence or absence from the Compliance Registry, has no bearing on this obligation.

<sup>12</sup> Persons to be included on the Commission's service list are identified by an asterisk. NERC respectfully requests a waiver of Rule 203 of the Commission's regulations, 18 C.F.R. § 385.203 (2013), to allow the inclusion of more than two persons on the service list in this proceeding.

an explanation of how the definition of “Bulk Electric System” applies in the NERC registration process; and (d) an explanation of the underlying technical and risk consideration analysis of the Risk-Based Registration initiative and the development process. Collectively, this background information supports and explains the proposed revisions to the NERC Rules of Procedure.

#### **A. Regulatory Framework**

Section 215(f) of the Federal Power Act provides the regulatory framework for revisions to the NERC Rules of Procedure. Section 215(f) of the Federal Power Act states that “The Electric Reliability Organization shall file with the Commission for approval any proposed rule or proposed rule change, accompanied by an explanation of its basis and purpose,” and that the proposed rule or rule change “shall take effect upon a finding by the Commission, after notice and opportunity for comment, that the change is just, reasonable, and not unduly discriminatory or preferential, is in the public interest, and satisfies the requirements of subsection (c) [of §215].” The Commission’s regulations at 18 C.F.R. §39.10 echo these requirements and also require that the filing include “a description of the proceedings conducted by the Electric Reliability Organization . . . to develop the proposal.” The NERC Rules of Procedure are ERO rules as defined in the Commission’s regulations at 18 C.F.R. §39.1.

#### **B. Registration Process**

The NERC registration process consists of several elements, including the NERC Registry Criteria and the NERC Compliance Registry, and involves both the Regional Entities and NERC. The process for registration is described in Section 500, Appendix 5A: *Organization Registration and Certification Manual* (“Appendix 5A”), and Appendix 5B: *Statement of Compliance Registry Criteria* (“Appendix 5B”) of the NERC Rules of Procedure. Provided

below is a description of how the registration process works and of the roles of the Regional Entities and NERC.

The starting point for the ERO's program for monitoring and enforcing compliance with Commission-approved Reliability Standards is its processes for comprehensively identifying and registering owners, operators, and users of the Bulk-Power System that are responsible for performing reliability-related functions in accordance with the approved Reliability Standards. The NERC Registry Criteria provides for Bulk-Power System users, owners and operators that perform a function identified in Section II of the Registry Criteria, and have a material impact on Bulk-Power System reliability (which is generally determined by whether they meet the threshold criteria in Section III of the Registry Criteria) to register as one or more of fifteen functions. NERC and the Regional Entities identify such entities, which are then obligated to comply with Commission-approved Reliability Standards.<sup>13</sup> Identified entities are registered and included on the NERC Compliance Registry.<sup>14</sup> The NERC Compliance Registry identifies the reliability functions each registered entity is responsible for meeting pursuant to the requirements of Reliability Standards. Organizations listed in the NERC Compliance Registry are responsible for knowing the contents of, and complying with, Reliability Standards applicable to the reliability function(s).<sup>15</sup> The registration criteria for the reliability functions are specified in

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<sup>13</sup> Section 215(b)(2) of the FPA requires all users, owners and operators of the Bulk-Power System to comply with Reliability Standards approved by the Commission. Similarly, the Commission's regulations at 18 C.F.R. §39.2 and §40.2 require all users, owners, and operators of the Bulk-Power System to comply with applicable Reliability Standards and applicable rules of the ERO and Regional Entities approved by the Commission.

<sup>14</sup> NERC Statement of Compliance Registry Criteria (Registry Criteria) at 2 ("Organizations will be responsible to register and to comply with approved Reliability Standards to the extent that they are owners, operators, and users of the Bulk Power System, perform a function listed in the functional types identified in Section II of this document, and are material to the Reliable Operation of the interconnected Bulk Power System as defined by the criteria and notes set forth in this document."). See Registry Criteria at [http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/Appendix\\_5B\\_RegistrationCriteria\\_20140701\\_updated\\_20140602%20\(updated\).pdf](http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/Appendix_5B_RegistrationCriteria_20140701_updated_20140602%20(updated).pdf).

<sup>15</sup> NERC Rules of Procedure §501. The current categories of reliability functional entities are listed in Rules of Procedure Appendix 5B, *Statement of Compliance Registry Criteria*.

Section 501 of the NERC Rules of Procedure and in NERC's FERC-approved *Statement of Compliance Registry Criteria* (Appendix 5B).

The two goals for registration are: (1) consistency between and among Regional Entities and across the continent in the application of the criteria for registering entities; and (2) registration of any entity whose facilities or operations are material to the reliability of the Bulk-Power System, irrespective of other considerations. The roles of the Regional Entities and NERC are discussed in detail below.

1. Role of Regional Entities

NERC is ultimately responsible for devising the criteria that determine which Bulk-Power System users, owners and operators are subject to approved Reliability Standards, and for maintaining the NERC Compliance Registry of organizations subject to Reliability Standards. In carrying out these responsibilities, NERC delegates certain activities to the Regional Entities to apply and implement registration and certification criteria as part of the Organization Registration and Certification program. Pursuant to the Regional Entity delegation agreements and Section 500, Appendices 5A: *Organization Registration and Certification Manual*, and 5B: *Statement of Compliance Registry Criteria* of the NERC Rules of Procedure, the Regional Entities are responsible for the following registration tasks:

1. Providing NERC with timely and accurate information relating to registrations and registered entities to enable NERC to maintain a registration database that is accurate and up-to-date;
2. Collecting data on and mapping Bulk-Power System facilities and those facilities that have a material impact on the Bulk-Power System within each Regional Entity's defined regional boundaries;
3. Approving or disapproving entity registration applications;
4. Notifying NERC of each coordinated functional registration ("CFR") and joint registration organization ("JRO") that the Regional Entity accepts; and

5. Maintaining a list of active CFRs and JROs.

Pursuant to Section 500 of the NERC Rules of Procedure and the terms of the approved Regional Entity delegation agreements, the Regional Entities are responsible for providing timely and accurate information to NERC relating to registrations to enable NERC to maintain a Compliance Registry that is accurate and up-to-date. Typically, the Regional Entity in whose territory the user, owner, or operator is located identifies a user, owner, or operator of the Bulk-Power System for placement on the NERC Compliance Registry. Upon NERC notifying the entity that it is being placed on the NERC Compliance Registry, the entity may challenge its inclusion on the NERC Compliance Registry by filing a written objection with NERC.<sup>16</sup> The NERC Board of Trustees Compliance Committee (“BOTCC”) hears and decides challenges to inclusion on the NERC Compliance Registry. If the entity is not satisfied with the decision of the BOTCC, the entity may appeal the registration determination to the Commission.<sup>17</sup>

The Regional Entities review and evaluate registration requests and changes and make registration recommendations to NERC when a request or change may affect the NERC Compliance Registry. NERC is responsible for registering those entities and establishing and maintaining the NERC Compliance Registry of the Bulk-Power System owners, operators, and users that are subject to approved Reliability Standards.<sup>18</sup>

2. Role of NERC

NERC maintains the NERC Compliance Registry, which identifies each registered entity and the applicable functional categories for which it is registered. If an entity meets the Registry

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<sup>16</sup> The NERC Compliance Registry may list a user, owner, or operator of the Bulk-Power System for several reliability functions. A registered entity may challenge its listing for one or more of the reliability functions for which it has been registered while accepting its listing for other reliability function(s).

<sup>17</sup> The registration, challenge, and appeal process described in this paragraph is set forth in Section 501.1.3 of the NERC Rules of Procedure.

<sup>18</sup> See <http://www.nerc.com/pa/comp/Pages/Registration-and-Certification.aspx>.

Criteria, there is a rebuttable presumption that it has a material impact on the reliability of the Bulk-Power System, and it is included in a pool of eligible candidates that NERC and the Regional Entities may identify for registration.

NERC may remove a registered entity from the NERC Compliance Registry for one or more of the reliability functions for which the entity is registered, based on changed circumstances or risks to reliability. As of October 30, 2014, there were 1,603 unique organizations listed on the NERC Compliance Registry, registered for 4,311 reliability functions.

NERC's Compliance Registry Criteria (Appendix 5B) contains five sections. Section I provides that an entity that uses, owns or operates elements of the Bulk Electric System pursuant to NERC's definition is a candidate for registration. Section II of the Registry Criteria categorizes registration candidates under fifteen functional entity types. Section III contains threshold criteria for excluding entities identified as candidates for registration under Sections I and II. Section IV addresses additional criteria for joint registration. Section V provides guidance regarding an entity's registration status. In addition, "Notes" to the Registry Criteria allow for NERC in some circumstances to register entities that fall below the Registry Criteria thresholds, or to refrain from registering entities above the thresholds.

**C. Revised Definition of Bulk Electric System as Model and Anchor for Risk-Based Registration**

As explained below, the revised definition of "Bulk Electric System" has served as a model for the Risk-Based Registration Initiative and is the basis for several proposed revisions. The proposed revisions are also consistent with the underlying goal of the definition of "Bulk



Electric System” which is to provide transparency and consistency in the identification of Elements and facilities that make up the Bulk Electric System.

The Commission approved revisions to the definition of “Bulk Electric System” in Order Nos. 773 and 773-A,<sup>19</sup> and on March 20, 2014.<sup>20</sup> The Bulk Electric System definition consists of a “core” definition and a list of configurations of facilities that are included or excluded from the “core” definition, *i.e.*, Inclusions and Exclusions. The Inclusions address five specific facilities configurations to provide clarity that the facilities described in these configurations are included in the Bulk Electric System. Similarly, the Exclusions address four specific facilities configurations that are *not* included in the Bulk Electric System. The case-by-case exception process, to add elements to, and remove elements from, the Bulk Electric System adds transparency and uniformity to the process of determining what constitutes the Bulk Electric System.

The structure of the Bulk Electric System definition has served as a model for the Risk-Based Registration Initiative. The proposal includes revised thresholds, with a case-by-case process to adjust registration where warranted based on a materiality determination. With a clear definition of what constitutes the Bulk Electric System, NERC can now more clearly and consistently determine which entities impact reliability and warrant registration.

Importantly, the new Bulk Electric System definition and exception process relates to whether a particular Element is Bulk Electric System, and defines the Elements that are not necessary for the reliable Bulk Electric System operation. However, the revised Bulk Electric

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<sup>19</sup> *Revisions to Electric Reliability Organization Definition of Bulk Electric System and Rules of Procedure*, Order No. 773, 141 FERC ¶ 61,236 (2012); *order on reh’g*, Order No. 773-A, 143 FERC ¶ 61,053 (2013), *order on reh’g and clarification*, 144 FERC ¶ 61,174 (2013), *appeal pending sub nom., People of the State of New York and the Pub. Serv. Comm’n of New York v. FERC*, No. 13-2316 (2d. Cir. filed June 12, 2013).

<sup>20</sup> *North American Electric Reliability Corp.*, 146 FERC ¶ 61,199 (2014).

System Definition does not affect NERC's ability to decide, on a case-by-case basis, that registration is not warranted in particular cases, or to restrict the applicability of standards to particular entities. It remains within NERC and Regional Entity discretion to determine whether registration of an owner or operator of a particular Bulk Electric System Element, and requiring compliance with the full set of Reliability Standards, is warranted based on all facts and circumstances. NERC proposes changes to Appendix 5B to align with the Bulk Electric System definition, as described in additional detail below. Incorporating the Bulk Electric System definition (including the results of the exception procedure) into the Section II definitions of Generator Owners/Generator Operators and Transmission Owners/Transmission Operators will result in the set of owners and operators of Bulk Electric System generation and transmission being identical to the set of entities subject to registration as Generator Owners/Generator Operators or Transmission Owners/Transmission Operators, and will allow NERC to delete the Section III limitations regarding these functional entities, thus eliminating a potential source of confusion or conflicting results.

#### **IV. PROPOSED REVISIONS TO REGISTRY CRITERIA**

NERC is proposing revisions to the NERC Rules of Procedure Appendix 5B: *Statement of Compliance Registry Criteria* to deactivate the registration of entities for three of the 15 functional categories (Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities).<sup>21</sup> NERC also proposes revisions to modify and/or remove existing language related to Transmission Owners, Transmission Operators, Generator Owners, and Generator Operators in

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<sup>21</sup> At this time, there are no proposed revisions with respect to the remaining functional categories. In addition, NERC is not proposing changes to Coordinated Functional Registration (CFR) or the Joint Registration Organization (JRO) agreement NERC Rules of Procedure provisions. NERC recognizes that these revisions may affect some CFRs and JROs because of the proposals in the Risk-Based Registration effort. To the extent these revisions affect CFRs or JROs by removal of certain functional categories or revised Registry Criteria, entities are encouraged to work with their respective Regional Entity.

order to align with the definition of “Bulk Electric System.” In addition, NERC proposes revisions to the Distribution Provider registration criteria.

Provided below is the following: (a) an explanation of the proposed terms “Deactivation” and “Reactivation” and related processes; (b) justification for the proposed Deactivation of registration of entities registered as Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities; and (c) justification for the multiple proposed revisions to the threshold for registering entities as Distribution Providers.

**A. Risk-Based Registration Development Process**

The Risk-Based Registration development process included extensive technical and risk consideration analysis and participation by the Regional Entities and stakeholders. Provided below is an explanation of this analysis and the development process.

NERC facilitated independent technical analysis at the ERO, the Regional Entity, and the industry level. These independent sources reviewed the proposed revisions to the compliance registry and provided input and technical justifications for the revisions. In addition, NERC conducted a three-step process to determine what risk, if any, would be posed by the removal of the three functional categories and the revision to the Distribution Provider registration criteria in the NERC Compliance Registry.

- **Step 1:** A review of enforcement data with particular attention to the level of risk and potential of such violations to cause or exacerbate system disturbances was performed to determine the nature and number of instances of noncompliance relating to the proposed removals to determine what, if any, potential risk to the reliability of the Bulk-Power System may result from removal of these functions from the NERC Compliance Registry.

- **Step 2:** NERC and certain Reliability Coordinators and Planning Coordinators conducted technical analysis to assess if the removal of the Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities, as well as changes to the Distribution Provider criteria, would significantly increase the risk to reliability or have an adverse impact on the Bulk-Power System, and if so, to what degree.
- **Step 3:** Regional Entities and industry responded to a survey as to whether removal of Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities or the proposed threshold change for the Distribution Provider would have an adverse impact on the Bulk-Power System and if so, to what degree.

NERC established the Risk-Based Registration Advisory Group (“Advisory Group”) and the Risk-Based Registration Advisory Group Task Force (“Task Force”) to support and advise the Risk-Based Registration initiative. The Advisory Group is comprised of NERC staff, Regional Entities staff, and U.S. and Canadian industry representatives and was formed to provide input and advice regarding the initiative’s design and implementation. The Task Force is comprised of subject matter experts from NERC, the Regional Entities, and industry. The results of all three steps were assessed by NERC, the Advisory Group, and the Task Force. NERC determined that the proposed changes will not result in any material risk to reliability.

A webinar was conducted on June 6, 2014, to provide industry with an overview of the Risk-Based Registration Initiative. On August 26, 2014, a draft design framework document and technical report were posted. Accompanying changes to the NERC Rules of Procedure were posted for a 45-day comment period from August 26, 2014 through October 10, 2014. Based on comments received from this posting, NERC refined both the proposed revisions to the Rules of Procedure and draft framework. The revisions proposed by the Risk-Based Registration

initiative were endorsed by the Compliance and Certification Committee. The NERC Board of Trustees approved these revisions on November 13, 2014.

## **B. Deactivation and Reactivation Processes**

NERC maintains the NERC Compliance Registry, which identifies each registered entity and the applicable functional categories for which it is registered. The term “Deactivation” refers to removal of an entity from the NERC Compliance Registry for a specific functional category. As a result of Deactivation, the entity is no longer subject to any compliance obligations with respect to Reliability Standards applicable to that functional category. The term “Deactivation” is used rather than “deregistration,” to avoid confusion over an entity’s status because often an entity is registered for more than one functional category. Therefore, if all functional categories have been deactivated for a given entity, such entity would be “deregistered” and removed from the NERC Compliance Registry. However, the entity’s compliance history would be retained.

In addition to the Deactivation process, NERC is also proposing the addition of a Reactivation process to Appendix 5A Section III, part C. “Reactivation” refers to re-registration pursuant to the NERC Rules of Procedure Section 500 and Appendices 5A and 5B of an entity to the NERC Compliance Registry for a specific functional category or the revocation of, or additions to, a sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements) previously granted to an entity. In Section III, part C, NERC proposes a new provision that clarifies that entities can be “reactivated” or “re-registered.” Reactivation would occur where there is a change in circumstances, or where there is a new risk to reliability identified after an entity has been deactivated. Reactivation may be

initiated by NERC, a Regional Entity, or an entity with respect to such entity's own functional categories or sub-set list of Reliability Standards.

*a. Deactivation for Existing Functions in the NERC Compliance Registry*

Registered entities are obligated to update their information in accordance with Section 501.1.3.5 of the NERC Rules of Procedure. Registered entities that believe that they are eligible to deactivate for functional categories are encouraged to discuss this in advance with their Regional Entity. The Regional Entity would in turn notify NERC of changes in registration status. NERC would issue a letter to the registered entity identifying changes in registration status. NERC and the Regional Entity may request additional information, as needed, to process a change in registration status. A quality control step would be added to the registration process to notify relevant entities, including but not limited to, the Planning Authority and Transmission Operator, to ensure deactivation will not cause reliability gaps or issues. NERC and Regional Entities shall act promptly to process registration status changes. Updates to the NERC Compliance Registry are reflected on a monthly basis. Timelines governing deactivation requests and reviews are set forth in the proposed revisions to Appendix 5A. Entities that are deactivated are not required to comply with Reliability Standards applicable to the function that was deactivated as of the date the particular deactivation becomes effective. NERC proposes the term "Deactivation" be included in Appendix 2, *Definitions Used in the Rules of Procedure*.

*b. Deactivation for Functions Removed from the NERC Compliance Registry*

The functional categories that are proposed for removal from the NERC Compliance Registry (*i.e.*, Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities), would be required to take no action. NERC, in concert with the Regional Entities, would remove all such registrations and send a letter to the former entities. Other entities, such as Distribution

Providers that are under 75 MW but are 25 MW or greater, would need to apply for Deactivation, if they do not otherwise meet the other criteria for registration.

**C. Functional Entities Proposed for Removal from the NERC Registry Criteria**

For each functional category proposed for removal, NERC provides below: (a) an analysis of the impact on reliability, and (b) enforcement statistics. Collectively, this information and analysis demonstrates that the proposed removal of Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities is expected to have little to no impact on the reliability of the Bulk-Power System. Reliability Standards that include or otherwise reference Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities would be revised through the standard development process, as appropriate. Any Reliability Standard Requirement that references an entity proposed for deactivation would be moot and not enforceable with respect to that entity.

1. Purchasing-Selling Entities

Purchasing-Selling Entities are the functional entity that purchases or sells, and takes title to, energy, capacity, and reliability-related services. The Risk-Based Registration initiative proposes to remove Purchasing-Selling Entities as functional entities from the NERC Compliance Registry. As demonstrated below, this proposed removal would have little to no effect on the reliability of the Bulk-Power System and this removal is supported by NERC's review of the nature and potential impact of its compliance and enforcement statistics.

*a. Analysis of Impact on Reliability*

Purchasing-Selling Entities are currently subject to the following NERC Reliability Standards:

Reliability Standards Applicable to Purchasing-Selling Entities	
INT-004-3	IRO-005-3.1a
IRO-001-1.1	TOP-005-2a

The removal of Purchasing-Selling Entities as a functional entity, and as a consequence as an applicable entity in the above-referenced Reliability Standards, poses a minimal risk to reliability. The proposed revisions to Reliability Standard IRO-001-4 as part of Project 2014-03 eliminate the Purchasing-Selling Entity from the applicability section and the Project proposes to retire Reliability Standards IRO-005-3.1a and TOP-005-2a. As a result, only one Reliability Standard would be impacted by this proposed change—Reliability Standard INT-004-3. The removal of Purchasing-Selling Entities as a functional entity would effectively retire Requirements R1 and R2 of Reliability Standard INT-004-3, although Requirement R3 (which is applicable to Balancing Authorities), would be retained. Requirement R3 of Reliability Standard INT-004-3 will become effective on the first calendar day two calendar quarters after the North American Energy Standards Board (“NAESB”) Electric Industry Registry is able to accept Pseudo-Tie registrations.<sup>22</sup>

Fundamentally, the function performed by Purchasing-Selling Entities is a market function and not a reliability function. Total interchange (*i.e.*, the sum of individual transactions) rather than individual transactions is important for reliability purposes and this is addressed in the Resource and Demand Balancing (“BAL”) Reliability Standards. The Balancing Authority is responsible for managing interchange and obtains the necessary information from a variety of mechanisms. Therefore, there is little to no risk to reliability created by removing this entity.

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<sup>22</sup> See implementation plan [http://www.nerc.com/pa/Stand/Project%20200812%20Coordinate%20Interchange%20Standards%20DL/Project%202008-12%20CISDT\\_2014Feb26\\_Implementation%20Plan.pdf](http://www.nerc.com/pa/Stand/Project%20200812%20Coordinate%20Interchange%20Standards%20DL/Project%202008-12%20CISDT_2014Feb26_Implementation%20Plan.pdf).



The BAL Reliability Standards (BAL-001-1,<sup>23</sup> BAL-002-1, BAL-005-0) mitigate the risk from deactivation of the Purchasing-Selling Entities because these Reliability Standards require system awareness, updating of the Area Control Error, and confirmation/evaluation of interchange schedules sufficiently incorporate the requirements of Reliability Standard INT-004-3.

Regional Entities confirmed that they would still receive the necessary information for reliability when the Purchasing-Selling Entity function is removed from the NERC Compliance Registry.<sup>24</sup> The responses stated that the Transmission Owners, Planning Coordinators, and Balancing Authorities have sources for the needed data and would have separate methods to collect any remaining information from the responsible data sources.

For example, in the Northeast Power Coordinating Council (“NPCC”) all market participants adhere to the Independent System Operator market rules and tariffs. These tariffs require participants to provide the Independent System Operators with data for their market operation activities. NPCC then collects its data through working groups for both short-term and long-term reliability studies. When the Purchasing-Selling Entity function is removed, NPCC would continue to be able to collect any necessary data through these alternative methods.<sup>25</sup>

The Southwest Power Pool Regional Entity responded that entities in the region performing the activities described under the Purchasing-Selling Entity function, whether registered or not, are still responsible for entering information into the E-Tag system.<sup>26</sup> The Transmission Operator function sends real-time data via the Inter-Control Center Protocol to the Reliability Coordinator for the Load in its area.

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<sup>23</sup> Reliability Standard BAL-001-2 is currently pending Commission approval in Docket No. RM14-10-000.

<sup>24</sup> See **Exhibit C**, Risk-Based Registration: Technical and Risk Considerations at p. 5.

<sup>25</sup> See **Exhibit C**, Risk-Based Registration: Technical and Risk Considerations at p. 12.

<sup>26</sup> *Id.* at p. 5.

Finally, the Texas Regional Entity stated that data is provided each year via the regional planning and reliability analysis to meet NERC requirements.<sup>27</sup> Real-time data and operational planning information would continue to be provided as required by the Electric Reliability Council of Texas regional rules. These examples from the regions illustrate that information can be obtained through existing sources.

*b. Enforcement statistics*

NERC has determined that since June 18, 2007, no violation solely by a Purchasing-Selling Entity has either caused or exacerbated any significant system events.<sup>28</sup> NERC has reviewed the compliance history and the nature of instances of noncompliance relating to Purchasing-Selling Entities and determined that the removal of Purchasing-Selling Entities from the NERC Compliance Registry poses an insignificant risk to the reliability of the Bulk-Power System. All prior instances of noncompliance posed minimal risk to the reliability of the Bulk-Power System. NERC's review of the compliance history determined the reviewed prior instances were representative of the minimal risk Purchasing-Selling Entities pose to continued reliability of the Bulk-Power System. Since the inception of the Administrative Citation Process and later the Find, Fix, Track and Report process, NERC has not filed a single Notice of Penalty applicable solely to a Purchasing-Selling Entity.<sup>29</sup>

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<sup>27</sup> *Id.*

<sup>28</sup> In determining the scope of the compliance and enforcement history for these functions in order to determine risk to the Bulk-Power System from noncompliance with these Standards by these functions, the Advisory Group considered confirmed violations, posted Find, Fix, Track, and Report instances of noncompliance, and compliance exceptions. The results of this initial scope was further refined to include only violations that applied to solely functions recommended for removal from the NERC Compliance Registry. For example, if an entity had a single confirmed violation implicating both its Purchasing-Selling Entity and Generator Operator functions, the Advisory Group would not include the violation as a part of its consideration.

<sup>29</sup> Full Notices of Penalty are reserved for those issues with a serious or substantial risk to the Bulk-Power System. For example, those involving (a) extended outages, (b) loss of load, (c) cascading blackouts, (d) vegetation contacts (e) systemic or significant performance failures; (f) intentional or willful acts or omissions, (g) gross negligence or (h) other misconduct.

The first set of NERC Reliability Standards became mandatory and enforceable on June 18, 2007, and since that time, NERC has processed over 8,000 instances of noncompliance (filed, posted, or compliance exception). Of these, there have been 18 applied to solely a Purchasing-Selling Entity function, and another 2 for combined Purchasing-Selling Entity and Load-Serving Entity functions (11 unique registered entities), representing less than a quarter of a percent of the total number of confirmed instances of noncompliance. Four of these instances were of INT-001 and one was for IRO-STD-006-0, both inactive Standards. The remaining instances of noncompliance consist of: (1) INT-004-1 (10 instances); (2) IRO-001 (1 instance); (3) IRO-005 (1 instance); and (4) TOP-005 (3 instances). Between the proposed revisions eliminating Purchasing-Selling Entities from the applicability section as a part of Project 2014-03 and the proposed retirements of Reliability Standards IRO-005 and TOP-005, only Reliability Standard INT-004 is relevant in analyzing compliance history.

All instances of Reliability Standard INT-004 noncompliance were of minimal risk to the Bulk-Power System. For example, the instances of INT-004 noncompliance were all related to Requirement 2, which requires the updating of Dynamic Interchange Schedule tags.<sup>30</sup> None of these failures led to the need for corrective action or Transmission Loading Reliefs. Finally, either an inter-control center communications protocol network or Supervisory Control and Data Acquisition mitigated the majority of these instances. Additional examples include a minimal

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<sup>30</sup> INT-004-3, Requirement R2 provides: R2. The Purchasing-Selling Entity that submits a Request for Interchange in accordance with Requirement R1 shall ensure the Confirmed Interchange associated with that Dynamic Schedule or Pseudo-Tie is updated for future hours in order to support congestion management procedures if any one of the following occurs:

2.1. For Confirmed Interchange greater than 250 MW for the last hour, the actual hourly integrated energy deviates from the Confirmed Interchange by more than 10% for that hour and that deviation is expected to persist.

2.2. For Confirmed Interchange less than or equal to 250 MW for the last hour, the actual hourly integrated energy deviates from the Confirmed Interchange by more than 25 MW for that hour and that deviation is expected to persist.

2.3. The Purchasing-Selling Entity receives notification from a Reliability Coordinator or Transmission Operator to update the Confirmed Interchange.

risk due to either the scheduled energy profile and the actual average energy profile both being significantly less than the 250 MW in any hour, or due to a short duration (eight hours or less) of the tag not being updated.

Based on this compliance history and the nature of the violations of these Requirements relating to Purchasing-Selling Entities, the removal of Purchasing-Selling Entities from the NERC Compliance Registry poses an insignificant risk to the reliability of the Bulk-Power System.

## 2. Interchange Authorities

Pursuant to the NERC Functional Model, the term “Interchange Authority” was changed to “Interchange Coordinator.” Interchange Authorities/Coordinators are the functional entity that ensures communication of Arranged Interchange for reliability evaluation purposes and coordinates implementation of valid and balanced Confirmed Interchange between Balancing Authority Areas. The Risk-Based Registration initiative proposes to remove Interchange Authorities as functional entities from the NERC Compliance Registry. However, as a result of this proposed change, no entities will be deregistered given that all currently registered Interchange Authorities are also registered as either a Balancing Authority or Reliability Coordinator.

Interchange refers to energy transfers that cross Balancing Authority boundaries. An Interchange Transaction begins with a Request for Interchange, which is a collection of data for implementing an energy transfer between one or more Balancing Authorities. The “Source Balancing Authority” is the Balancing Authority in which the generation (or source) is located. The “Sink Balancing Authority” is the Balancing Authority in which the load (or sink) is located. If there is another Balancing Authority on the scheduling path of an Interchange Transaction, it is

known as an “Intermediate Balancing Authority.” The Interchange Authority essentially performs a quality control function in verifying and approving interchange schedules and communicating that information given that the BAL standards require the Balancing Authority to manage total interchange (e.g, BAL-006-2), as do the INT standards (e.g., INT-006-4 and INT-009-2).

*a. Analysis of Impact on Reliability*

Interchange Authorities are currently subject to the following NERC Reliability Standards:

Reliability Standards Applicable to Interchange Authorities		
CIP-002-3	CIP-006-3c	CIP-009-3
CIP-003-3	CIP-006-5	CIP-009-5 <sup>31</sup>
CIP-003-3a <sup>32</sup>	CIP-007-3a	CIP-010-1 <sup>33</sup>
CIP-003-5 <sup>34</sup>	CIP-007-3b <sup>35</sup>	CIP-011-1 <sup>36</sup>
CIP-004-3a	CIP-007-5 <sup>37</sup>	IRO-10-1a
CIP-005-3a	CIP-008-3	
CIP-005-5 <sup>38</sup>	CIP-008-5 <sup>39</sup>	

The removal of Interchange Authorities as a functional entity, and as a consequence as an applicable entity in the above-referenced Reliability Standards, poses a minimal risk to reliability.

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<sup>31</sup> This standard is subject to future enforcement.  
<sup>32</sup> This interpretation is pending regulatory filing.  
<sup>33</sup> This standard is subject to future enforcement.  
<sup>34</sup> This standard is subject to future enforcement.  
<sup>35</sup> This interpretation is pending regulatory filing.  
<sup>36</sup> This standard is subject to future enforcement.  
<sup>37</sup> This standard is subject to future enforcement.  
<sup>38</sup> This standard is subject to future enforcement.  
<sup>39</sup> This standard is subject to future enforcement.

For the Critical Infrastructure Protection (“CIP”) Standards, NERC has determined that all Interchange Authorities are also registered as either Balancing Authorities or Reliability Coordinators and therefore would still be responsible for compliance with those Standards.

The proposed revisions to Reliability Standard IRO-010-1a as part of Project 2014-03 remove the Interchange Authority entity from the applicability section. The proposed removal of “Interchange Authorities” from the NERC Compliance Registry is consistent with the recently approved revisions to the body of Interchange Scheduling and Coordination Reliability Standards, which also removed this function from several Reliability Standards and associated definitions.<sup>40</sup>

*b. Enforcement statistics*

NERC has determined that since June 18, 2007, no violation solely by an Interchange Authority has either caused or exacerbated any significant system events. NERC has reviewed the compliance history and the nature of instances of noncompliance relating to Interchange Authorities and determined that the removal of this function from the NERC Compliance Registry poses an insignificant risk to the reliability of the Bulk-Power System. NERC’s review of the compliance history determined the reviewed prior instances were representative of the minimal risk Interchange Authorities pose to continued reliability of the Bulk-Power System.

Of the approximately 8,000 unique confirmed violations or posted issues, there has been only one instance of noncompliance applied to solely the Interchange Authority function. This instance related to Reliability Standard CIP-002, was included in a Find, Fix, Track, and Report posting and posed a minimal risk to the reliability of the Bulk-Power System. The noncompliance occurred because the senior manager signed the annual approval 19 days late,

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<sup>40</sup> *N. Am. Elec. Reliability Corp.*, Docket No. RD14-4-000 (unpublished letter order)(June 30, 2014).

although the annual review of the Critical Assets and Critical Cyber Asset list did occur on time. The entity at issue in this noncompliance is no longer included on the NERC Compliance Registry as an Interchange Authority. Based upon this compliance history and the nature of the issue, potential violations by Interchange Authorities pose little risk to the reliability of the Bulk-Power System.

### 3. Load-Serving Entities

Load-Serving Entities largely perform a commercial contracting function as the functional entity that secures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers. Ownership of Bulk Electric System assets (or any physical assets) is not a condition for registration as a Load-Serving Entity; owners and operators of Bulk Electric System Elements are registered as other functions. The Risk-Based Registration initiative proposes to remove Load-Serving Entities as functional entities from the NERC Compliance Registry. The rethinking of the role of Load-Serving Entities has been suggested as a reasonable approach in prior Commission orders concerning the registration of entities.<sup>41</sup> For reliability purposes, NERC has concluded that any responsibilities of Load-Serving Entities that have a reliability impact are duplicative of those performed by other reliability functions. Such responsibilities are addressed by Resource Planners, and Balancing Authorities pursuant to Reliability Standards that are applicable to these two entities, as explained below.

#### *a. Analysis of Impact on Reliability*

Load-Serving Entities are currently subject to the following NERC Reliability Standards:

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<sup>41</sup> See *Direct Energy Services, LLC*, 125 FERC ¶ 61,057 at P 28 (2008) (“While the rethinking of the role of the [Load-Serving Entity] or revision of certain Reliability Standards is a reasonable approach in the long-term, the Commission is concerned that these approaches will require a considerable period of time to implement, leaving a gap in reliability in the meantime.”).

Reliability Standards Applicable to Load-Serving Entities		
BAL-005-0.2b	CIP-009-3	MOD-020-0
CIP-002-3	EOP-002-3.1 <sup>42</sup>	MOD-021-1
CIP-002-3b <sup>43</sup>	FAC-002-1	MOD-031-1 <sup>44</sup>
CIP-003-3	INT-011-1	MOD-032-1
CIP-003-3a <sup>45</sup>	IRO-001-1.1	NUC-001-2.1
CIP-004-3a	IRO-005-3.1a	NUC-001-3 <sup>46</sup>
CIP-005-3a	IRO-010-1a	TOP-001-1a
CIP-006-3c	MOD-004-1	TOP-002-2.1b
CIP-007-3a	MOD-017-0.1	PRC-010-0
CIP-007-3b	MOD-018-0	PRC-022-1
CIP-008-3	MOD-019-0.1	

In total, 31 Reliability Standards apply to Load-Serving Entities, and of these, 11 are CIP Reliability Standards.<sup>47</sup> The Commission-approved CIP Version 5 Standards have removed the Load-Serving Entity as an applicable function and substituted the Distribution Provider function. Version 5 has removed Load-Serving Entities as a Responsible Entity function because the standard drafting team determined that Load-Serving Entities do not own applicable assets. The CIP Version 5 transition guidance states that for those Responsible Entities that do not have any Critical Assets or Critical Cyber Assets under the CIP Version 3 Standards, Regional Entities will forgo off-site audits of the CIP Reliability Standards during the Transition Period.<sup>48</sup> During this transition period, the ERO will not be assessing Load-Serving Entity CIP compliance (*i.e.*

<sup>42</sup> Reliability Standard EOP-011-1, which merges EOP-001-2.1b, EOP-002-3.1 and EOP-003-2 proposes to remove Load-Serving Entities as an applicable entity and was approved by the NERC Board of Trustees on November 13, 2014. See <http://www.nerc.com/pa/Stand/Stand/Pages/Project-2009-03-Emergency-Operations.aspx>.

<sup>43</sup> This interpretation is pending regulatory filing.

<sup>44</sup> Reliability Standard MOD-031-1 is pending Commission approval in Docket No. RM14-12-000 and proposes to retire Reliability Standards MOD-017-0.1, MOD-018-0, MOD-019-0.1, MOD-020-0 and MOD-021-1.

<sup>45</sup> This interpretation is pending regulatory filing.

<sup>46</sup> Reliability Standard NUC-001-3 supersedes Reliability Standard NUC-001-2.1 and is effective January 1, 2016.

<sup>47</sup> As noted herein, two versions of Reliability Standard NUC-001 are included for completeness, but counted only once for purposes of the total number of applicable standards, given that only one version is effective at any given point in time.

<sup>48</sup> Available at: <http://www.nerc.com/pa/CI/Documents/V3-V5%20Transition%20Guidance%20FINAL.pdf>.



the Regional Entities will not be conducting CIP Compliance Audits) until the entities become Responsible Entities as Distribution Providers under Version 5, therefore deregistering Load-Serving Entities at this time should not create a gap in reliability.

Apart from the risk-based registration initiative, there are a number of standard development projects that are proposing to remove Load-Serving Entities as an applicable entity, including:

- Project 2008-02: Proposed Reliability Standards PRC-010-1 and PRC-022-2, propose to remove Load-Serving Entities as an applicable entity. PRC-010-1 and PRC-022-1 (which are applicable to Load-Serving Entities) are proposed for retirement as part of this project.
- Project 2009-03: Proposed Reliability Standard EOP-011-1, which merges EOP-001-2.1b, EOP-002-3.1 and EOP-003-2, is proposing to remove Load-Serving Entities as an applicable entity.<sup>49</sup>
- Project 2014-03: Proposed Reliability Standard IRO-001-4 (which supersedes IRO-001-1.1) removes Load-Serving Entities as an applicable entity and substitutes the Distribution Provider function. Load-Serving Entities and Purchasing-Selling Entities have been removed from IRO-001-1.1 as they are not listed as entities that the Reliability Coordinator directs in the NERC Functional Model. Proposed Reliability Standard TOP-001-3 removes Load-Serving Entities as an applicable entity. IRO-005-3.1a and IRO-010-1a (which are applicable to Load-Serving Entities) are proposed for retirement as part of this project.

Given these proposed changes, only nine Reliability Standards would remain applicable to Load-Serving Entities (BAL-005-0.2b; FAC-002-1; INT-011-1; MOD-004-1; MOD-020-0; MOD-031-1; MOD-032-1, NUC-001-2.1; and TOP-002-2.1b). For these reasons, the removal of Load-Serving Entities as a functional entity, and as a consequence as an applicable entity in the above-referenced Reliability Standards, poses a minimal risk to reliability.

NERC has considered the appropriate role of Load-Serving Entities with respect to NERC Reliability Standards since 2008. NERC has acknowledged that Distribution Providers

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<sup>49</sup> Reliability Standard EOP-011-1 was approved by the NERC Board of Trustees on November 13, 2014.

should be responsible for compliance with many of the Reliability Standards assigned to Load-Serving Entities. As noted above, a Load-Serving Entity is an entity that “secures energy and transmission service to serve the electrical demand and energy requirements of its end-use customers.” This definition is consistent with the fact that most of the Load-Serving functions involve contracting rather than physical operations of the Bulk-Power System. Conversely, the Reliability Standards currently listed as applicable to Load-Serving Entities relate almost exclusively to equipment and physical operations. Viewed in this light, it becomes clear that the Requirements currently assigned to Load-Serving Entities are not actions or responsibilities an entity that secures energy contracts performs. This disconnect is resolved by the proposed removal of “Load-Serving Entities” as an applicable entity.

Several NERC Reliability Standards are applicable to both Load-Serving Entities and Distribution Providers (*e.g.*, FAC-002-1, PRC-010-0, PRC-022-1). Other registered functions already actually carry out certain activities assigned to Load-Serving Entities. For example, Distribution Providers and/or Transmission Owners, which are already subject to the current load-shedding reliability standards, typically carry out load shedding because Load-Serving Entities do not typically own or operate any equipment. For Bulk-Power System reliability purposes, NERC concluded that Load-Serving Entity responsibilities are adequately covered by other reliability functions.

Specifically, across a range of varying market and corporate structures, reliability tasks assigned to Load-Serving Entities (to the extent they are not duplicative of Distribution Provider requirements) generally are either performed by the Resource Planner or Balancing Authority under Reliability Standards, or covered by tariffs, interconnection agreements, or other similar requirements. Thus, for example, while there are Reliability Standards, such as MOD-017, that

are applicable only to Load-Serving Entities and no other functions, the proposed elimination of Load-Serving Entities does not create a reliability gap because the objectives of those Reliability Standards are met through other existing functional entity obligations, so there is insufficient risk to Bulk-Power System reliability to warrant continued Load-Serving Entity registration.

Reliability Standard INT-011 ensures that Load-Serving Entities with intra-Balancing Authority deals submit a Request for Interchange unless it is entered into a congestion management procedure. This standard targets older or grandfathered deals, and none of the entities registered solely for the Load-Serving Entity function have any of these deals. Further, the NAESB standard, Electronic Tagging Functional Specification, requires e-tag data be included for point-to-point transactions including grandfathered deals. For these reasons, the proposed removal of Load-Serving Entities is not expected to create a gap in reliability.

*b. Enforcement statistics*

NERC has determined that since June 18, 2007, no violation solely by a Load-Serving Entity has either caused or exacerbated any significant system events. NERC has reviewed the compliance history and the nature of instances of noncompliance relating to Load-Serving Entities and determined that the removal of this function from the NERC Compliance Registry poses an insignificant risk to the reliability of the Bulk-Power System. NERC's review of the compliance history determined the reviewed prior instances were representative of the minimal risk Load-Serving Entities pose to continued reliability of the Bulk-Power System. Of the approximately 8,000 unique confirmed violations or posted issues, there have been 397 (4.96%) instances of noncompliance applied to solely Load-Serving Entity function, and another two (included above as well in the Purchasing-Selling Entity count) that were for Load-Serving Entity and Purchasing-Selling Entity combined. Of these 397 violations, 370 (93.67%) were of

Standards that are or would no longer be applicable to the Load-Serving Entity function. As discussed above, the only Reliability Standards that would remain applicable to Load-Serving Entities are BAL-005-0.2b, FAC-002-1, INT-011-1, MOD-004-1, MOD-020-0, MOD-031-1, MOD-032-1, NUC-001-2.1, and TOP-002-2.1b). The remaining 27 instances of noncompliance with these Reliability Standards represent only approximately a third of a percent of all unique confirmed violations or posted issues.

Of these 27 remaining instances of noncompliance of the nine Reliability Standards that would remain applicable to Load-Serving Entities, nine instances of noncompliance were for entities that are no longer on the NERC Compliance Registry—all of the 27 instances posed only a minimal risk to the Bulk-Power System. These instances of noncompliance were of Reliability Standards IRO-005-1 (1 instance), MOD-019 (1 instance), MOD-020 (1 instance), and MOD-021 (1 instance), and TOP-002 (23 instances, 9 of which were for entities no longer on the NERC Compliance Registry).

The single Reliability Standard IRO-005 violation was of Requirement 13 and was filed in the Omnibus filing NP10-2-000. The three MOD violations were all self-reported by the same Registered Entity and were posted in a Find, Fix, Track and Report in 2012. These instances were caused by an internal communication and administrative oversight. For the MOD noncompliance, the Load-Serving Entity at issue did not have any interruptible demands or Demand-Side Management programs, and any response to the Regional Entity's request would have been null.

The Reliability Standard TOP-002 instances of noncompliance included eight instances of noncompliance with TOP-002, Requirement R3 and 15 instances of noncompliance with Requirement R18. The noncompliance with Requirement R3 posed minimal risk. For example,

one instance was caused by an email error where the entity had transmitted the information but the transmittal failed; in another, the required data reporting was actually being performed by other entities on behalf of the Load-Serving Entity. The Requirement R18 instances of noncompliance similarly posed a minimal risk. Examples of the Requirement R18 instances of noncompliance include insufficient documentation that neighboring entities used uniform line identifiers where the Regional Entities found that the Load-Serving Entity at issue did in fact use uniform line identifiers; they just did not have adequate documentation of that fact. Based upon this compliance history and the nature of the issues, potential noncompliance by Load-Serving Entities pose little risk to the reliability of the Bulk-Power System.

#### **D. Threshold for Distribution Providers**

Distribution Providers are the functional entities that interconnect an end-use customer Load and the electric system for the transfer of electrical energy to the end-use customer. Distribution Providers provide and operate the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the Distribution Provider. Thus, the Distribution Provider is not defined by a specific voltage, but rather as performing the distribution function at any voltage.

NERC proposes to raise the peak load threshold for Distribution Providers from 25 MW to 75 MW and to reflect that an entity’s system must be “directly connected” to the Bulk Electric System. Distribution Providers below 75 MW will be retained if they own or operate Protection Systems such as Under Voltage Load Shedding, Special Protection Systems, Remedial Action Schemes, or other transmission Protection Systems. Based on the Risk-Based Registration design, the Distribution Provider is proposed to be defined as follows:

*III(a) Distribution Provider:*

*III.a.1. Distribution Provider system serving > 75 MW of peak Load that is directly connected to the BES;<sup>50</sup> or*

*III.a.2. Distribution Provider is the responsible entity that owns, controls, or operates Facilities that are part of any of the following Protection Systems or programs designed, installed, and operated for the protection of the BES:<sup>51</sup>*

- *A required Under-Voltage Load Shedding (UVLS) program and/or*
- *A required Special Protection System or Remedial Action Scheme and/or;*
- *A required transmission Protection System; or*

*III.a.3. Distribution Provider that is responsible for providing services related to Nuclear Plant Interface Requirements (NPIRs) pursuant to an executed agreement; or*

*III.a.4. Distribution Provider with field switching personnel identified as performing unique tasks associated with the Transmission Operator's restoration plan that are outside of their normal tasks.*

Sections III.a.3 and III.a.4 are newly proposed provisions related to Reliability Standards. Section III.a.3 mirrors the applicability of Reliability Standard NUC-001-2.1 and version NUC-001-3 (recently approved in Docket No. RD14-13-000). Section III.a.4 mirrors the applicability of Reliability Standard EOP-005-2 and Requirement R11, which is the only Requirement applicable to Distribution Providers. Reliability Standard EOP-005-2 is applicable to “Distribution Providers identified in the Transmission Operators restoration plan.” Requirement R11 provides:

R11. Each Transmission Operator, each applicable Transmission Owner, and each applicable Distribution Provider shall provide a minimum of two hours of System

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<sup>50</sup> Ownership, control or operation of Underfrequency Load Shedding (“UFLS”) Protection System(s) needed to implement a required UFLS Program designed for the protection of the Bulk Electric System does not affect an entity’s eligibility for registration pursuant to III.a.1.

<sup>51</sup> As used in Section III.a.2, “protection of the BES” means protection to prevent instability, Cascading, or uncontrolled separation of the Bulk Electric System and not for local voltage issues (Under voltage load shedding) or local line loading management (Special Protection Systems) that are demonstrated to be contained within a local area.

restoration training every two calendar years to their field switching personnel identified as performing unique tasks associated with the Transmission Operator's restoration plan that are outside of their normal tasks.

The proposed language in III.a.4 marries together the form and function of both the applicability section and Requirement R11 of Reliability Standard EOP-005-2.

*a. Analysis of Impact on Reliability*

NERC conducted a survey of Planning Coordinators in order to assess the impact of modifying the criteria for Distribution Providers and an analysis was conducted by Reliability Coordinators to determine the consequences of the proposed changes. All survey respondents stated that no gaps in reliability would be created by raising the Distribution Provider threshold to 75 MW.<sup>52</sup> Reliability Coordinators have removed over 40 Distribution Providers/Load-Serving Entities from the NERC Compliance Registry since November 2013 and have continued to receive operating data necessary to properly monitor the Bulk-Power System.<sup>53</sup>

The increase in the threshold for Distribution Providers is also consistent with the thresholds of Inclusion I2 (Generating Resources), Inclusion I4 (Dispersed Power Producing Resources) and Exclusion E1 (Radial Systems) of the revised Bulk Electric System definition.

*b. Enforcement statistics*

NERC has determined that since June 18, 2007, no violation solely by a Distribution Provider has either caused or exacerbated any significant system events. NERC has reviewed the compliance history and the nature of instances of noncompliance relating to currently registered Distribution Providers that, due to the recommended revisions to Appendix 5B, will potentially

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<sup>52</sup> See **Exhibit C**, Risk-Based Registration: Technical and Risk Considerations at pp. 13-19.

<sup>53</sup> See *South Louisiana Electric Cooperative Assoc.*, 145 FERC ¶ 61,232 (2013).

be deregistered and determined that the proposed revisions would not pose a significant risk to the reliability of the Bulk-Power System. NERC's review of the compliance history determined the reviewed prior instances were representative of the minimal risk these types of Distribution Providers pose to continued reliability of the Bulk-Power System.

Of the over 8,000 unique instances of noncompliance NERC has processed since 2007, only eight violations (from five unique entities), or .1% of the total confirmed instances of noncompliance, have been for entities that may potentially be deactivated for the Distribution Provider function. None of the noncompliance posed a serious risk to the Bulk-Power System and NERC processed all as either Spreadsheet Notices of Penalty or posted in a Find, Fix, Track and Report. All of these violations were of Reliability Standard PRC-005, four were for Requirement 1 and four were for Requirement 2.

NERC filed two of the instances with moderate risk to the reliability of the Bulk-Power System. The first involved a failure to provide maintenance and testing intervals and the basis for those intervals for 100% of transmission Protection System relays, battery systems, and voltage and current sensing devices. However, the risk was mitigated by the fact the entity was performing monthly inspections of the devices, the devices were monitored by Supervisory Control and Data Acquisition and state estimators, and inspecting personnel had never reported any problems.

The second instance failed to test all ten of the entity's transmission relays within a five-year interval—the testing was five months late. The potential risk was mitigated because all other Protection System devices were tested and maintained within the intervals stated in the program and the entity had alarming in place via a Supervisory Control and Data Acquisition



system, which would have immediately notified its headquarters and operations supervisors of any device failures.

The remaining six instances of noncompliance all posed a minimal risk to the reliability of the Bulk-Power System. Most of these instances were due to documentation errors or failure to retain evidence of testing. The remaining represented small percentages (5% or less) of missed devices. In several instances, although the entities failed to document a basis for the maintenance and testing intervals in their Programs, they did actually include maintenance and testing intervals in its Program and completed such testing.

Based on this compliance history and the nature of the violations of these Requirements relating to Distribution Providers that NERC has identified as possibly being eligible for deregistration from the NERC Compliance Registry, NERC has determined such deregistration poses an insignificant risk to the reliability of the Bulk-Power System.

## **V. RISK-BASED APPLICATION OF RELIABILITY STANDARDS**

The risk-based application of Reliability Standards allows NERC to apply sub-sets of Reliability Standards to either individual entities or a class of entities, based on the relevant entities' characteristics. While this is not a new concept, as explained below, NERC is proposing to explicitly include this authority in the NERC Rules of Procedure for clarity. In addition, NERC proposes to establish a sub-set list of Reliability Standards for Distribution Providers that own, control, or operate Underfrequency Load Shedding Protection Systems and do not meet the other criteria for registration as a Distribution Provider.

### **A. Background: Applicability of Reliability Standards**

Reliability Standards include an applicability section that sets forth the functional entities subject to the standard and can also specify the applicable facilities. However, NERC can also

apply sub-sets of Reliability Standards through an exercise of its discretion as part of the registration process, to determine whether a particular Reliability Standard or requirement shall apply to an entity. While NERC cannot expand the applicability of a Reliability Standard, it can narrow it, based on a review of either individual characteristics or common characteristics of a class of entities.

NERC has authority to determine whether a Reliability Standard should apply to a particular entity, or class of entities, based on specific facts and circumstances.

The Commission acknowledged this in Order No. 785 (at PP 52-53):<sup>54</sup>

We leave open the possibility that in some cases, the interconnection facilities may be so extensive that the entity should not only be registered as a transmission owner or operator, but should be subject to all of the Reliability Standards and requirements applicable to such an entity. In other cases, it may be appropriate to waive a significant portion of the standards or requirements generally applicable to transmission owners and operators, even if the entity is technically registered as a transmission owner or operator.

However, consistent with our prior decisions in Harquahala and Cedar Creek, we clarify that for the anticipated small number of generator owners and operators owning facilities deemed to be “complex” and therefore potentially subject to additional Reliability Standards, NERC should evaluate, in consultation with the Regional Entity, which Reliability Standards should apply to the particular entity based on the specific facts and circumstances. We further clarify that the generator owner or operator should only be obligated to comply with those Reliability Standards and requirements necessary to close the identified reliability gap. To the extent that disputes remain about the appropriate application of Reliability Standards and requirements, we note that generator owners and operators continue to have the right to bring any such dispute to the Commission.

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<sup>54</sup> *Generator Requirements at the Transmission Interface*, Order No. 785, 144 FERC ¶ 61,221 at PP 52-53 (2013)(internal citation omitted)(emphasis added).

Thus, the proposed revisions to the NERC Rules of Procedure and the codification of NERC’s authority to apply Reliability Standards to particular entities based on their unique facts and circumstances are consistent with Commission precedent.

**B. Sub-set of Reliability Standards for Underfrequency Load Shedding-Only Distribution Providers**

As explained below, NERC proposes that Underfrequency Load Shedding-only Distribution Provider or “UFLS-Only Distribution Providers” be required to comply only with NERC and Regional Entity PRC-006 Reliability Standards.<sup>55</sup> A “UFLS-Only Distribution Provider” is a Distribution Provider that is the responsible entity that owns, controls, or operates Underfrequency Load Shedding Protection System(s) needed to implement a required Underfrequency Load Shedding Program designed for the protection of the Bulk Electric System, but that does not meet any of the other criteria for registration as a Distribution Provider.

While there are existing Reliability Standards that are applicable to Underfrequency Load Shedding -Only Distribution Providers by the terms of the standards (*e.g.*, PRC-005), NERC has determined to exercise its discretion to apply a sub-set of Reliability Standards to Underfrequency Load Shedding -Only Distribution Providers (which consists of only NERC and Regional Entity PRC-006 Reliability Standards at this time). Sub-set lists of Reliability Standards will be publicly available and maintained periodically.

As provided in the proposed revisions to Appendix 5B, *Statement of Compliance Registry Criteria*, Underfrequency Load Shedding-Only Distribution Providers would be subject to Reliability Standards that identify UFLS-Only Distribution Providers in the applicability

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<sup>55</sup> Regional Reliability Standard PRC-006-NPCC-1 and PRC-006-SERC-01 will also apply.

section.<sup>56</sup> Reliability Standards that identify “Distribution Providers” would not be applicable to Underfrequency Load Shedding -Only Distribution Providers. Reliability Standards PRC-005-2, PRC-005-3, and PRC-008-0 are not applicable to Underfrequency Load Shedding-Only Distribution Providers. Reliability Standards that apply to Distribution Providers will not apply to Underfrequency Load Shedding-Only Distribution Providers, unless explicitly stated in the applicability section.

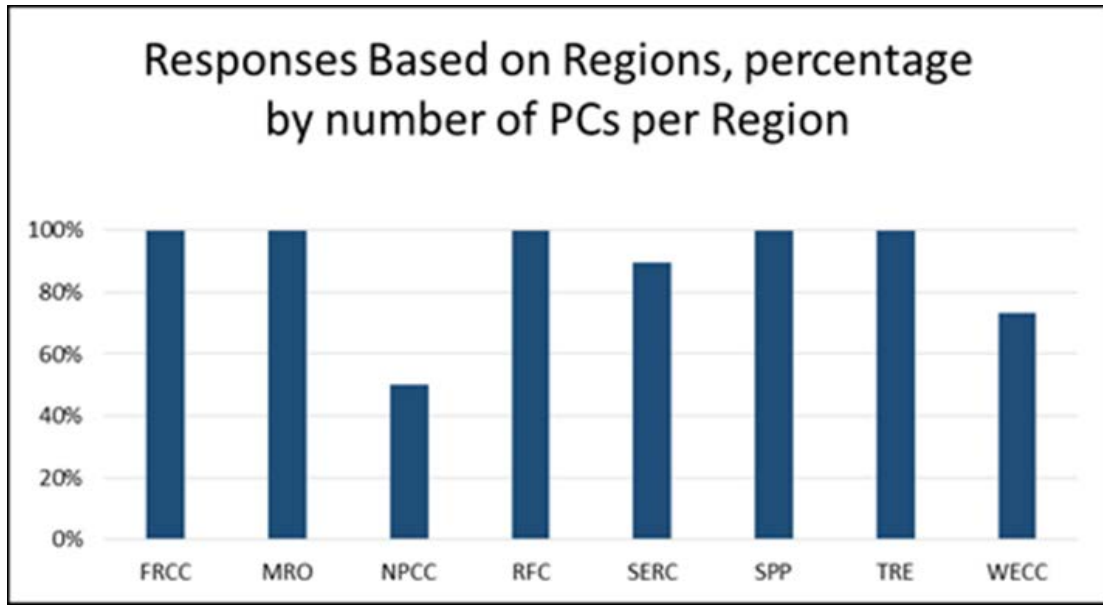
Reliability Standard PRC-005 was excluded because due to technological advances, a majority of the newer or modern relays being deployed to the industry today (71%) are self-maintaining and self-checking.<sup>57</sup> This trend continues with several electromechanical relays replaced with one microprocessor relay. The possible reliability benefits of continuing to enforce compliance with PRC-005’s 12-year testing requirements by small UFLS-Only Distribution Providers is further diminished by the risk associated with the mere act of opening up a relay for inspection and maintenance.

Of the 74 registered Planning Coordinators in the United States, representing approximately 800,000 MW of peak load, 64 Planning Coordinators, representing 680,000 MW (85%) of U.S. peak load, responded to the NERC survey described below. NERC submits that this sample size is representative of the total population.

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<sup>56</sup> “UFLS-Only Distribution Providers” are not currently included in the NERC Functional Model or in the Glossary of Terms Used in NERC Reliability Standards, therefore, applicability to UFLS-Only Distribution Providers may occur via the identification of “Distribution Providers” as the functional entity and through the identification of UFLS facilities in the facilities part of the applicability section.

<sup>57</sup> See **Exhibit C**, Risk-Based Registration: Technical and Risk Considerations at p. 17.



Of those respondents, Planning Coordinators representing 472,000 MW of load have Underfrequency Load Shedding programs in which Distribution Providers under 75 MW participate. Those Distribution Providers located in these Planning Coordinators areas represent approximately 3,500 MW of load nationwide. As noted above, NERC proposes that Underfrequency Load Shedding -Only Distribution Providers will be subject to compliance solely with Reliability Standard PRC-006. NERC bases this proposal on its conclusion that Underfrequency Load Shedding programs in the United States can withstand 10-25% of the relays of these small entities failing to operate due to maintenance not being performed in accordance with PRC-005, without significant negative effects. Assuming a very conservative 25% Underfrequency Load Shedding failure rate for Underfrequency Load Shedding -Only Distribution Providers, as a result of the elimination of PRC-005 obligations for such entities, 100-250 MW of the load studied in this analysis would fail to trip, making the predicted Underfrequency Load Shedding-armed load at risk of failing to trip less than 0.44%. Assessing the risk in this manner is appropriate because Underfrequency Load Shedding operates on an area basis, and so failure of a few relays does not pose a significant risk. Based on the

respondents’ data submittals, the reported information regarding small Distribution Providers’ contributions to Underfrequency Load Shedding programs is believed to be representative of the NERC-wide distribution, and major concentrations do not exist in the unreported data that significantly exceed those reported on a regional basis or Planning Coordinator basis. Based on the analysis, requiring Underfrequency Load Shedding-Only Distribution Providers to comply with only NERC and Regional Entity Reliability Standards PRC-006 would sustain reliability, and not significantly increase the risk to reliability. This information is summarized in Table 1, below.

<b>Table 1: Evaluation of Peak Demand and Distribution Provider UFLS Screening</b>	
U.S. Peak Load	~800,000 MW
Total Planning Coordinator load reported (population analyzed)	680,000 MW
Total load of Planning Coordinators with DPs <75 MW	472,000 MW
Total DP load <75 MW	3,500 MW
Number of DPs <75 MW contributing to Planning Coordinator’s UFLS program	52 (out of 485)
Planning Coordinator load armed with UFLS (for Planning Coordinators with DPs <75 MW, 25% to 30% of total Planning Coordinator load)	118,000 to 142,000 MW
Reported load shedding contribution to UFLS Programs by DPs <75 MW	1,000 MW
Load contribution to the Planning Coordinator’s UFLS program	0.44 % to 0.73 %
Projected armed UFLS load failing to trip because of UFLS relay failures (10-25%) due to not being maintained per PRC-005	100 to 250 MW
Predicted percentage of UFLS-armed load at risk of failing to trip	<0.44%

For these reasons, NERC proposes that Underfrequency Load Shedding-only Distribution Providers or “UFLS-Only Distribution Providers” be required to comply only with NERC and Regional Entity PRC-006 Reliability Standards. Other Reliability Standards that apply to Distribution Providers, including but not limited to PRC-005-2, PRC-005-3, and PRC-008-0, would not apply to UFLS-Only Distribution Providers, unless UFLS-Only Distribution Providers

are explicitly included in the applicability section of these Reliability Standards in future revisions and/or versions.

**C. Process for Applying for a Sub-set List of Reliability Standards for Underfrequency Load Shedding-only Distribution Providers**

The process for an entity to qualify as a “UFLS-Only Distribution Provider” is detailed in Appendix 5A, Organization Registration and Certification Manual. In order to qualify as a “UFLS-Only Distribution Provider,” an entity would be required to apply to the appropriate Regional Entity and within 50 days of the entity’s submission of the registration information to the Regional Entity, the Regional Entity would issue a decision as to whether UFLS-Only Distribution Provider treatment is appropriate.

If the Regional Entity concludes that it is, then the Regional Entity shall forward the information to NERC and NERC will forward the proposed additions or changes to the NERC Compliance Registry to the Regional Entity for review and comment. The Regional Entity has five business days to respond to the proposed changes. If NERC does not receive any comments, the NERC Compliance Registry will be revised. If NERC receives comments, NERC will work with the Regional Entity to the extent changes are needed to the NERC Compliance Registry and will revise accordingly. If the entity whose registration is at issue does not agree with the Regional Entity’s decision regarding UFLS-Only Distribution Provider treatment, the entity may, within 30 days of issuance of the decision, seek review by the NERC-led review panel in Appendix 5A, Organization Registration and Organization Certification Manual, Section III.D. If the entity whose registration is at issue does not agree with the determination of the NERC-led review panel, the entity may file an appeal with the NERC Board Compliance Committee in accordance with the provisions set forth in Section V of Appendix 5A.

## **VI. PROCEDURAL IMPROVEMENTS TO REGISTRATION**

There are several proposed procedural improvements to registration requirements, roles, and responsibilities, including: (1) the establishment of a materiality test for registration evaluation of whether or not an entity has a material impact on reliability; (2) a review process for certain registration decisions, including requests for sub-set lists of Reliability Standards; (3) development of a common registration form to facilitate uniformity in Regional Entity collection of the information from registration candidates regardless of where they are located in North America; and (4) one-time attestations that allow entities to record that a specific Reliability Standard requirement is “Not Applicable.”<sup>58</sup>

### **A. Materiality Test**

The proposed changes to the Registry Criteria ensure that those who own or operate Bulk Electric System Elements are eligible for registration as owners and operators. Under both the current registration program and the proposed revisions, if an entity meets the Registry Criteria thresholds (Sections I – IV), there is a rebuttable presumption that it has a material impact on the reliability of the Bulk-Power System and it is eligible for registration by NERC and the Regional Entities. NERC and the Regional Entities may exercise discretion *not* to pursue registration of an entity that meets the Registry Criteria thresholds if registration is unwarranted by reliability considerations. In addition, where registration is pursued, an entity that meets the Registry Criteria may nevertheless be able to demonstrate through a materiality test that it is not material to reliability and should not be registered. Conversely, the materiality test may be used to establish that an entity that does not meet the Registry Criteria thresholds should be registered because it does have a material impact on reliability.

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<sup>58</sup> As noted herein, NERC is not requesting Commission action on the Common Registration Form or One-Time Attestations, as these administrative improvements do not require changes to the NERC Rules of Procedure.



The following non-exclusive list of questions has been identified as relevant to assessing an entity's materiality to reliability. These factors are not determinative of an entity's materiality; additional factors may be relevant based on specific facts and circumstances.

1. Is the entity specifically identified in the emergency operation plans and/or restoration plans of an associated Reliability Coordinator, Balancing Authority, Generator Operator or Transmission Operator?
2. Will intentional or inadvertent removal of an Element owned or operated by the entity, or a common mode failure of two Elements as identified in the Reliability Standards (for example, loss of two Elements as a result of a breaker failure), lead to a reliability issue on another entity's system (such as a neighboring entity's Element exceeding an applicable rating, or loss of non-consequential load due to a single contingency). Conversely, will such contingencies on a neighboring entity's system result in Reliability Standards issues on the system of the entity in question?
3. Can the normal operation, misoperation or malicious use of the entity's cyber assets cause a detrimental impact (*e.g.*, by limiting the operational alternatives) on the operational reliability of an associated Balancing Authority, Generator Operator or Transmission Operator?
4. Can the normal operation, Misoperation or malicious use of the entity's Protective Systems (including Underfrequency Load Shedding, Undervoltage Load Shedding, Special Protection Systems, Remedial Action Schemes, and other Protection Systems protecting Bulk Electric System Facilities) cause an adverse impact on the operational reliability of an associated Balancing Authority, Generator Operator or Transmission Operator, or the automatic load shedding programs of a Planning Coordinator or Transmission Planner (Underfrequency Load Shedding, Undervoltage Load Shedding)?

## **B. Review Process**

To maintain consistency and oversight in registration among NERC and the Regional Entities, the proposed revisions establish a NERC-led, centralized review panel to evaluate requests for: (1) deactivation of, or decisions not to register, an entity that meets Sections I through IV of the Registry Criteria; (2) requests to add an entity that does not meet (*i.e.*, falls below) Sections I through IV of the Registry Criteria; (3) disputes regarding the application of Sections I through IV of the Registration Criteria; and (4) requests for a sub-set list of applicable

Reliability Standards. As explained below, this process is detailed in Appendix 5A, Organization Registration and Certification Manual.

The NERC-led review panel would be comprised of a standing pool of individuals with relevant expertise from NERC and each of the Regional Entities. NERC would select the panel members for a given matter from the standing pool. Panel members for a given matter would need to comply with Subsection 7 of Section 403 of the NERC Rules of Procedure, could not be employed by the Regional Entity whose determination is being reviewed or have otherwise participated in the review of the registration matter, and would need to have the required technical background to evaluate registration matters. Once the review panel makes a decision on one of the matters outlined above, the decision (including the basis) would be shared throughout the ERO and posted publicly on the NERC website, with confidential information redacted in accordance with Section 1500 of the NERC Rules of Procedure.

1. Burden of Proof—Statement of Compliance Registry Criteria, Sections I-IV

With respect to review of the application of the criteria contained in the Statement of Compliance Registry Criteria Sections I through IV, the burden of proof is on NERC and the Regional Entity to demonstrate that an entity meets the Registry Criteria for registration.

2. Burden of Proof – Materiality

The burden of proof with respect to the materiality test, set forth in Appendix 5B, *Statement of Compliance Registry Criteria*, is on the entity making the request, *i.e.*, the entity asking to be excluded from the NERC Compliance Registry (despite satisfying the threshold criteria) and the Regional Entity seeking to include an entity in the NERC Compliance Registry (that does not satisfy the threshold criteria).

### 3. Burden of Proof – Sub-set List of Reliability Standards

The burden of proof with respect to a determination as to whether an entity's compliance obligations should be limited to only a specified sub-set of otherwise applicable Reliability Standards is on the entity requesting such treatment. However, where NERC has established clearly defined criteria for eligibility for a sub-set of applicable Reliability Standards (which may specify Requirements/sub-Requirements) and has identified the sub-set list that may apply to similarly situated entities (*e.g.*, Underfrequency Load Shedding-Only Distribution Providers), the burden of proof to demonstrate that an entity does not meet the criteria for such a sub-set list would be on the Regional Entity and NERC. NERC is continuing to take a measured and balanced approach in determining potential eligibility for additional groups of similarly situated entities.

#### **C. Common Registration Form**

The NERC Registration Functional Group has collaborated with the Regional Entities to develop a common registration form to ensure consistency during the registration process. The use of a common form will facilitate uniformity in Regional Entity collection of the information from registration candidates regardless of where they are located. NERC intends the common form and future IT interface to, among other things, capture key factors relevant to an assessment of an entity's inherent risk without undue complexity. An entity's inherent risk is a function of the potential risks posed by an individual registered entity to the reliability of the Bulk-Power System. Regional Entities determine an entity's inherent risk through periodic assessments that identify relevant factors such as system design, configuration, size, culture of compliance, and any other appropriate indicators on a case-by-case basis.

Risk-Based Registration must necessarily address potential impacts on business processes and tools needed to support the program within both the ERO and industry. In addition, entity risk assessments should take into account information from “neighbor” surveys that Regional Entities issue to Reliability Coordinators as part of certification and other activities to ensure coordination with adjacent entities. This survey approach also may increase awareness and tracking by NERC, Regional Entities, and Reliability Coordinators of entities within each Reliability Coordinator’s footprint and help identify needed revisions to an entity’s registration.

**D. One-time Attestations**

With respect to self-certifications and other compliance monitoring activities, NERC would permit registered entities to record a one-time attestation of “Not Applicable” to a given Reliability Standard requirement. These attestations are appropriate where an existing physical or technical limitation makes a requirement inapplicable, or where the requirement is not applicable for another reason. For example, if the registered entity does not own or operate Underfrequency Load Shedding or Undervoltage Load Shedding assets, it should simply use the “Not applicable” designation.

The Regional Entity would then carry forward this declaration from year-to-year, without requiring the registered entity to repeat the attestation each year, unless circumstances materially change requiring the need for the registered entity to notify the appropriate Regional Entity. NERC or the Regional Entity would have the ability to verify the recordation is correct, on an as-needed basis, but this should be infrequent. In addition, NERC and the Regional Entities should allow multi-Region registered entities to provide a single, one-time attestation to its Lead Regional Entity, updated as needed. In each case, NERC and the Regional Entities would have the opportunity to audit to verify the single attestation is true and correct.

## **VII. PROPOSED REVISIONS TO RULES OF PROCEDURE**

In order to implement the proposed Risk-Based Registration initiative, NERC proposes revisions to the following sections of the NERC Rules of Procedure:

- Section 302: Essential Attributes for Technically Excellent Reliability Standards
- Section 501: Scope of the Organization Registration and Organization Certification Programs
- Appendix 2: Definitions Used in the Rules of Procedure
- Appendix 3D: Registered Ballot Body Criteria
- Appendix 5A: Organization Registration and Certification Manual
- Appendix 5B: Statement of Compliance Registry Criteria

These proposed revisions are discussed in detail on a section-by-section basis, below.

### **A. Section 302: Essential Attributes for Technically Excellent Reliability Standards**

In Section 302.1, NERC proposes to remove references to “Interchange Authorities,” “Load-Serving Entities,” and “Purchasing-Selling Entities” from the list of functional classes to which Reliability Standards may apply, consistent with the proposed removal of these three functional registration categories from Appendix 5B, *Statement of Compliance Registry Criteria*.

### **B. Section 501: Scope of the Organization Registration and Organization Certification Programs**

In Section 501.1, NERC proposes to add Section 501.1.6. This new provision formalizes the availability for a registered entity to submit a request to the Regional Entity at any time for Deactivation or for limitation of its compliance obligations to a sub-set list of Reliability Standards in accordance with Appendix 5A and Appendix 5B.

NERC also proposes to add Section 501.1.7 establishing a NERC-led, centralized review panel, comprised of a NERC lead with Regional Entity participants, in accordance with Appendix 5A and Appendix 5B.

**C. Appendix 2: Definitions Used in the Rules of Procedure**

NERC proposes to add two new definitions to Appendix 2- “deactivation” and “reactivation.” These terms are intended to provide clarity regarding the potential stages of registration for an entity.

“Deactivation” refers to removal of an entity from the NCR for a specific functional category. As a result of deactivation, the entity is no longer subject to any prospective compliance obligations with respect to Reliability Standards applicable to that functional category.”

“Reactivation” refers to re-registration pursuant to the NERC Rules of Procedure Section 500 and Appendices 5A and 5B of an entity to the NCR for a specific functional category or the revocation of, or additions to, a sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements) that has been granted to an entity. Reactivation may be initiated by NERC, a Regional Entity or an entity with respect to such entity’s own functional categories or sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements).

In addition, NERC proposes to update the definitions of “Generator Operator” and “Generator Owner” to align them with the new Bulk Electric System Definition that became effective on July 1, 2014. Specifically, the references to “generating units” are replaced with “generating Facilities,” *i.e.*, Bulk Electric System generation.

**D. Appendix 5A: Organization Registration and Certification Manual**

Appendix 5A of the NERC Rules of Procedure, Organization Registration and Certification Manual, defines the process for identifying which functional entities must register as owners, operators, and users of the Bulk-Power System for compliance with NERC Reliability

Standards and defines the process for certifying Reliability Coordinators, Balancing Authorities and Transmission Operators.

In Sections I and II, NERC proposes to clarify that the functional registration categories are defined in Appendix 5B, *NERC Statement of Compliance Registry Criteria*. In addition, NERC proposes to remove references to the “Load-Serving Entity,” “Purchasing-Selling Entity,” and “Interchange Authority” entities from lists of functional registration categories, as a result of the proposed removal of these three functional registration categories from Appendix 5B, *Statement of Compliance Registry Criteria*. NERC proposes to add a section regarding service, which clarifies acceptable forms of service. This provision would apply to various types of documents under Appendix 5A, including extensions of time or decisions by the NERC-led review panel.

NERC proposes to add a reference to the NERC-led review panel in accordance with Appendix 5A, *Organization Registration and Organization Certification Manual*, Section III.C and Appendix 5B, *Statement of Compliance Registry Criteria*. Other typographical, clarifying and conforming changes also are made in these two sections.

In Section III, part A, NERC proposes to clarify that entities to be registered for the first time and existing entities that are seeking changes in registration status, including entities that are requesting a sub-set list of applicable Reliability Standards (which specifies the Reliability Standards and may specify Requirements/sub-Requirements), are subject to the registration process steps in Section III of Appendix 5A. The proposed modifications make clear that, at any time, an entity whose registration status is at issue may request expedited treatment and waiver of applicable timelines. Registration processes also are clarified with respect to roles, responsibilities and timing. A new provision also sets out registration processes with respect to

entities that are subject to registration as Distribution Providers that qualify as the new UFLS-Only Distribution Providers.

In Section III, part B, NERC proposes a new provision that sets forth a formalized process for requests for “deactivation,” which results in removal of an entity from the NERC Compliance Registry for specific functional categories and eliminates prospective compliance obligations with associated Reliability Standards for such functional categories.

In Section III, part C, NERC proposes a new provision that clarifies that entities can be “reactivated” or “re-registered.” Where there is a change in circumstances, or where there is a new risk to reliability that is identified, reactivation can be initiated by NERC, a Regional Entity or an entity with respect to the entity’s own functional categories or sub-set list of Reliability Standards. In Section III, part D, NERC proposes that a NERC-led review panel would evaluate requests for Deactivation or decisions not to register, an entity that meets Sections I through IV of the Registry Criteria or requests to add an entity that does not meet (*i.e.*, falls below) Sections I through IV of the Registry Criteria, as well as disputes regarding the application of Sections I through IV of the Registration Criteria and case-by-case requests for a sub-set list of applicable Reliability Standards (which may specify the Requirements/sub-Requirements). Figure A has been updated to depict the proposed revisions described herein.

Section IV contains minor typographical edits. Proposed revisions to Section V clarify that Registered Entities may appeal decisions regarding its listing, functional assignments and determinations regarding the applicability of a sub-set of Reliability Standards. Section V also includes a provision to allow NERC to extend timelines for good cause shown. Section VI contains minor typographical edits.



## **E. Appendix 5B: Statement of Compliance Registry Criteria**

Throughout Appendix 5B, NERC proposes several streamlining and conforming edits, including the use of acronyms for commonly used terms and elimination of outdated or extraneous language. The proposed changes include use of the term “Bulk Electric System,” when referring to the newly defined term, and use of the term “Bulk-Power System,” when referring to the boundaries of NERC and FERC jurisdiction.

NERC proposes to update the definitions of “Generator Operator” and “Generator Owner” to align them with the new Bulk Electric System Definition that became effective on July 1, 2014 and in conformance with the updated definitions in Appendix 2, Definitions Used in the Rules of Procedure. Specifically, the term “units” is replaced with the term “Facilities.” NERC proposes to delete the terms “Interchange Authority,” “Purchasing-Selling Entity,” and “Load-Serving Entity,” wherever they appear, in conformance with the proposed removal of these three functional registration categories from Appendix 5B, *Statement of Compliance Registry Criteria*.

With respect to the Distribution Provider function, there are several proposed revisions to the threshold criteria. First, the existing language regarding direct connection is retained, consistent with NERC’s clarification that it is the entity’s system that is “directly connected” to the Bulk Electric System. In addition, the threshold is increased to 75 MW, while retaining or adding other criteria for registration such as owning or operating Protection Systems important for reliability (Undervoltage Load Shedding, Special Protection Systems or Remedial Action Schemes, and transmission Protection Systems), responsibility for operating a cranking path, or responsibilities for providing services to a nuclear plant. The proposed revisions include the

applicability term “UFLS-Only Distribution Providers.” These entities would only be responsible for complying with NERC and Regional Entity PRC-006 Reliability Standards. .

Section III proposes to remove language that includes Generator Owner/Operators and Transmission Owner/Operators because this criteria is included within the definition of “Bulk Electric System,” and thus in the Section II definitions of Generator Owners/Generator Operators and Transmission Owners/Transmission Operators through the use of the defined term “Facilities” in these definitions. Removal of the Section III language regarding these functional entities ensures full alignment between the Bulk Electric System definition (including the results of the Bulk Electric System exception process) and the Registry Criteria, removing the potential for contradictory results.

Note 1 in the Notes to the above Criteria section adds a new materiality test. This test is comprised of a non-exclusive list of factors for consideration regarding an entity’s material impact on the reliability of the Bulk Electric System. This list recognizes NERC’s existing authority to limit the compliance obligations of a given entity to sub-sets of Reliability Standards (which may specify the applicable Requirements/sub-Requirements).

Note 5 in the Notes to the above Criteria section memorializes NERC’s existing authority to limit the compliance obligations of a given entity registered for a particular function or similarly situated class of entities, as warranted based on the particular facts and circumstances, to a sub-set list of Reliability Standards (which may specify Requirements/sub-Requirements).

## **VIII. CONCLUSION**

As explained herein, three reforms are at the heart of the Risk-based Registration initiative—(1) modifications to the NERC Registry Criteria, including the removal of three functional registration categories (Purchasing-Selling Entities, Interchange Authorities, and Load-Serving Entities), modifications to the threshold for registering entities as Distribution Providers, and alignment of five functional registration categories to the definition of “Bulk Electric System” (Transmission Owners, Transmission Operators, Generator Owners, Generator Operators, and Distribution Providers); (2) the risk-based application of sub-set lists of Reliability Standards, as warranted and supported by technical and risk consideration review and analysis, for entities (including Underfrequency Load Shedding-Only Distribution Providers); and (3) procedural improvements to the registration process. These proposed reforms strengthen the registration process, ensure that the right entities are subject to the right set of Reliability Standards, using a consistent approach to risk assessment and registration, and are an important development in NERC’s approach to managing risks to reliability. Additionally, NERC commits to submitting an informational filing within one year of final Commission action in order to ensure that there are no unintended consequences to reliability as a result of the instant proposal.

For the reasons set forth above, NERC respectfully requests that the Commission approve the proposed revisions to the NERC Rules of Procedure included in **Exhibit A**, effective as proposed herein.

Respectfully submitted,

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Date: December 11, 2014

## **Exhibit A**

Proposed NERC Rules of Procedure:

Sections 100 through 1700

Appendix 2 Definitions Used in the Rules of Procedure

Appendix 5A Organization Registration and Certification Manual

Appendix 5B Statement of Compliance Registry Criteria

# Rules of Procedure

Effective: DATE  
(as noted below)

Sections 509 and 1703 and the highlighted text in Section 1701 will become effective on July 1, 2014 in accordance with the Bulk Electric System Order (Order No. 773) and the June 13, 2013 Order Granting Extension of Time.

The highlighted terms “Real and Reactive Power” in Section 302.2 and “Loads” in Sections 501.1.4.4, 804, and 1102.2 will become effective as defined terms on July 1, 2014 in accordance with the Bulk Electric System Order (Order No. 773) and the June 13, 2013 Order Granting Extension of Time. See Appendix 2 of the Rules of Procedure.

**TABLE OF CONTENTS**

**SECTION 100 — APPLICABILITY OF RULES OF PROCEDURE..... 1**

**SECTION 200 — DEFINITIONS OF TERMS ..... 2**

**SECTION 300 — RELIABILITY STANDARDS DEVELOPMENT ..... 3**

301. General ..... 3

302. Essential Attributes for Technically Excellent Reliability Standards..... 3

303. Relationship between Reliability Standards and Competition ..... 5

304. Essential Principles for the Development of Reliability Standards ..... 6

305. Registered Ballot Body..... 6

306. Standards Committee..... 8

307. Standards Process Management ..... 8

308. Steps in the Development of Reliability Standards ..... 9

309. Filing of Reliability Standards for Approval by Applicable Governmental Authorities..... 9

310. Annual Reliability Standards Development Plan ..... 10

311. Regional Entity Standards Development Procedures ..... 11

312. Regional Reliability Standards ..... 13

313. Other Regional Criteria, Guides, Procedures, Agreements, Etc..... 16

314. Conflicts with Statutes, Regulations, and Orders ..... 16

315. Revisions to NERC Standard Processes Manual..... 17

316. Accreditation ..... 17

317. Five-Year Review of Reliability Standards..... 17

318. Coordination with the North American Energy Standards Board ..... 17

319. Archived Standards Information ..... 17

320. Procedure for Developing and Approving Violation Risk Factors and Violation Severity Levels ..... 18

321. Special Rule to Address Certain Regulatory Directives ..... 18

**SECTION 400 — COMPLIANCE ENFORCEMENT ..... 22**

401. Scope of the NERC Compliance Monitoring and Enforcement Program ..... 22

402. NERC Oversight of the Regional Entity Compliance Monitoring and Enforcement Programs 25

403. Required Attributes of Regional Entity Compliance Monitoring and Enforcement Programs . 29

404. NERC Monitoring of Compliance for Regional Entities or Bulk Power Owners, Operator, or Users ..... 35

405. Monitoring of Reliability Standards and Other Requirements Applicable to NERC..... 36

406. Independent Audits of the NERC Compliance Monitoring and Enforcement Program ..... 37

407. Penalties, Sanctions, and Remedial Action Directives ..... 37

408. Review of NERC Decisions ..... 38

409. Appeals from Final Decisions of Regional Entity Hearing Bodies ..... 39

410. Hold Harmless ..... 40

411. Requests for Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Reliability Standards..... 40

412. Certification of Questions from Regional Entity Hearing Bodies for Decision by the NERC Board of Trustees Compliance Committee..... 41

413. Review and Processing of Regional Entity Hearing Body Final Decisions that Are Not Appealed..... 41

414. Appeals of Decisions of Regional Entity Hearing Bodies Granting or Denying Motions to Intervene in Regional Entity Hearing Body Proceedings..... 42

**SECTION 500 — ORGANIZATION REGISTRATION AND CERTIFICATION ..... 44**

501.	Scope of the Organization Registration and Organization Certification Programs .....	44
502.	Organization Registration and Organization Certification Program Requirements .....	48
503.	Regional Entity Implementation of Organization Registration and Organization Certification Program Requirements .....	49
504.	Appeals .....	51
505.	Program Maintenance.....	51
506.	Independent Audit of NERC Organization Registration and Organization Certification Program .....	51
507.	Provisions Relating to Joint Registration Organizations (JRO) .....	52
508.	Provisions Relating to Coordinated Functional Registration (CFR) Entities .....	53
509.	Exceptions to the Definition of the Bulk Electric System.....	54
<b>SECTION 600 — PERSONNEL CERTIFICATION .....</b>		<b>55</b>
601.	Scope of Personnel Certification .....	55
602.	Structure of ERO Personnel Certification Program.....	55
603.	Examination and Maintenance of NERC System Operator Certification Credentials.....	56
604.	Dispute Resolution Process.....	57
605.	Disciplinary Action.....	58
606.	Candidate Testing Mechanisms.....	60
607.	Public Information About the Personnel Certification Program .....	61
608.	Responsibilities to Applicants for Certification or Re-Certification .....	61
609.	Responsibilities to the Public and to Employers of Certified Practitioners.....	62
<b>SECTION 700 — RELIABILITY READINESS EVALUATION AND IMPROVEMENT AND FORMATION OF SECTOR FORUMS.....</b>		<b>63</b>
701.	Confidentiality Requirements for Readiness Evaluations and Evaluation Team Members .....	63
702.	Formation of Sector Forum .....	63
<b>SECTION 800 — RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS.....</b>		<b>64</b>
801.	Objectives of the Reliability Assessment and Performance Analysis Program .....	64
802.	Scope of the Reliability Assessment Program.....	64
803.	Reliability Assessment Reports .....	65
804.	Reliability Assessment Data and Information Requirements .....	66
805.	Reliability Assessment Process .....	67
806.	Scope of the Reliability Performance and Analysis Program.....	69
807.	Analysis of Major Events .....	69
808.	Analysis of Off-Normal Occurrences, Bulk Power System Performance, and Bulk Power System Vulnerabilities.....	70
809.	Reliability Benchmarking.....	71
810.	Information Exchange and Issuance of NERC Advisories, Recommendations and Essential Actions.....	71
811.	Equipment Performance Data.....	72
<b>SECTION 900 — TRAINING AND EDUCATION .....</b>		<b>73</b>
901.	Scope of the Training and Education Program.....	73
902.	Continuing Education Program .....	73
<b>SECTION 1000 — SITUATION AWARENESS AND INFRASTRUCTURE SECURITY.....</b>		<b>75</b>
1001.	Situation Awareness .....	75
1002.	Reliability Support Services .....	75
1003.	Infrastructure Security Program .....	76



<b>SECTION 1100 — ANNUAL NERC BUSINESS PLANS AND BUDGETS.....</b>	<b>79</b>
1101. Scope of Business Plans and Budgets .....	79
1102. NERC Funding and Cost Allocation .....	79
1103. NERC Budget Development .....	79
1104. Submittal of Regional Entity Budgets to NERC .....	80
1105. Submittal of NERC and Regional Entity Budgets to Governmental Authorities for Approval	80
1106. NERC and Regional Entity Billing and Collections.....	81
1107. Penalty Applications.....	82
1108. Special Assessments .....	83
<b>SECTION 1200 — REGIONAL DELEGATION AGREEMENTS .....</b>	<b>84</b>
1201. Pro Forma Regional Delegation Agreement.....	84
1202. Regional Entity Essential Requirements .....	84
1203. Negotiation of Regional Delegation Agreements.....	84
1204. Conformance to Rules and Terms of Regional Delegation Agreements.....	84
1205. Sub-delegation.....	84
1206. Nonconformance to Rules or Terms of Regional Delegation Agreement.....	84
1207. Regional Entity Audits .....	85
1208. Process for Considering Registered Entity Requests to Transfer to Another Regional Entity..	85
<b>SECTION 1300 — COMMITTEES .....</b>	<b>88</b>
1301. Establishing Standing Committees.....	88
1302. Committee Membership .....	88
1303. Procedures for Appointing Committee Members.....	88
1304. Procedures for Conduct of Committee Business .....	88
1305. Committee Subgroups .....	89
<b>SECTION 1400 — AMENDMENTS TO THE NERC RULES OF PROCEDURE .....</b>	<b>90</b>
1401. Proposals for Amendment or Repeal of Rules of Procedure .....	90
1402. Approval of Amendment or Repeal of Rules of Procedure.....	90
<b>SECTION 1500 — CONFIDENTIAL INFORMATION.....</b>	<b>91</b>
1501. Definitions .....	91
1502. Protection of Confidential Information .....	91
1503. Requests for Information.....	92
1504. Employees, Contractors and Agents.....	94
1505. Provision of Information to FERC and Other Governmental Authorities.....	94
1506. Permitted Disclosures .....	94
1507. Remedies for Improper Disclosure.....	94
<b>SECTION 1600 — REQUESTS FOR DATA OR INFORMATION .....</b>	<b>96</b>
1601. Scope of a NERC or Regional Entity Request for Data or Information.....	96
1602. Procedure for Authorizing a NERC Request for Data or Information .....	96
1603. Owners, Operators, and Users to Comply .....	97
1604. Requests by Regional Entity for Data or Information .....	97
1605. Confidentiality .....	98
1606. Expedited Procedures for Requesting Time-Sensitive Data or Information .....	98
<b>SECTION 1700 — CHALLENGES TO DETERMINATIONS.....</b>	<b>100</b>
1701. Scope of Authority.....	100
1702. Challenges to Determinations by Planning Coordinators Under Reliability Standard	

**Rules of Procedure of the North American Electric Reliability Corporation**

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1703. PRC-023.....100  
Challenges to NERC Determinations of BES Exception Requests Under Section 509.....102

## **SECTION 100 — APPLICABILITY OF RULES OF PROCEDURE**

NERC and NERC Members shall comply with these Rules of Procedure. Each Regional Entity shall comply with these Rules of Procedure as applicable to functions delegated to the Regional Entity by NERC or as required by an Applicable Governmental Authority or as otherwise provided.

Each Bulk Power System owner, operator, and user shall comply with all Rules of Procedure of NERC that are made applicable to such entities by approval pursuant to applicable legislation or regulation, or pursuant to agreement.

Any entity that is unable to comply or that is not in compliance with a NERC Rule of Procedure shall immediately notify NERC in writing, stating the Rule of Procedure of concern and the reason for not being able to comply with the Rule of Procedure.

NERC shall evaluate each case and inform the entity of the results of the evaluation. If NERC determines that a Rule of Procedure has been violated, or cannot practically be complied with, NERC shall notify the Applicable Governmental Authorities and take such other actions as NERC deems appropriate to address the situation.

NERC shall comply with each approved Reliability Standard that identifies NERC or the Electric Reliability Organization as a responsible entity. Regional Entities shall comply with each approved Reliability Standard that identifies Regional Entities as responsible entities. A violation by NERC or a Regional Entity of such a Reliability Standard shall constitute a violation of these Rules of Procedure.

## **SECTION 200 — DEFINITIONS OF TERMS**

Definitions of terms used in the NERC Rules of Procedure are set forth in **Appendix 2, *Definitions Used in the Rules of Procedure.***

## **SECTION 300 — RELIABILITY STANDARDS DEVELOPMENT**

### **301. General**

NERC shall develop and maintain Reliability Standards that apply to Bulk Power System owners, operators, and users and that enable NERC and Regional Entities to measure the reliability performance of Bulk Power System owners, operators, and users; and to hold them accountable for Reliable Operation of the Bulk Power Systems. The Reliability Standards shall be technically excellent, timely, just, reasonable, not unduly discriminatory or preferential, in the public interest, and consistent with other applicable standards of governmental authorities.

### **302. Essential Attributes for Technically Excellent Reliability Standards**

1. **Applicability** — Each Reliability Standard shall clearly identify the functional classes of entities responsible for complying with the Reliability Standard, with any specific additions or exceptions noted. Such functional classes<sup>1</sup> include: Reliability Coordinators, Balancing Authorities, Transmission Operators, Transmission Owners, Generator Operators, Generator Owners, Transmission Service Providers, market operators, Planning Authorities, Transmission Planners, Resource Planners, and Distribution Providers. Each Reliability Standard shall also identify the geographic applicability of the Reliability Standard, such as the entire North American Bulk Power System, an Interconnection, or within a Region. A Reliability Standard may also identify any limitations on the applicability of the Reliability Standard based on electric Facility characteristics.
2. **Reliability Objectives** — Each Reliability Standard shall have a clear statement of purpose that shall describe how the Reliability Standard contributes to the reliability of the Bulk Power System. The following general objectives for the Bulk Power System provide a foundation for determining the specific objective(s) of each Reliability Standard:
  - 2.1 **Reliability Planning and Operating Performance**— Bulk Power Systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions.
  - 2.2 **Frequency and Voltage Performance**— The frequency and voltage of Bulk Power Systems shall be controlled within defined limits through the balancing of Real and Reactive Power supply and demand.

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<sup>1</sup> These functional classes of entities are derived from NERC's Reliability Functional Model. When a Reliability Standard identifies a class of entities to which it applies, that class must be defined in the Glossary of Terms Used in NERC Reliability Standards.

- 2.3 **Reliability Information** — Information necessary for the planning and operation of reliable Bulk Power Systems shall be made available to those entities responsible for planning and operating Bulk Power Systems.
  - 2.4 **Emergency Preparation** — Plans for emergency operation and system restoration of Bulk Power Systems shall be developed, coordinated, maintained, and implemented.
  - 2.5 **Communications and Control** — Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of Bulk Power Systems.
  - 2.6 **Personnel** — Personnel responsible for planning and operating Bulk Power Systems shall be trained and qualified, and shall have the responsibility and authority to implement actions.
  - 2.7 **Wide-Area View** — The reliability of the Bulk Power Systems shall be assessed, monitored, and maintained on a Wide-Area basis.
  - 2.8 **Security** — Bulk Power Systems shall be protected from malicious physical or cyber attacks.
3. **Performance Requirement or Outcome**— Each Reliability Standard shall state one or more performance Requirements, which if achieved by the applicable entities, will provide for a reliable Bulk Power System, consistent with good utility practices and the public interest. Each Requirement is not a “lowest common denominator” compromise, but instead achieves an objective that is the best approach for Bulk Power System reliability, taking account of the costs and benefits of implementing the proposal.
  4. **Measurability** — Each performance Requirement shall be stated so as to be objectively measurable by a third party with knowledge or expertise in the area addressed by that Requirement. Each performance Requirement shall have one or more associated measures used to objectively evaluate compliance with the Requirement. If performance can be practically measured quantitatively, metrics shall be provided to determine satisfactory performance.
  5. **Technical Basis in Engineering and Operations**— Each Reliability Standard shall be based upon sound engineering and operating judgment, analysis, or experience, as determined by expert practitioners in that particular field.
  6. **Completeness** — Reliability Standards shall be complete and self-contained. The Reliability Standards shall not depend on external information to determine the required level of performance.

7. **Consequences for Noncompliance** — In combination with guidelines for Penalties and sanctions, as well as other ERO and Regional Entity compliance documents, the consequences of violating a Reliability Standard are clearly presented to the entities responsible for complying with the Reliability Standards.
8. **Clear Language** — Each Reliability Standard shall be stated using clear and unambiguous language. Responsible entities, using reasonable judgment and in keeping with good utility practices, are able to arrive at a consistent interpretation of the required performance.
9. **Practicality** — Each Reliability Standard shall establish Requirements that can be practically implemented by the assigned responsible entities within the specified effective date and thereafter.
10. **Consistent Terminology** — To the extent possible, Reliability Standards shall use a set of standard terms and definitions that are approved through the NERC Reliability Standards development process.

### **303. Relationship between Reliability Standards and Competition**

To ensure Reliability Standards are developed with due consideration of impacts on competition, to ensure Reliability Standards are not unduly discriminatory or preferential, and recognizing that reliability is an essential requirement of a robust North American economy, each Reliability Standard shall meet all of these market-related objectives:

1. **Competition** — A Reliability Standard shall not give any market participant an unfair competitive advantage.
2. **Market Structures** — A Reliability Standard shall neither mandate nor prohibit any specific market structure.
3. **Market Solutions** — A Reliability Standard shall not preclude market solutions to achieving compliance with that Reliability Standard.
4. **Commercially Sensitive Information** — A Reliability Standard shall not require the public disclosure of commercially sensitive information or other Confidential Information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with Reliability Standards.
5. **Adequacy** — NERC shall not set Reliability Standards defining an adequate amount of, or requiring expansion of, Bulk Power System resources or delivery capability.

### **304. Essential Principles for the Development of Reliability Standards**

NERC shall develop Reliability Standards in accordance with the NERC *Standard Processes Manual*, which is incorporated into these Rules of Procedure as **Appendix 3A**. Appeals in connection with the development of a Reliability Standard shall also be conducted in accordance with the NERC *Standard Processes Manual*. Any amendments or revisions to the *Standard Processes Manual* shall be consistent with the following essential principles:

1. **Openness** — Participation shall be open to all Persons and who are directly and materially affected by the reliability of the North American Bulk Power System. There shall be no undue financial barriers to participation. Participation shall not be conditional upon membership in NERC or any other organization, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements.
2. **Transparency** — The process shall be transparent to the public.
3. **Consensus-building** — The process shall build and document consensus for each Reliability Standard, both with regard to the need and justification for the Reliability Standard and the content of the Reliability Standard.
4. **Fair Balance of Interests** — The process shall fairly balance interests of all stakeholders and shall not be dominated by any two Segments as defined in **Appendix 3D**, *Development of the Registered Ballot Body*, of these Rules of Procedure, and no single Segment, individual or organization shall be able to defeat a matter.
5. **Due Process** — Development of Reliability Standards shall provide reasonable notice and opportunity for any Person with a direct and material interest to express views on a proposed Reliability Standard and the basis for those views, and to have that position considered in the development of the Reliability Standards.
6. **Timeliness** — Development of Reliability Standards shall be timely and responsive to new and changing priorities for reliability of the Bulk Power System.

### **305. Registered Ballot Body**

NERC Reliability Standards shall be approved by a Registered Ballot Body prior to submittal to the Board and then to Applicable Governmental Authorities for their approval, where authorized by applicable legislation or agreement. This Section 305 sets forth the rules pertaining to the composition of, and eligibility to participate in, the Registered Ballot Body.



1. **Eligibility to Vote on Reliability Standards** — Any person or entity may join the Registered Ballot Body to vote on Reliability Standards, whether or not such person or entity is a Member of NERC.
2. **Inclusive Participation** — 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 eligibility criteria for a Segment is entitled to belong to and vote in each Segment for which it qualifies, subject to limitations defined in Sections 305.3 and 305.5.
3. **General Criteria for Registered Ballot Body Membership** — The general criteria for membership in the Segments are:
  - 3.1 **Multiple Segments** — A corporation or other organization with integrated operations or with affiliates that qualifies to belong to more than one Segment (e.g., Transmission Owners and Load-Serving Entities) may join once in each Segment for which it qualifies, provided that each Segment constitutes a separate membership and the organization is represented in each Segment by a different representative. Affiliated entities are collectively limited to one membership in each Segment for which they are qualified.
  - 3.2 **Withdrawing from a Segment or Changing Segments** — After its initial registration in a Segment, each registered participant may elect to withdraw from a Segment or apply to change Segments at any time.
  - 3.3 **Review of Segment Criteria** — The Board shall review the qualification guidelines and rules for joining Segments at least every three years to ensure that the process continues to be fair, open, balanced, and inclusive. Public input will be solicited in the review of these guidelines.
4. **Proxies for Voting on Reliability Standards** — Any registered participant may designate an agent or proxy to vote on its behalf. There are no limits on how many proxies an agent may hold. However, for the proxy to be valid, NERC must have in its possession written documentation signed by the representative of the registered participant that the voting right by proxy has been transferred from the registered participant to the agent.
5. **Segments** — The specific criteria for membership in each Registered Ballot Body Segment are defined in the *Development of the Registered Ballot Body in Appendix 3D*.
6. **Review of Segment Entries** — NERC shall review all applications for joining the Registered Ballot Body, and shall make a determination of whether the applicant's self-selection of a Segment satisfies at least one of the guidelines to

belong to that Segment. The entity shall then become eligible to participate as a voting member of that Segment. The Standards Committee shall resolve disputes regarding eligibility for membership in a Segment, with the applicant having the right of appeal to the Board.

### **306. Standards Committee**

The Standards Committee shall provide oversight of the Reliability Standards development process to ensure stakeholder interests are fairly represented. The Standards Committee shall not under any circumstance change the substance of a draft or approved Reliability Standard.

1. **Membership** — The Standards Committee is a representative committee comprising representatives of two members of each of the Segments in the Registered Ballot Body and two officers elected to represent the interests of the industry as a whole.
2. **Elections** — Standards Committee members are elected for staggered (one per Segment per year) two-year terms by the respective Segments in accordance with the *Procedure for the Election of Members of the NERC Standards Committee*, which is incorporated into these Rules of Procedure as **Appendix 3B**. Segments may use their own election procedure if such a procedure is ratified by two-thirds of the members of a Segment and approved by the Board.
3. **Canadian Representation**  
  
The Standards Committee will include Canadian representation as provided in **Appendix 3B**, *Procedure for the Election of Members of the NERC Standards Committee*.
4. **Open Meetings** — All meetings of the Standards Committee shall be open and publicly noticed on the NERC website.

### **307. Standards Process Management**

NERC shall assign a standards process manager to administer the development of continent-wide Reliability Standards and a regional standards manager to administer the development of Regional Reliability Standards. The standards process manager shall be responsible for ensuring that the development and revision of Reliability Standards are in accordance with the *NERC Standard Processes Manual*. The standards process manager and the regional standards manager shall work to achieve the highest degree of integrity and consistency of quality and completeness of the Reliability Standards. The regional standards manager shall coordinate with any Regional Entities that develop Regional Reliability Standards to ensure those Regional Reliability Standards are effectively integrated with the NERC Reliability Standards.

**308. Steps in the Development of Reliability Standards**

1. **Procedure** — NERC shall develop Reliability Standards through the process set forth in the *NERC Standard Processes Manual (Appendix 3A)*. The *Standard Processes Manual* includes provisions for developing Reliability Standards that can be completed using expedited processes, including a process to develop Reliability Standards to address national security situations that involve confidential issues.
2. **Board Adoption** — Reliability Standards or revisions to Reliability Standards approved by the ballot pool in accordance with the *Standard Processes Manual* shall be submitted for adoption by the Board. No Reliability Standard or revision to a Reliability Standard shall be effective unless adopted by the Board.
3. **Governmental Approval** — After Board adoption, a Reliability Standard or revision to a Reliability Standard shall be submitted to all Applicable Governmental Authorities in accordance with Section 309. No Reliability Standard or revision to a Reliability Standard shall be effective within a geographic area over which an Applicable Governmental Authority has jurisdiction unless it is approved by such Applicable Governmental Authority or is otherwise made effective pursuant to the laws applicable to such Applicable Governmental Authority.

**309. Filing of Reliability Standards for Approval by Applicable Governmental Authorities**

1. **Filing of Reliability Standards for Approval** — Where authorized by applicable legislation or agreement, NERC shall file with the Applicable Governmental Authorities each Reliability Standard, modification to a Reliability Standard, or withdrawal of a Reliability Standard that is adopted by the Board. Each filing shall be in the format required by the Applicable Governmental Authority and shall include: a concise statement of the basis and purpose of the Reliability Standard; the text of the Reliability Standard; the implementation plan for the Reliability Standard; a demonstration that the Reliability Standard meets the essential attributes of Reliability Standards as stated in Section 302; the drafting team roster; the ballot pool and final ballot results; and a discussion of public comments received during the development of the Reliability Standard and the consideration of those comments.
2. **Remanded Reliability Standards and Directives to Develop Standards** — If an Applicable Governmental Authority remands a Reliability Standard to NERC or directs NERC to develop a Reliability Standard, NERC shall within five (5) business days notify all other Applicable Governmental Authorities, and shall within thirty (30) calendar days report to all Applicable Governmental Authorities

a plan and timetable for modification or development of the Reliability Standard. Reliability Standards that are remanded or directed by an Applicable Governmental Authority shall be modified or developed using the *Standard Processes Manual*. NERC shall, during the development of a modification for the remanded Reliability Standard or directed Reliability Standard, consult with other Applicable Governmental Authorities to coordinate any impacts of the proposed Reliability Standards in those other jurisdictions. The expedited standards development process may be applied if necessary to meet a timetable for action required by the Applicable Governmental Authorities, respecting to the extent possible the provisions in the Reliability Standards development process for reasonable notice and opportunity for public comment, due process, openness, and a balance of interest in developing Reliability Standards. If the Board of Trustees determines that the process did not result in a Reliability Standard that addresses a specific matter that is identified in a directive issued by an Applicable Governmental Authority, then Rule 321 of these Rules of Procedure shall apply.

3. **Directives to Develop Reliability Standards under Extraordinary Circumstances** — An Applicable Governmental Authority may, on its own initiative, determine that extraordinary circumstances exist requiring expedited development of a Reliability Standard. In such a case, the Applicable Governmental Authority may direct the development of a Reliability Standard within a certain deadline. NERC staff shall prepare the Standards Authorization Request. The proposed Reliability Standard will then proceed through the Reliability Standards development process, using the expedited action process described in the *Standard Processes Manual* as necessary to meet the specified deadline. The timeline will be developed to respect, to the extent possible, the provisions in the Reliability Standards development process for reasonable notice and opportunity for public comment, due process, openness, and a balance of interests in developing Reliability Standards. If the Board of Trustees determines that the process did not result in a Reliability Standard that addresses a specific matter that is identified in a directive issued by an Applicable Governmental Authority, then Rule 321 of these Rules of Procedure shall apply, with appropriate modification of the timeline.

### **310. Annual Reliability Standards Development Plan**

NERC shall develop and provide an annual Reliability Standards Development Plan for development of Reliability Standards to the Applicable Governmental Authorities. NERC shall consider the comments and priorities of the Applicable Governmental Authorities in developing and updating the annual Reliability Standards Development Plan. Each annual Reliability Standards Development Plan shall include a progress report comparing results achieved to the prior year's Reliability Standards Development Plan.

### **311. Regional Entity Standards Development Procedures**

1. **NERC Approval of Regional Entity Reliability Standards Development Procedure** — To enable a Regional Entity to develop Regional Reliability Standards that are to be recognized and made part of NERC Reliability Standards, a Regional Entity may request NERC to approve a Regional Reliability Standards development procedure.
2. **Public Notice and Comment on Regional Reliability Standards Development Procedure** — Upon receipt of such a request, NERC shall publicly notice and request comment on the proposed Regional Reliability Standards development procedure, allowing a minimum of 45 days for comment. The Regional Entity shall have an opportunity to resolve any objections identified in the comments and may choose to withdraw the request, revise the Regional Reliability Standards development procedure and request another posting for comment, or submit the Regional Reliability Standards development procedure, along with its consideration of any objections received, for approval by NERC.
3. **Evaluation of Regional Reliability Standards Development Procedure** — NERC shall evaluate whether a Regional Reliability Standards development procedure meets the criteria listed below and shall consider stakeholder comments, any unresolved stakeholder objections, and the consideration of comments provided by the Regional Entity, in making that determination. If NERC determines the Regional Reliability Standards development procedure meets these requirements, the Regional Reliability Standards development procedure shall be submitted to the Board for approval. The Board shall consider the recommended action, stakeholder comments, any unresolved stakeholder comments, and the Regional Entity consideration of comments in determining whether to approve the Regional Reliability Standards development procedure.
  - 3.1 **Evaluation Criteria** — The Regional Reliability Standards development procedure shall be:
    - 3.1.1 **Open** — The Regional Reliability Standards development procedure shall provide that any person or entity who is directly and materially affected by the reliability of the Bulk Power Systems within the Regional Entity shall be able to participate in the development and approval of Reliability Standards. There shall be no undue financial barriers to participation. Participation shall not be conditional upon membership in the Regional Entity, a Regional Entity or any organization, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements.
    - 3.1.2 **Inclusive** — The Regional Reliability Standards development procedure shall provide that any Person with a direct and material

interest has a right to participate by expressing an opinion and its basis, having that position considered, and appealing through an established appeals process if adversely affected.

- 3.1.3 **Balanced** — The Regional Reliability Standards development procedure shall have a balance of interests and shall not permit any two interest categories to dominate a matter or any single interest category to defeat a matter.
  - 3.1.4 **Due Process** — The Regional Reliability Standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the Regional Reliability Standards development procedure shall include public notice of the intent to develop a Regional Reliability Standard, a public comment period on the proposed Regional Reliability Standard, due consideration of those public comments, and a ballot of interested stakeholders.
  - 3.1.5 **Transparent** — All actions material to the development of Regional Reliability Standards shall be transparent. All Regional Reliability Standards development meetings shall be open and publicly noticed on the Regional Entity's website.
  - 3.1.6 **Accreditation of Regional Standards Development Procedure** — A Regional Entity's Regional Reliability Standards development procedure that is accredited by the American National Standards Institute shall be deemed to meet the criteria listed in this Section 311.3.1, although such accreditation is not a prerequisite for approval by NERC.
  - 3.1.7 **Use of NERC Procedure** — A Regional Entity may adopt the NERC *Standard Processes Manual* as the Regional Reliability Standards development procedure, in which case the Regional Entity's Regional Reliability Standards development procedure shall be deemed to meet the criteria listed in this Section 311.3.1.
- 4. **Revisions of Regional Reliability Standards Development Procedures** — Any revision to a Regional Reliability Standards development procedure shall be subject to the same approval requirements set forth in Sections 311.1 through 311.3.
  - 5. **Duration of Regional Reliability Standards Development Procedures** — The Regional Reliability Standards development procedure shall remain in effect until such time as it is replaced with a new version approved by NERC or it is withdrawn by the Regional Entity. The Regional Entity may, at its discretion, withdraw its Regional Reliability Standards development procedure at any time.

### **312. Regional Reliability Standards**

1. **Basis for Regional Reliability Standards** — Regional Entities may propose Regional Reliability Standards that set more stringent reliability requirements than the NERC Reliability Standard or cover matters not covered by an existing NERC Reliability Standard. Such Regional Reliability Standards shall in all cases be submitted to NERC for adoption and, if adopted, made part of the NERC Reliability Standards and shall be enforceable in accordance with the delegation agreement between NERC and the Regional Entity or other instrument granting authority over enforcement to the Regional Entity. No entities other than NERC and the Regional Entity shall be permitted to develop Regional Reliability Standards that are enforceable under statutory authority delegated to NERC and the Regional Entity.
2. **Regional Reliability Standards That are Directed by a NERC Reliability Standard** — Although it is the intent of NERC to promote uniform Reliability Standards across North America, in some cases it may not be feasible to achieve a reliability objective with a Reliability Standard that is uniformly applicable across North America. In such cases, NERC may direct Regional Entities to develop Regional Reliability Standards necessary to implement a NERC Reliability Standard. Such Regional Reliability Standards that are developed pursuant to a direction by NERC shall be made part of the NERC Reliability Standards.
3. **Procedure for Developing an Interconnection-wide Regional Standard** — A Regional Entity organized on an Interconnection-wide basis may propose a Regional Reliability Standard for approval as a NERC Reliability Standard to be made mandatory for all applicable Bulk Power System owners, operators, and users within that Interconnection.
  - 3.1 **Presumption of Validity** — An Interconnection-wide Regional 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 such other applicable standards of governmental authorities, shall be adopted as a NERC Reliability Standard. NERC shall rebuttably presume that a Regional Reliability Standard developed, in accordance with a Regional Reliability Standards development process 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, and consistent with such other applicable standards of governmental authorities.
  - 3.2 **Notice and Comment Procedure for Interconnection-wide Regional Reliability Standard** — NERC shall publicly notice and request comment on the proposed Interconnection-wide Regional Reliability Standard, allowing a minimum of 45 days for comment. NERC may publicly notice and post for comment the proposed Regional Reliability

Standard concurrent with similar steps in the Regional Entity's Regional Reliability Standards development process. The Regional Entity shall have an opportunity to resolve any objections identified in the comments and may choose to comment on or withdraw the request, revise the proposed Regional Reliability Standard and request another posting for comment, or submit the proposed Regional Reliability Standard along with its consideration of any objections received, for approval by NERC.

- 3.3 **Adoption of Interconnection-wide Regional Reliability Standard by NERC** — NERC shall evaluate and recommend whether a proposed Interconnection-wide Regional Reliability Standard has been developed in accordance with all applicable procedural requirements and whether the Regional Entity has considered and resolved stakeholder objections that could serve as a basis for rebutting the presumption of validity of the Regional Reliability Standard. The Regional Entity, having been notified of the results of the evaluation and recommendation concerning the proposed Regional Reliability Standard, shall have the option of presenting the proposed Regional Reliability Standard to the Board for adoption as a NERC Reliability Standard. The Board shall consider the Regional Entity's request, NERC's recommendation for action on the Regional Reliability Standard, any unresolved stakeholder comments, and the Regional Entity's consideration of comments, in determining whether to adopt the Regional Reliability Standard as a NERC Reliability Standard.
  - 3.4 **Applicable Governmental Authority Approval** — An Interconnection-wide Regional Reliability Standard that has been adopted by the Board shall be filed with the Applicable Governmental Authorities for approval, where authorized by applicable legislation or agreement, and shall become effective when approved by such Applicable Governmental Authorities or on a date set by the Applicable Governmental Authorities.
  - 3.5 **Enforcement of Interconnection-wide Regional Reliability Standard** — An Interconnection-wide Regional Reliability Standard that has been adopted by the Board and by the Applicable Governmental Authorities or is otherwise made effective within Canada as mandatory within a particular Region shall be applicable and enforced as a NERC Reliability Standard within the Region.
4. **Procedure for Developing Non-Interconnection-Wide Regional Reliability Standards** — Regional Entities that are not organized on an Interconnection-wide basis may propose Regional Reliability Standards to apply within their respective Regions. Such Regional Reliability Standards may be developed through the NERC Reliability Standards development procedure, or alternatively, through a Regional Reliability Standards development procedure that has been approved by NERC.



- 4.1 **No Presumption of Validity** — Regional Reliability Standards that are not proposed to be applied on an Interconnection-wide basis are not presumed to be valid but may be demonstrated by the proponent to be valid.
- 4.2 **Notice and Comment Procedure for Non-Interconnection-wide Regional Reliability Standards** — NERC shall publicly notice and request comment on the proposed Regional Reliability Standard, allowing a minimum of 45 days for comment. NERC may publicly notice and post for comment the proposed Regional Reliability Standard concurrent with similar steps in the Regional Entity’s Regional Reliability Standards development process. The Regional Entity shall have an opportunity to comment on or resolve any objections identified in the comments and may choose to withdraw the request, revise the proposed Regional Reliability Standard and request another posting for comment, or submit the proposed Regional Reliability Standard along with its consideration of any objections received, for adoption by NERC.
- 4.3 **NERC Adoption of Non-Interconnection-wide Regional Reliability Standards** — NERC shall evaluate and recommend whether a proposed non-Interconnection-wide Regional Reliability Standard has been developed in accordance with all applicable procedural requirements and whether the Regional Entity has considered and resolved stakeholder objections. The Regional Entity, having been notified of the results of the evaluation and recommendation concerning proposed Regional Reliability Standard, shall have the option of presenting the proposed Regional Reliability Standard to the Board for adoption as a NERC Reliability Standard. The Board shall consider the Regional Entity’s request, the recommendation for action on the Regional Reliability Standard, any unresolved stakeholder comments, and the Regional Entity’s consideration of comments, in determining whether to adopt the Regional Reliability Standard as a NERC Reliability Standard.
- 4.4 **Applicable Governmental Authority Approval** — A non-Interconnection-wide Regional Reliability Standard that has been adopted by the Board shall be filed with the Applicable Governmental Authorities for approval, where authorized by applicable legislation or agreement, and shall become effective when approved by such Applicable Governmental Authorities or on a date set by the Applicable Governmental Authorities.
- 4.5 **Enforcement of Non-Interconnection-wide Regional Reliability Standards** — A non-Interconnection-wide Regional Reliability Standard that has been adopted by the Board and by the Applicable Governmental Authorities or is otherwise made effective within Canada as mandatory

within a particular Region shall be applicable and enforced as a NERC Reliability Standard within the Region.

5. **Appeals** — A Regional Entity shall have the right to appeal NERC’s decision not to adopt a proposed Regional Reliability Standard or Variance to the Commission or other Applicable Governmental Authority.

### **313. Other Regional Criteria, Guides, Procedures, Agreements, Etc.**

1. **Regional Criteria** — Regional Entities may develop Regional Criteria that are necessary to implement, to augment, or to comply with NERC Reliability Standards, but which are not Reliability Standards. Regional Criteria may also address issues not within the scope of Reliability Standards, such as resource adequacy. Regional Criteria may include specific acceptable operating or planning parameters, guides, agreements, protocols or other documents used to enhance the reliability of the Bulk Power System in the Region. These documents typically provide benefits by promoting more consistent implementation of the NERC Reliability Standards within the Region. These documents are not NERC Reliability Standards, Regional Reliability Standards, or regional Variances, and therefore are not enforceable under authority delegated by NERC pursuant to delegation agreements and do not require NERC approval.
2. **Catalog of Regional Criteria** — NERC shall maintain a current catalog of Regional Criteria. Regional Entities shall provide a catalog listing of Regional Criteria to NERC and shall notify NERC of changes to the listing. Regional Entities shall provide any listed document to NERC upon written request.

### **314. Conflicts with Statutes, Regulations, and Orders**

**Notice of Potential Conflict** — If a Bulk Power System owner, operator, or user determines that a NERC or Regional Reliability Standard may conflict with a function, rule, order, tariff, rate schedule, legislative requirement or agreement that has been accepted, approved, or ordered by a governmental authority affecting that entity, the entity shall expeditiously notify the governmental authority, NERC, and the relevant Regional Entity of the conflict.

1. **Determination of Conflict** — NERC, upon request of the governmental authority, may advise the governmental authority regarding the conflict and propose a resolution of the conflict, including revision of the Reliability Standard if appropriate.
2. **Regulatory Precedence** — Unless otherwise ordered by a governmental authority, the affected Bulk Power System owner, operator, or user shall continue to follow the function, rule, order, tariff, rate schedule, legislative requirement, or agreement accepted, approved, or ordered by the governmental authority until the

governmental authority finds that a conflict exists and orders a remedy and such remedy is affected.

**315. Revisions to NERC Standard Processes Manual**

Any person or entity may submit a written request to modify NERC *Standard Processes Manual*. Consideration of the request and development of the revision shall follow the process defined in the NERC *Standard Processes Manual*. Upon approval by the Board, the revision shall be submitted to the Applicable Governmental Authorities for approval. Changes shall become effective only upon approval by the Applicable Governmental Authorities or on a date designated by the Applicable Governmental Authorities or as otherwise applicable in a particular jurisdiction.

**316. Accreditation**

NERC shall seek and maintain accreditation of the NERC Reliability Standards development process by the American National Standards Institute.

**317. Five-Year Review of Reliability Standards**

NERC shall complete a review of each NERC Reliability Standard at least once every five years, or such longer period as is permitted by the American National Standards Institute, from the effective date of the Reliability Standard or the latest revision to the Reliability Standard, whichever is later. The review process shall be conducted in accordance with the NERC *Standard Processes Manual*. The standards process manager shall be responsible for administration of the five-year review of Reliability Standards. As a result of this review, the NERC Reliability Standard shall be reaffirmed, revised, or withdrawn. If the review indicates a need to revise or withdraw the Reliability Standard, a request for revision or withdrawal shall be prepared, submitted and addressed in accordance with the NERC *Standard Processes Manual*.

**318. Coordination with the North American Energy Standards Board**

NERC shall maintain a close working relationship with the North American Energy Standards Board and ISO/RTO Council to ensure effective coordination of wholesale electric business practice standards and market protocols with the NERC Reliability Standards.

**319. Archived Standards Information**

NERC shall maintain a historical record of Reliability Standards information that is no longer maintained on-line. For example, Reliability Standards that have been retired may be removed from the on-line system. Archived information shall be retained indefinitely

as practical, but in no case less than six years or one complete Reliability Standards review cycle from the date on which the Reliability Standard was no longer in effect. Archived records of Reliability Standards information shall be available electronically within 30 days following the receipt by the NERC standards information manager of a written request.

**320. Procedure for Developing and Approving Violation Risk Factors and Violation Severity Levels**

1. **Development of Violation Risk Factors and Violation Severity Levels** — NERC shall follow the process for developing Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs) as set forth in the *Standard Processes Manual, Appendix 3A* to these Rules of Procedure.
2. **Remands of Directed Revision of VRFs and VSLs by Applicable Governmental Authorities** — If an Applicable Governmental Authority remands or directs a revision to a Board-approved VRF or VSL assignment, the NERC director of standards, after consulting with the standard drafting team, Standards Committee, and the NERC director of compliance operations, will recommend to the Board one of the following actions: (1) filing a request for clarification; (2) filing for rehearing or for review of the Applicable Governmental Authority decision; or (3) approval of the directed revisions to the VRF or VSL. If and to the extent time is available prior to the deadline for the Board’s decision, an opportunity for interested parties to comment on the action taken will be provided.
3. **Alternative Procedure for Developing and Approving Violation Risk Factors and Violation Severity Levels** — In the event the Reliability Standards development process fails to produce Violation Risk Factors or Violation Severity Levels for a particular Reliability Standard in a timely manner, the Board of Trustees may approve Violation Risk Factors or Violation Severity Levels for that Reliability Standard after notice and opportunity for comment. In approving VRFs and VSLs, the Board shall consider the inputs of the Member Representatives Committee, affected stakeholders and NERC staff.

**321. Special Rule to Address Certain Regulatory Directives**

In circumstances where this Rule 321 applies, the Board of Trustees shall have the authority to take one or more of the actions set out below. The Board of Trustees shall have the authority to choose which one or more of the actions are appropriate to the circumstances and need not take these actions in sequential steps.

1. The Standards Committee shall have the responsibility to ensure that standards drafting teams address specific matters that are identified in directives issued by Applicable Governmental Authorities. If the Board of Trustees is presented with a proposed Reliability Standard that fails to address such directives, the Board of Trustees has the authority to remand, with instructions (including establishing a

timetable for action), the proposed Reliability Standard to the Standards Committee.

2. Upon a written finding by the Board of Trustees that a ballot pool has failed to approve a proposed Reliability Standard that contains a provision to address a specific matter identified in a directive issued by an Applicable Governmental Authority, the Board of Trustees has the authority to remand the proposed Reliability Standard to the Standards Committee, with instructions to (i) convene a public technical conference to discuss the issues surrounding the regulatory directive, including whether or not the proposed Reliability Standard is just, reasonable, not unduly discriminatory or preferential, in the public interest, helpful to reliability, practical, technically sound, technically feasible, and cost-justified; (ii) working with NERC staff, prepare a memorandum discussing the issues, an analysis of the alternatives considered and other appropriate matters; and (iii) re-ballot the proposed Reliability Standard one additional time, with such adjustments in the schedule as are necessary to meet the deadline contained in paragraph 2.1 of this Rule.
  - 2.1 Such a re-ballot shall be completed within forty-five (45) days of the remand. The Standards Committee memorandum shall be included in the materials made available to the ballot pool in connection with the re-ballot.
  - 2.2 In any such re-ballot, negative votes without comments related to the proposal shall be counted for purposes of establishing a quorum, but only affirmative votes and negative votes with comments related to the proposal shall be counted for purposes of determining the number of votes cast and whether the proposed Reliability Standard has been approved.
3. If the re-balloted proposed Reliability Standard achieves at least an affirmative two-thirds majority vote of the weighted Segment votes cast, with a quorum established, then the proposed Reliability Standard shall be deemed approved by the ballot pool and shall be considered by the Board of Trustees for approval.
4. If the re-balloted proposed Reliability Standard fails to achieve at least an affirmative two-thirds majority vote of the weighted Segment votes cast, but does achieve at least a sixty percent affirmative majority of the weighted Segment votes cast, with a quorum established, then the Board of Trustees has the authority to consider the proposed Reliability Standard for approval under the following procedures:
  - 4.1 The Board of Trustees shall issue notice of its intent to consider the proposed Reliability Standard and shall solicit written public comment particularly focused on the technical aspects of the provisions of the proposed Reliability Standard that address the specific matter identified in the regulatory directive, including whether or not the proposed Reliability Standard is just, reasonable, not unduly discriminatory or preferential, in

the public interest, helpful to reliability, practical, technically sound, technically feasible, and cost-justified.

- 4.2 The Board of Trustees may, in its discretion, convene a public technical conference to receive additional input on the matter.
- 4.3 After considering the developmental record, the comments received during balloting and the additional input received under paragraphs 4.1 and 4.2 of this Rule, the Board of Trustees has authority to act on the proposed Reliability Standard.
  - 4.3.1 If the Board of Trustees finds that the proposed Reliability Standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest, considering (among other things) whether it is helpful to reliability, practical, technically sound, technically feasible, and cost-justified, then it has authority to approve the proposed Reliability Standard and direct that it be filed with Applicable Governmental Authorities with a request that it be made effective.
  - 4.3.2 If the Board of Trustees is unable to find that the proposed Reliability Standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest, considering (among other things) whether it is helpful to reliability, practical, technically sound, technically feasible, and cost-justified, then it has authority to treat the proposed Reliability Standard as a draft Reliability Standard and direct that the draft Reliability Standard and complete developmental record, including the additional input received under paragraphs 4.1 and 4.2 of this Rule, be filed with the Applicable Governmental Authorities as a compliance filing in response to the order giving rise to the regulatory directive, along with a recommendation that the Reliability Standard not be made effective and an explanation of the basis for the recommendation.
5. Upon a written finding by the Board of Trustees that standard drafting team has failed to develop, or a ballot pool has failed to approve, a proposed Reliability Standard that contains a provision to address a specific matter identified in a directive issued by an Applicable Governmental Authority, the Board of Trustees has the authority to direct the Standards Committee (with the assistance of stakeholders and NERC staff) to prepare a draft Reliability Standard that addresses the regulatory directive, taking account of the entire developmental record pertaining to the matter. If the Standards Committee fails to prepare such draft Reliability Standard, the Board of Trustees may direct NERC management to prepare such draft Reliability Standard.

- 5.1 The Board of Trustees may, in its discretion, convene a public technical conference to receive input on the matter. The draft Reliability Standard shall be posted for a 45-day public comment period.
- 5.2 If, after considering the entire developmental record (including the comments received under paragraph 5.1 of this Rule), the Board of Trustees finds that the draft Reliability Standard, with such modifications as the Board of Trustees determines are appropriate in light of the comments received, is just, reasonable, not unduly discriminatory or preferential, and in the public interest, considering (among other things) whether it is practical, technically sound, technically feasible, cost-justified and serves the best interests of reliability of the Bulk Power System, then the Board of Trustees has the authority to approve the draft Reliability Standard and direct that the proposed Reliability Standard be filed with Applicable Governmental Authorities with a request that the proposed Reliability Standard be made effective.
- 5.3 If, after considering the entire developmental record (including the comments received under paragraph 5.1 of this Rule), the Board of Trustees is unable to find that the draft Reliability Standard, even with modifications, is just, reasonable, not unduly discriminatory or preferential, and in the public interest, considering (among other things) whether it is practical, technically sound, technically feasible, cost-justified and serves the best interests of reliability of the Bulk Power System, then the Board of Trustees has the authority to direct that the draft Reliability Standard and complete developmental record be filed as a compliance filing in response to the regulatory directive with the Applicable Governmental Authority issuing the regulatory directive, with a recommendation that the draft Reliability Standard not be made effective.
- 5.4 The filing of the Reliability Standard under either paragraph 5.2 or paragraph 5.3 of this Rule shall include an explanation of the basis for the decision by the Board of Trustees.
- 5.5 A Reliability Standard approved under paragraph 5 of this Rule shall not be eligible for submission as an American National Standard.
6. NERC shall on or before March 31<sup>st</sup> of each year file a report with Applicable Governmental Authorities on the status and timetable for addressing each outstanding directive to address a specific matter received from an Applicable Governmental Authority.

## **SECTION 400 — COMPLIANCE ENFORCEMENT**

### **401. Scope of the NERC Compliance Monitoring and Enforcement Program**

1. **Components of the NERC Compliance Monitoring and Enforcement Program** — NERC shall develop and implement a NERC Compliance Monitoring and Enforcement Program to promote the reliability of the Bulk Power System by enforcing compliance with approved Reliability Standards in those regions of North American in which NERC and/or a Regional Entity (pursuant to a delegation agreement with NERC that has been approved by the Applicable Governmental Authority) has been given enforcement authority. There are four distinct parts of the NERC Compliance Monitoring and Enforcement Program: (1) NERC’s oversight of the Regional Entity Compliance Monitoring and Enforcement Programs (Section 402), (2) the definition of the required Regional Entity Compliance Monitoring and Enforcement Program attributes (Section 403), (3) NERC’s monitoring of Regional Entity compliance with Reliability Standards (Section 404), and (4) the monitoring of compliance with Reliability Standards that are applicable to NERC (Sections 405–406).
2. **Who Must Comply** — Where required by applicable legislation, regulation, rule or agreement, all Bulk Power System owners, operators, and users, Regional Entities, and NERC, are required to comply with all approved NERC Reliability Standards at all times. Regional Reliability Standards and Variances approved by NERC and the Applicable Governmental Authority shall be considered NERC Reliability Standards and shall apply to all Bulk Power System owners, operators, or users responsible for meeting those Reliability Standards within the Regional Entity boundaries, whether or not the Bulk Power System owner, operator, or user is a member of the Regional Entity.
3. **Data Access** — All Bulk Power System owners, operators, and users shall provide to NERC and the applicable Regional Entity such information as is necessary to monitor compliance with the Reliability Standards. NERC and the applicable Regional Entity will define the data retention and reporting requirements in the Reliability Standards and compliance reporting procedures.
4. **Role of Regional Entities in the Compliance Monitoring and Enforcement Program** — Each Regional Entity that has been delegated authority through a delegation agreement or other legal instrument approved by the Applicable Governmental Authority shall, in accordance with the terms of the approved delegation agreement, administer a Regional Entity Compliance Monitoring and Enforcement program to meet the NERC Compliance Monitoring and Enforcement Program goals and the requirements in this Section 400.
5. **Program Continuity** — NERC will ensure continuity of compliance monitoring and enforcement within the geographic boundaries of a Regional Entity in the event that NERC does not have a delegation agreement, or the Regional Entity withdraws from the agreement or does not operate its Compliance Monitoring and Enforcement Program in accordance with the delegation agreement or other applicable requirements.



- 5.1 Should NERC not have a delegation agreement with a Regional Entity covering a geographic area, or a Regional Entity withdraws from an existing delegation agreement or the delegation agreement is otherwise terminated, NERC will directly administer the Compliance Monitoring and Enforcement Program applicable to owners, operators and users of the Bulk Power System within that geographic area.
  1. This monitoring and enforcement will be accomplished by NERC and Compliance Staff from another approved Regional Entity.
  2. If an existing delegation agreement with a Regional Entity is terminating, the Regional Entity shall promptly provide to NERC all relevant compliance information regarding Registered Entities, contacts, prior compliance information and actions, Mitigation Plans, and Remedial Action Directives for the period in which the Regional Entity was responsible for administering the Compliance Monitoring and Enforcement Program.
  3. NERC will levy and collect all Penalties directly and will utilize any Penalty monies collected to offset the expenses of administering the Compliance Monitoring and Enforcement Program for the geographic area.
- 5.2 Should a Regional Entity seek to withdraw from its delegation agreement, NERC will seek agreement from another Regional Entity to amend its delegation agreement with NERC to extend that Regional Entity's boundaries for compliance monitoring and enforcement. In the event no Regional Entity is willing to accept this responsibility, NERC will administer the Compliance Monitoring and Enforcement Program within the geographical boundaries of the Regional Entity seeking to withdraw from the delegation agreement, in accordance with Section 401.5.1.
6. **Actively Monitored Requirements** — NERC, with input from the Regional entities, stakeholders, and regulators, shall annually select a subset of the NERC Reliability Standards and Requirements to be actively monitored and audited in the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan. Compliance is required, and NERC and the Regional Entities have authority to monitor compliance, with all NERC Reliability Standards whether or not they are included in the subset of Reliability Standards and Requirements designated to be actively monitored and audited in the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan.
7. **Penalties, Sanctions, and Remedial Action Directives** — NERC and Regional Entities will apply Penalties, sanctions, and Remedial Action Directives that bear a reasonable relation to the seriousness of a violation and take into consideration timely remedial efforts as defined in the NERC *Sanction Guidelines*, which is incorporated into these rules as **Appendix 4B**.
8. **Multiple Enforcement Actions** – A Registered Entity shall not be subject to an enforcement action by NERC and a Regional Entity, or by more than one

Regional Entity (unless the Registered Entity is registered in more than one Region in which the violation occurred), for the same violation.

9. **Records** — NERC shall maintain a record of each compliance submission, including Self-Reported, Possible, Alleged, and Confirmed Violations of approved Reliability Standards; associated Penalties, sanctions, Remedial Action Directives and settlements; and the status of mitigation actions.
10. **Confidential Information** — NERC will treat all Possible and Alleged Violations of Reliability Standards and matters related to a Compliance Monitoring and Enforcement Program process, including the status of any Compliance Investigation or other Compliance Monitoring and Enforcement Program process, as confidential in accordance with Section 1500.

The types of information that will be considered confidential and will not (subject to statutory and regulatory requirements) be disclosed in any public information reported by NERC are identified in Section 1500. Information that would jeopardize Bulk Power System reliability, including information relating to a Cyber Security Incident, will be identified and protected from public disclosure as Critical Energy Infrastructure Information in accordance with Section 1500.

The Regional Entity and NERC shall give Bulk Power System owners, operators, and users a reasonable opportunity to demonstrate that information concerning a violation is confidential before such report is disclosed to the public.

11. **Public Posting** — When the affected Bulk Power System owner, operator, or user either agrees with a Possible or Alleged Violation(s) of a Reliability Standard(s) or a report of a Compliance Audit or Compliance Investigation, or enters into a settlement agreement concerning a Possible or Alleged Violation(s), or the time for submitting an appeal is passed, or all appeals processes are complete, NERC shall, subject to the confidentiality requirements of these Rules of Procedure, publicly post each Confirmed Violation, Penalty or sanction, settlement agreement, and final Compliance Audit or Compliance Investigation report, on its website.

11.1 Each Bulk Power System owner, operator, or user may provide NERC with a statement to accompany the Confirmed Violation or report to be posted publicly. The statement must be on company letterhead and include a signature, as well as the name and title of the person submitting the information.

11.2 In accordance with Section 1500, information deemed by a Bulk Power System owner, operator, or user, Regional Entity, or NERC as Critical Energy Infrastructure Information (*NERC Security Guidelines for the Electricity Sector — Protecting Potentially Sensitive Information* may be used as a guide) or other Confidential Information shall be redacted in accordance with Section 1500 and not be released publicly.

11.3 Subject to redaction of Critical Energy Infrastructure Information or other Confidential Information, for each Confirmed Violation or settlement relating to a Possible Violation or an Alleged Violation, the public posting shall include the name of any relevant entity, the nature, time period, and circumstances of such Possible, Alleged or Confirmed Violation, any Mitigation Plan or other Mitigating Activities to be implemented by the Registered Entity in connection with the Confirmed Violation or settlement, and sufficient facts to assist owners, operators and users of the Bulk Power System to evaluate whether they have engaged in or are engaging in similar activities.

12. **Violation Information Review** — NERC Compliance Staff shall periodically review and analyze all reports of Possible, Alleged and Confirmed Violations to identify trends and other pertinent reliability issues.

**402. NERC Oversight of the Regional Entity Compliance Monitoring and Enforcement Programs**

1. **NERC Monitoring Program** — NERC shall have a program to monitor the Compliance Monitoring and Enforcement Program of each Regional Entity that has been delegated authority. The objective of this monitoring program shall be to ensure that the Regional Entity carries out its Compliance Monitoring and Enforcement Program in accordance with these Rules of Procedure and the terms of the delegation agreement, and to ensure consistency and fairness of the Regional Entity's Compliance Monitoring and Enforcement Program. Oversight and monitoring by NERC shall be accomplished through an annual Compliance Monitoring and Enforcement Program review, program audits, and regular evaluations of Regional Entity Compliance Monitoring and Enforcement Program performance as described below.

1.1 **NERC Review of Annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plans** — NERC shall require each Regional Entity to submit for review and approval an annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan. NERC shall review each annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan and shall accept the plan if it meets NERC requirements and the requirements of the delegation agreement.

1.2 **Regional Entity Compliance Monitoring and Enforcement Program Evaluation** — NERC shall annually evaluate the goals, tools, and procedures of each Regional Entity Compliance Monitoring and Enforcement Program to determine the effectiveness of each Regional Entity Compliance Monitoring and Enforcement Program, using criteria developed by the NERC Compliance and Certification Committee.

1.3 **Regional Entity Compliance Monitoring and Enforcement Program Audit** — At least once every five years, NERC shall conduct an audit to evaluate how each Regional Entity Compliance Monitoring and

Enforcement Program implements the NERC Compliance Monitoring and Enforcement Program. The evaluation shall be based on these Rules of Procedure, including Appendix 4C, the delegation agreement, directives in effect pursuant to the delegation agreement, approved annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plans, required Compliance Monitoring and Enforcement Program attributes, and the NERC Compliance Monitoring and Enforcement Program procedures. These evaluations shall be provided to the Applicable Governmental Authorities to demonstrate the effectiveness of each Regional Entity. In addition, audits of Cross-Border Regional Entities shall cover applicable requirements imposed on the Regional Entity by statute, regulation, or order of, or agreement with, provincial governmental and/or regulatory authorities for which NERC has auditing responsibilities over the Regional Entity's compliance with such requirements within Canada or Mexico. Participation of a representative of an Applicable Governmental Authority shall be subject to the limitations of sections 3.1.6 and 8.0 of Appendix 4C of these Rules of Procedure regarding disclosures of non-public compliance information related to other jurisdictions. NERC shall maintain an audit procedure containing the requirements, steps, and timelines to conduct an audit of each Regional Entity Compliance Monitoring and Enforcement Program. The current procedure is contained in the NERC Audit of Regional Entity Compliance Programs, which is incorporated into these rules as **Appendix 4A**.

1.3.1. NERC shall establish a program to audit bulk power system owners, operators, and users operating within a regional entity to verify the findings of previous compliance audits conducted by the regional entity to evaluate how well the regional entity compliance enforcement program is meeting its delegated authority and responsibility.

1.4 Applicable Governmental Authorities will be allowed to participate as an observer in any audit conducted by NERC of a Regional Entity's Compliance Monitoring and Enforcement Program. A representative of the Regional Entity being audited will be allowed to participate in the audit as an observer.

2. **Consistency Among Regional Compliance Monitoring and Enforcement Programs** — To provide for a consistent Compliance Monitoring and Enforcement Program for all Bulk Power System owners, operators, and users required to comply with approved Reliability Standards, NERC shall maintain a single, uniform Compliance Monitoring and Enforcement Program, which is incorporated into these rules of procedure as **Appendix 4C**. Any differences in Regional Entity Compliance Monitoring and Enforcement Program methods, including determination of violations and Penalty assessment, shall be justified on a case-by-case basis and fully documented in each Regional Entity delegation agreement.

- 2.1 NERC shall ensure that each of the Regional Entity Compliance Monitoring and Enforcement Programs meets these Rules of Procedure, including **Appendix 4C**, and follows the terms of the delegation agreement and the approved annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan.
- 2.2 NERC shall maintain a single, uniform Compliance Monitoring and Enforcement Program in **Appendix 4C** containing the procedures to ensure the consistency and fairness of the processes used to determine Regional Entity Compliance Monitoring and Enforcement Program findings of compliance and noncompliance, and the application of Penalties and sanctions.
- 2.3 NERC shall periodically conduct Regional Entity compliance manager forums. These forums shall use the results of Regional Entity Compliance Monitoring and Enforcement Program audits and findings of NERC Compliance Staff to identify and refine Regional Entity Compliance Monitoring and Enforcement Program differences into a set of best practices over time.
3. **Information Collection and Reporting** — NERC and the Regional Entities shall implement data management procedures that address data reporting requirements, data integrity, data retention, data security, and data confidentiality.
4. **Violation Disclosure** — NERC shall disclose all Confirmed Violations and maintain as confidential Possible Violations and Alleged Violations, according to the reporting and disclosure process in **Appendix 4C**.
5. **Authority to Determine Noncompliance, Levy Penalties and Sanctions, and Issue Remedial Action Directives** — NERC and Regional Entity Compliance Staff shall have the authority and responsibility to make initial determinations of compliance or noncompliance, and where authorized by the Applicable Governmental Authorities or where otherwise authorized, to determine Penalties and sanctions for noncompliance with a Reliability Standard, and issue Remedial Action Directives. Regional Entity boards or a compliance panel reporting directly to the Regional Entity board will be vested with the authority for the overall Regional Entity Compliance Monitoring and Enforcement Program and have the authority to impose Penalties and sanctions on behalf of NERC, where authorized by applicable legislation or agreement. Remedial Action Directives may be issued by NERC or a Regional Entity that is aware of a Bulk Power System owner, operator, or user that is, or is about to engage in an act or practice that would result, in noncompliance with a Reliability Standard, where such Remedial Action Directive is immediately necessary to protect the reliability of the Bulk Power System from an imminent or actual threat. If, after receiving such a Remedial Action Directive, the Bulk Power System owner, operator, or user does not take appropriate action to avert a violation of a Reliability Standard,

NERC may petition the Applicable Governmental Authority to issue a compliance order.

6. **Due Process** — NERC shall establish and maintain a fair, independent, and nondiscriminatory appeals process. The appeals process is set forth in Sections 408-410. The process shall allow Bulk Power System owners, operators, and users to appeal the Regional Entity's findings of noncompliance and to appeal Penalties, sanctions, and Remedial Action Directives that are levied by the Regional Entity. Appeals beyond the NERC process will be heard by the Applicable Governmental Authority.

The appeals process will also allow for appeals to NERC of any findings of noncompliance issued by NERC to a Regional Entity for Reliability Standards and Requirements where the Regional Entity is monitored for compliance to a Reliability Standard. No monetary Penalties will be levied in these matters; however sanctions, remedial actions, and directives to comply may be applied by NERC.

7. **Conflict Disclosure** — NERC shall disclose to the appropriate governmental authorities any potential conflicts between a market rule and the enforcement of a Regional Reliability Standard.
8. **Confidentiality** — To maintain the integrity of the NERC Compliance Monitoring and Enforcement Program, NERC and Regional Entity staff, Compliance Audit team members, and committee members shall maintain the confidentiality of information obtained and shared during compliance monitoring and enforcement processes including Compliance Investigations, Compliance Audits, Spot Checks, drafting of reports, appeals, and closed meetings.
  - 8.1 NERC and the Regional Entity shall have in place appropriate codes of conduct and confidentiality agreements for staff and other Compliance Monitoring and Enforcement Program participants.
  - 8.2 Individuals not bound by NERC or Regional Entity codes of conduct who serve on compliance-related committees or Compliance Audit teams shall sign a NERC confidentiality agreement prior to participating on the committee or Compliance Audit team.
  - 8.3 Information deemed by a Bulk Power System owner, operator, or user, Regional Entity, or NERC as Critical Energy Infrastructure Information shall not be distributed outside of a committee or team, nor released publicly. Other information subject to confidentiality is identified in Section 1500.
  - 8.4 In the event that a staff, committee, or Compliance Audit team member violates any of the confidentiality rules set forth above, the staff, committee, or Compliance Audit team member and any member organization with which the individual is associated may be subject to

appropriate action by the Regional Entity or NERC, including prohibiting participation in future Compliance Monitoring and Enforcement Program activities.

9. **Auditor Training** — NERC shall develop and provide training in auditing skills to all people who participate in NERC and Regional Entity Compliance Audits. Training for NERC and Regional Entity personnel and others who serve as Compliance Audit team leaders shall be more comprehensive than training given to industry subject matter experts and Regional Entity members. Training for Regional Entity members may be delegated to the Regional Entity.

#### **403. Required Attributes of Regional Entity Compliance Monitoring and Enforcement Programs**

Each Regional Entity Compliance Monitoring and Enforcement Program shall promote excellence in the enforcement of Reliability Standards. To accomplish this goal, each Regional Entity Compliance Monitoring and Enforcement Program shall (i) conform to and comply with the NERC uniform Compliance Monitoring and Enforcement Program, **Appendix 4C** to these Rules of Procedure, except to the extent of any deviations that are stated in the Regional Entity's delegation agreement, and (ii) meet all of the attributes set forth in this Section 403.

##### **Program Structure**

1. **Independence** — Each Regional Entity's governance of its Compliance Monitoring and Enforcement Program shall exhibit independence, meaning the Compliance Monitoring and Enforcement Program shall be organized so that its compliance monitoring and enforcement activities are carried out separately from other activities of the Regional Entity. The Compliance Monitoring and Enforcement Program shall not be unduly influenced by the Bulk Power System owners, operators, and users being monitored or other Regional Entity activities that are required to meet the Reliability Standards. Regional Entities must include rules providing that no two industry sectors may control any decision and no single segment may veto any matter related to compliance.
2. **Exercising Authority** — Each Regional Entity Compliance Monitoring and Enforcement Program shall exercise the responsibility and authority in carrying out the delegated functions of the NERC Compliance Monitoring and Enforcement Program in accordance with delegation agreements and **Appendix 4C**. These functions include but are not limited to: data gathering, data reporting, Compliance Investigations, Compliance Audit activities, evaluating compliance and noncompliance, imposing Penalties and sanctions, and approving and tracking mitigation actions.
3. **Delegation of Authority** — To maintain independence, fairness, and consistency in the NERC Compliance Monitoring and Enforcement Program, a Regional Entity shall not sub-delegate its Compliance Monitoring and Enforcement Program duties to entities or persons other than the Regional Entity Compliance Staff, unless (i) required by statute or regulation in the applicable jurisdiction, or

- (ii) by agreement with express approval of NERC and of FERC or other Applicable Governmental Authority, to another Regional Entity.
4. **Hearings of Contested Findings or Sanctions** — The Regional Entity board or compliance panel reporting directly to the Regional Entity board (with appropriate recusal procedures) will be vested with the authority for conducting compliance hearings in which any Bulk Power System owner, operator, or user provided a Notice of Alleged Violation may present facts and other information to contest a Notice of Alleged Violation or any proposed Penalty, sanction, any Remedial Action Directive, or any Mitigation Plan component. Compliance hearings shall be conducted in accordance with the Hearing Procedures set forth in Attachment 2 to **Appendix 4C**. If a stakeholder body serves as the Hearing Body, no two industry sectors may control any decision and no single segment may veto any matter related to compliance after recusals.

### **Program Resources**

5. **Regional Entity Compliance Staff** — Each Regional Entity shall have sufficient resources to meet delegated compliance monitoring and enforcement responsibilities, including the necessary professional staff to manage and implement the Regional Entity Compliance Monitoring and Enforcement Program.
6. **Regional Entity Compliance Staff Independence** — The Regional Entity Compliance Staff shall be capable of and required to make all determinations of compliance and noncompliance and determine Penalties, sanctions, and Remedial Action Directives and to review and accept Mitigation Plans and other Mitigating Activities.
- 6.1 Regional Entity Compliance Staff shall not have a conflict of interest, real or perceived, in the outcome of compliance monitoring and enforcement processes, reports, or sanctions. The Regional Entity shall have in effect a conflict of interest policy.
- 6.2 Regional Entity Compliance Staff shall have the authority and responsibility to carry out compliance monitoring and enforcement processes (with the input of industry subject matter experts), make determinations of compliance or noncompliance, and levy Penalties and sanctions without interference or undue influence from Regional Entity members and their representative or other industry entities.
- 6.3 Regional Entity Compliance Staff may call upon independent technical subject matter experts who have no conflict of interest in the outcome of the compliance monitoring and enforcement process to provide technical advice or recommendations in the determination of compliance or noncompliance.
- 6.4 Regional Entity Compliance Staff shall abide by the confidentiality requirements contained in Section 1500 and **Appendix 4C** of these Rules of Procedure, the NERC delegation agreement and other confidentiality



agreements required by the NERC Compliance Monitoring and Enforcement Program.

- 6.5 Contracting with independent consultants or others working for the Regional Entity Compliance Monitoring and Enforcement Program shall be permitted provided the individual has not received compensation from a Bulk Power System owner, operator, or user being monitored for a period of at least the preceding six months and owns no financial interest in any Bulk Power System owner, operator, or user being monitored for compliance to the Reliability Standard, regardless of where the Bulk Power System owner, operator, or user operates. Any such individuals for the purpose of these Rules of Procedure shall be considered as augmenting Regional Entity Compliance Staff.

**7. Use of Industry Subject Matter Experts and Regional Entity Members —** Industry experts and Regional Entity members may be called upon to provide their technical expertise in Compliance Monitoring and Enforcement Program activities.

- 7.1 The Regional Entity shall have procedures defining the allowable involvement of industry subject matter experts and Regional Entity members. The procedures shall address applicable antitrust laws and conflicts of interest.
- 7.2 Industry subject matter experts and Regional Entity members shall have no conflict of interest or financial interests in the outcome of their activities.
- 7.3 Regional Entity members and industry subject matter experts, as part of teams or Regional Entity committees, may provide input to the Regional Entity Compliance Staff so long as the authority and responsibility for (i) evaluating and determining compliance or noncompliance and (ii) levying Penalties, sanctions, or Remedial Action Directives shall not be delegated to any person or entity other than the Compliance Staff of the Regional Entity. Industry subject matter experts, Regional Entity members, or Regional Entity committees shall not make determinations of noncompliance or levy Penalties, sanctions, or Remedial Action Directives. Any committee involved shall be organized so that no two industry sectors may control any decision and no single segment may veto any matter related to compliance.
- 7.4 Industry subject matter experts and Regional Entity members shall sign a confidentiality agreement appropriate for the activity being performed.
- 7.5 All industry subject matter experts and Regional Entity members participating in Compliance Audits and Compliance Investigations shall successfully complete auditor training provided by NERC or the Regional Entity prior to performing these activities

## **Program Design**

8. **Regional Entity Compliance Monitoring and Enforcement Program Content** — All approved Reliability Standards shall be included in the Regional Entity Compliance Monitoring and Enforcement Program for all Bulk Power System owners, operators, and users within the defined boundaries of the Regional Entity. Compliance to approved Regional Reliability Standards is applicable only within the Region of the Regional Entity that submitted those particular Regional Reliability Standards for approval. NERC will identify the minimum set of Reliability Standards and Requirements to be actively monitored by the Regional Entity in a given year.
9. **Antitrust Provisions** — Each Regional Entity’s Compliance Monitoring and Enforcement Program shall be structured and administered to abide by U.S. antitrust law and Canadian competition law.
10. **Information Submittal** — All Bulk Power System owners, operators, and users within the Regional Entity responsible for complying with Reliability Standards shall submit timely and accurate information when requested by the Regional Entity or NERC. NERC and the Regional Entities shall preserve any mark of confidentiality on information submitted pursuant to Section 1502.1.
  - 10.1 Each Regional Entity has the authority to collect the necessary information to determine compliance and shall develop processes for gathering data from the Bulk Power System owners, operators, and users the Regional Entity monitors.
  - 10.2 The Regional Entity or NERC has the authority to request information from Bulk Power System owners, operators, and users pursuant to Section 401.3 or this Section 403.10 without invoking a specific compliance monitoring and enforcement process in **Appendix 4C**, for purposes of determining whether to pursue one such process in a particular case and/or validating in the enforcement phase of a matter the conclusions reached through the compliance monitoring and enforcement process(es).
  - 10.3 When required or requested, the Regional Entities shall report information to NERC promptly and in accordance with **Appendix 4C** and other NERC procedures.
  - 10.4 Regional Entities shall notify NERC of all Possible, Alleged and Confirmed Violations of NERC Reliability Standards by Registered Entities over which the Regional Entity has compliance monitoring and enforcement authority, in accordance with **Appendix 4C**.
  - 10.5 A Bulk Power System owner, operator, or user found in noncompliance with a Reliability Standard shall submit a Mitigation Plan with a timeline addressing how the noncompliance will be corrected, unless an enforcement process is used that does not require a Mitigation Plan. The

Regional Entity Compliance Staff shall review and accept the Mitigation Plan in accordance with **Appendix 4C**.

10.6 An officer of a Bulk Power System owner, operator, or user shall certify as accurate all compliance data Self-Reported to the Regional Entity Compliance Monitoring and Enforcement Program.

10.7 Regional Entities shall develop and implement procedures to verify the compliance information submitted by Bulk Power System owners, operators, and users.

11. **Compliance Audits of Bulk Power System Owners, Operators, and Users** — Each Regional Entity will maintain and implement a program of proactive Compliance Audits of Bulk Power System owners, operators, and users responsible for complying with Reliability Standards, in accordance with **Appendix 4C**. A Compliance Audit is a process in which a detailed review of the activities of a Bulk Power System owner, operator, or user is performed to determine if that Bulk Power System owner, operator, or user is complying with approved Reliability Standards.

11.1 For an entity registered as a Balancing Authority, Reliability Coordinator, or Transmission Operator, the Compliance Audit will be performed at least once every three years. For other Bulk Power System owners, operators, and users on the NERC Compliance Registry, Compliance Audits shall be performed on a schedule established by NERC.

11.2 Compliance Audits of Balancing Authorities, Reliability Coordinators, and Transmission Operators will include a component at the audited entity's site. For other Bulk Power System owners, operators, and users on the NERC Compliance Registry, the Compliance Audit may be either an on-site Compliance Audit or based on review of documents, as determined to be necessary and appropriate by NERC or Regional Entity Compliance Staff.

11.3 Compliance Audits must include a detailed review of the activities of the Bulk Power System owner, operator, or user to determine if the Bulk Power System owner, operator, or user is complying with all approved Reliability Standards identified for audit by NERC. The Compliance Audit shall include a review of supporting documentation and evidence used by the Bulk Power System owner, operator or user to demonstrate compliance for an appropriate period prior to the Compliance Audit.

12. **Confidentiality of Compliance Monitoring and Enforcement Processes** — All compliance monitoring and enforcement processes, and information obtained from such processes, are to be non-public and treated as confidential in accordance with Section 1500 and **Appendix 4C** of these Rules of Procedure, unless NERC, the Regional Entity or FERC or another Applicable Governmental

Authority with jurisdiction determines a need to conduct a Compliance Monitoring and Enforcement Program process on a public basis, provided, that NERC and the Regional Entities shall publish (i) schedules of Compliance Audits scheduled in each year, (ii) a public report of each Compliance Audit, and (iii) Notices of Penalty and settlement agreements. Advance authorization from the Applicable Governmental Authority is required to make public any compliance monitoring and enforcement process or any information relating to a compliance monitoring and enforcement process, or to permit interventions when determining whether to impose a Penalty. This prohibition on making public any compliance monitoring and enforcement process does not prohibit NERC or a Regional Entity from publicly disclosing (i) the initiation of or results from an analysis of a significant system event under Section 807 or of off-normal events or system performance under Section 808, or (ii) information of general applicability and usefulness to owners, operators, and users of the Bulk Power System concerning reliability and compliance matters, so long as specific allegations or conclusions regarding Possible or Alleged Violations of Reliability Standards are not included in such disclosures.

13. **Critical Energy Infrastructure Information** — Information that would jeopardize Bulk Power System reliability, including information relating to a Cyber Security Incident will be identified and protected from public disclosure as Critical Energy Infrastructure Information. In accordance with Section 1500, information deemed by a Bulk Power System owner, operator, or user, Regional Entity, or NERC as Critical Energy Infrastructure Information shall be redacted according to NERC procedures and shall not be released publicly.
14. **Penalties, Sanctions, and Remedial Action Directives** — Each Regional Entity will apply all Penalties, sanctions, and Remedial Action Directives in accordance with the approved *Sanction Guidelines*, **Appendix 4B** to these Rules of Procedure. Any changes to the *Sanction Guidelines* to be used by any Regional Entity must be approved by NERC and submitted to the Applicable Governmental Authority for approval. All Confirmed Violations, Penalties, and sanctions, including Confirmed Violations, Penalties and sanctions specified in a Regional Entity Hearing Body decision, will be provided to NERC for review and filing with Applicable Governmental Authorities as a Notice of Penalty, in accordance with **Appendix 4C**.
15. **Regional Entity Hearing Process** — Each Regional Entity Compliance Monitoring and Enforcement Program shall establish and maintain a fair, independent, and nondiscriminatory process for hearing contested violations and any Penalties or sanctions levied, in conformance with Attachment 2 to **Appendix 4C** to these Rules of Procedure and any deviations therefrom that are set forth in the Regional Entity's delegation agreement. The hearing process shall allow Bulk Power System owners, operators, and users to contest findings of compliance violations, any Penalties and sanctions that are proposed to be levied, proposed Remedial Action Directives, and components of proposed Mitigation Plans. The Regional Entity hearing process shall be conducted before the Regional Entity

board or a balanced committee established by and reporting to the Regional Entity board as the final adjudicator at the Regional Entity level, provided, that Canadian provincial regulators may act as the final adjudicator in their respective jurisdictions. The Regional Entity hearing process shall (i) include provisions for recusal of any members of the Hearing Body with a potential conflict of interest, real or perceived, from all compliance matters considered by the Hearing Body for which the potential conflict of interest exists and (ii) provide that no two industry sectors may control any decision and no single segment may veto any matter brought before the Hearing Body after recusals.

Each Regional Entity will notify NERC of all hearings and NERC may observe any of the proceedings. Each Regional Entity will notify NERC of the outcome of all hearings.

If a Bulk Power System owner, operator, or user or a Regional Entity has completed the Regional Entity hearing process and desires to appeal the outcome of the hearing, the Bulk Power System owner, operator, or user or the Regional Entity shall appeal to NERC in accordance with Section 409 of these Rules of Procedure, except that a determination of violation or Penalty that has been directly adjudicated by an Applicable Governmental Authority shall be appealed with that Applicable Governmental Authority.

16. **Annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan** — Each Regional Entity shall annually develop and submit to NERC for approval a Regional Entity Compliance Monitoring and Enforcement Implementation Plan in accordance with **Appendix 4C** that identifies the Reliability Standards and Requirements to be actively monitored (both those required by NERC and any additional Reliability Standards the Regional Entity proposes to monitor), and how each NERC and Regional Entity identified Reliability Standard will be monitored, evaluated, reported, sanctioned, and appealed. These Regional Implementation Plans will be submitted to NERC on the schedule established by NERC, generally on or about October 1 of the preceding year. In conjunction with the annual Regional Implementation Plan, each Regional Entity must report to NERC regarding how it carried out its delegated compliance monitoring and enforcement authority in the previous year, the effectiveness of the Compliance Monitoring and Enforcement Program, and changes expected to correct any deficiencies identified. Each Regional Entity will provide its annual report on the schedule established by NERC, generally on or about February 15 of the following year.

**404. NERC Monitoring of Compliance for Regional Entities or Bulk Power Owners, Operator, or Users**

NERC shall monitor Regional Entity compliance with NERC Reliability Standards and, if no there is no delegation agreement in effect with a Regional Entity for the geographic area, shall monitor Bulk Power System owners, operators, and users for compliance with NERC Reliability Standards. Industry subject matter experts may be used as appropriate in Compliance Investigations, Compliance Audits, and other Compliance Monitoring and

Enforcement Program activities, subject to confidentiality, antitrust, and conflict of interest provisions.

1. **NERC Obligations** — NERC Compliance Staff shall monitor the compliance of the Regional Entity with the Reliability Standards for which the Regional Entities are responsible, in accordance with **Appendix 4C**. NERC shall actively monitor in its annual Compliance Enforcement and Monitoring Program selected Reliability Standards that apply to the Regional Entities. NERC shall evaluate compliance and noncompliance with all of the Reliability Standards that apply to the Regional Entities and shall impose sanctions, Penalties, or Remedial Action Directives when there is a finding of noncompliance. NERC shall post all violations of Reliability Standards that apply to the Regional Entities as described in the reporting and disclosure process in **Appendix 4C**.

In addition, NERC will directly monitor Bulk Power System owners, operators, and users for compliance with NERC Reliability Standards in any geographic area for which there is not a delegation agreement in effect with a Regional Entity, in accordance with **Appendix 4C**. In such cases, NERC will serve as the Compliance Enforcement Authority described in **Appendix 4C**. Compliance matters contested by Bulk Power System owners, operators, and users in such an event will be heard by the NERC Compliance and Certification Committee.

2. **Compliance Audit of the Regional Entity** — NERC shall perform a Compliance Audit of each Regional Entity responsible for complying with Reliability Standards at least once every three years. NERC shall make an evaluation of compliance based on the information obtained through the Compliance Audit. After due process is complete, the final Compliance Audit report shall be made public in accordance with the reporting and disclosure process in **Appendix 4C**.
3. **Appeals Process** — Any Regional Entity or Bulk Power System owner, operator or user found by NERC, as opposed to a Regional Entity, to be in noncompliance with a Reliability Standard may appeal the findings of noncompliance with Reliability Standards and any sanctions or Remedial Action Directives that are issued by, or Mitigation Plan components imposed by, NERC, pursuant to the processes described in Sections 408 through 410.

#### **405. Monitoring of Reliability Standards and Other Requirements Applicable to NERC**

The NERC Compliance and Certification Committee shall establish and implement a process to monitor NERC's compliance with the Reliability Standards that apply to NERC. The process shall use independent monitors with no conflict of interest, real or perceived, in the outcomes of the process. All violations shall be made public according to the reporting and disclosure process in **Appendix 4C**. The Compliance and Certification Committee will also establish a procedure for monitoring NERC's compliance with its Rules of Procedure for the Standards Development, Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs. Such procedures shall not be used to circumvent the appeals processes established for those programs.

**406. Independent Audits of the NERC Compliance Monitoring and Enforcement Program**

NERC shall provide for an independent audit of its Compliance Monitoring and Enforcement Program at least once every three years, or more frequently as determined by the Board. The audit shall be conducted by independent expert auditors as selected by the Board. The independent audit shall meet the following minimum requirements and any other requirements established by the NERC Board.

1. **Effectiveness** — The audit shall evaluate the success and effectiveness of the NERC Compliance Monitoring and Enforcement Program in achieving its mission.
2. **Relationship** — The audit shall evaluate the relationship between NERC and the Regional Entity Compliance Monitoring and Enforcement Programs and the effectiveness of the programs in ensuring reliability.
3. **Final Report Posting** — The final report shall be posted by NERC for public viewing in accordance with **Appendix 4C**.
4. **Response to Recommendations** — If the audit report includes recommendations to improve the NERC Compliance Monitoring and Enforcement Program, the administrators of the NERC Compliance Monitoring and Enforcement Program shall provide a written response and plan to the Board within 30 days of the release of the final audit report.

**407. Penalties, Sanctions, and Remedial Action Directives**

1. **NERC Review of Regional Entity Penalties and Sanctions** — NERC shall review all Penalties, sanctions, and Remedial Action Directives imposed by each Regional Entity for violations of Reliability Standards, including Penalties, sanctions and Remedial Action Directives that are specified by a Regional Entity Hearing Body final decision issued pursuant to Attachment 2 to **Appendix 4C**, to determine if the Regional Entity's determination is supported by a sufficient record compiled by the Regional Entity, is consistent with the *Sanction Guidelines* incorporated into these Rules of Procedure as **Appendix 4B** and with other directives, guidance and directions issued by NERC pursuant to the delegation agreement, and is consistent with Penalties, sanctions and Remedial Action Directives imposed by the Regional Entity and by other Regional Entities for violations involving the same or similar facts and circumstances.
2. **Developing Penalties and Sanctions** — The Regional Entity Compliance Staff shall use the *Sanction Guidelines*, which are incorporated into these Rules of Procedure as **Appendix 4B**, to develop an appropriate Penalty, sanction, or Remedial Action Directive for a violation, and shall notify NERC of the Penalty, sanction or Remedial Action Directive.
3. **Effective Date of Penalty** — Where authorized by applicable legislation or agreement, no Penalty imposed for a violation of a Reliability Standard shall take effect until the thirty-first day after NERC files, with the Applicable

Governmental Authority, a “Notice of Penalty” and the record of the proceedings in which the violation and Penalty were determined, or such other date as ordered by the Applicable Governmental Authority.

**408. Review of NERC Decisions**

1. **Scope of Review** — A Registered Entity or a Regional Entity wishing to challenge a finding of noncompliance and the imposition of a Penalty for a compliance measure directly administered by NERC, or a Regional Entity wishing to challenge a Regional Entity Compliance Monitoring and Enforcement Program audit finding, may do so by filing a notice of the challenge with NERC’s director of enforcement no later than 21 days after issuance of the notice of finding of violation or audit finding. Appeals by Registered Entities or Regional Entities of decisions of Regional Entity Hearing Bodies shall be pursuant to Section 409.
2. **Contents of Notice** — The notice of challenge shall include the full text of the decision that is being challenged, a concise statement of the error or errors contained in the decision, a clear statement of the relief being sought, and argument in sufficient detail to justify such relief.
3. **Response by NERC Compliance Monitoring and Enforcement Program** — Within 21 days after receiving a copy of the notice of challenge, the NERC director of enforcement may file with the Hearing Panel a response to the issues raised in the notice, with a copy to the Regional Entity.
4. **Hearing by Compliance and Certification Committee** — The NERC Compliance and Certification Committee shall provide representatives of the Regional Entity or Registered Entity, and the NERC Compliance Monitoring and Enforcement Program an opportunity to be heard and shall decide the matter based upon the filings and presentations made, with a written explanation of its decision.
5. **Appeal** — The Regional Entity or Registered Entity may appeal the decision of the Compliance and Certification Committee by filing a notice of appeal with NERC’s director of enforcement no later than 21 days after issuance of the written decision by the Compliance and Certification Committee. The notice of appeal shall include the full text of the written decision of the Compliance and Certification Committee that is being appealed, a concise statement of the error or errors contained in the decision, a clear statement of the relief being sought, and argument in sufficient detail to justify such relief. No factual material shall be presented in the appeal that was not presented to the Compliance and Certification Committee.
6. **Response by NERC Compliance Monitoring and Enforcement Program** — Within 21 days after receiving a copy of the notice of appeal, the NERC Compliance Monitoring and Enforcement Program staff may file its response to the issues raised in the notice of appeal, with a copy to the entity filing the notice.



7. **Reply** — The entity filing the appeal may file a reply within 7 days.
8. **Decision** — The Compliance Committee of the NERC Board of Trustees shall decide the appeal, in writing, based upon the notice of appeal, the record, the response, and any reply. At its discretion, the Compliance Committee may invite representatives of the Regional Entity or Registered Entity, and the NERC Compliance Monitoring and Enforcement Program to appear before the Compliance Committee. Decisions of the Compliance Committee shall be final, except for further appeal to the Applicable Governmental Authority.
9. **Impartiality** — No member of the Compliance and Certification Committee or the Board of Trustees Compliance Committee having an actual or perceived conflict of interest in the matter may participate in any aspect of the challenge or appeal except as a party or witness.
10. **Expenses** — Each party in the challenge and appeals processes shall pay its own expenses for each step in the process.
11. **Non-Public Proceedings** — All challenges and appeals shall be closed to the public to protect Confidential Information.

#### **409. Appeals from Final Decisions of Regional Entity Hearing Bodies**

1. **Time for Appeal** — A Regional Entity acting as the Compliance Enforcement Authority, or an owner, operator or user of the Bulk Power System, shall be entitled to appeal from a final decision of a Regional Entity Hearing Body concerning an Alleged Violation of a Reliability Standard, a proposed Penalty or sanction for violation of a Reliability Standard, a proposed Mitigation Plan, or a proposed Remedial Action Directive, by filing a notice of appeal with NERC's director of enforcement, with copies to the Regional Entity and any other Participants in the Regional Entity Hearing Body proceeding, no later than 21 days after issuance of the final decision of the Regional Entity Hearing Body.
2. **Contents** — The notice of appeal shall include the full text of the final decision of the Regional Entity Hearing Body that is being appealed, a concise statement of the error or errors contained in the final decision, a clear statement of the relief being sought, and argument in sufficient detail to justify such relief. No factual material shall be presented in the appeal that was not first presented during the proceeding before the Regional Entity Hearing Body.
3. **Response to Notice of Appeal** — Within 21 days after the date the notice of appeal is filed, the Regional Entity shall file the entire record of the Regional Entity Hearing Body proceeding with NERC's director of enforcement, with a copy to the Participant filing the notice. Within 35 days after the date of the notice of appeal, all Participants in the proceeding before the Regional Entity Hearing Body, other than the Participant filing the notice of appeal, shall file their responses to the issues raised in the notice of appeal.

4. **Reply** — The Registered Entity filing the appeal may file a reply to the responses within 7 days.
5. **Decision** — The Compliance Committee of the NERC Board of Trustees shall decide the appeal, in writing, based upon the notice of appeal, the record of the proceeding before the Regional Entity Hearing Body, the responses, and any reply filed with NERC. At its discretion, the Compliance Committee may invite representatives of the entity making the appeal and the other Participants in the proceeding before the Regional Entity Hearing Body to appear before the Committee. Decisions of the Compliance Committee shall be final, except for further appeal to the Applicable Governmental Authority.
6. **Expenses** — Each party in the appeals process shall pay its own expenses for each step in the process.
7. **Non-Public Proceedings** — All appeals shall be closed to the public to protect Confidential Information.
8. **Appeal of Hearing Body Decisions Granting or Denying Motions to Intervene** — This section is not applicable to an appeal of a decision of a Regional Entity Hearing Body granting or denying a motion to intervene in the Regional Entity Hearing Body proceeding. Appeals of decisions of Regional Entity Hearing Bodies granting or denying motions to intervene in Regional Entity Hearing Body proceedings shall be processed and decided pursuant to Section 414.

**410. Hold Harmless**

A condition of invoking the challenge or appeals processes under Section 408 or 409 is that the entity requesting the challenge or appeal agrees that neither NERC (defined to include its Members, Board of Trustees, committees, subcommittees, staff and industry subject matter experts), any person assisting in the challenge or appeals processes, nor any company employing a person assisting in the challenge or appeals processes, shall be liable, and they shall be held harmless against the consequences of or any action or inaction or of any agreement reached in resolution of the dispute or any failure to reach agreement as a result of the challenge or appeals proceeding. This “hold harmless” clause does not extend to matters constituting gross negligence, intentional misconduct, or a breach of confidentiality.

**411. Requests for Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Reliability Standards**

A Registered Entity that is subject to an Applicable Requirement of a NERC Critical Infrastructure Protection Standard for which Technical Feasibility Exceptions are permitted, may request a Technical Feasibility Exception to the Requirement, and the request will be reviewed, approved or disapproved, and if approved, implemented, in accordance with the NERC *Procedure for Requesting and Receiving Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Standard*, Appendix 4D to these Rules of Procedure.

**412. Certification of Questions from Regional Entity Hearing Bodies for Decision by the NERC Board of Trustees Compliance Committee**

1. A Regional Entity Hearing Body that is conducting a hearing concerning a disputed compliance matter pursuant to Attachment 2, Hearing Procedures, of Appendix 4C, may certify to the Board of Trustees, for decision, a significant question of law, policy or procedure the resolution of which may be determinative of the issues in the hearing in whole or in part, and as to which there are other extraordinary circumstances that make prompt consideration of the question by the Compliance Committee appropriate, in accordance with Section 1.5.12 of the Hearing Procedures. All questions certified by a Regional Entity Hearing Body to the Board of Trustees shall be considered and disposed of by the Compliance Committee.
2. The Compliance Committee may accept or reject a certification of a question for decision. If the Compliance Committee rejects the certified question, it shall issue a written statement that the certification is rejected.
3. If the Compliance Committee accepts the certification of a question for decision, it shall establish a schedule by which the Participants in the hearing before the Regional Entity Hearing Body may file memoranda and reply memoranda stating their positions as to how the question certified for decision should be decided by the Compliance Committee. The Compliance Committee may also request, or provide an opportunity for, the NERC compliance operations department, the NERC compliance enforcement department, and/or the NERC general counsel to file memoranda stating their positions as to how the question certified for decision should be decided. After receiving such memoranda and reply memoranda as are filed in accordance with the schedule, the Compliance Committee shall issue a written decision on the certified question.
4. Upon receiving the Compliance Committee's written decision on the certified question, the Regional Entity Hearing Body shall proceed to complete the hearing in accordance with the Compliance Committee's decision.
5. The Compliance Committee's decision, if any, on the certified question shall only be applicable to the hearing from which the question was certified and to the Participants in that hearing.

**413. Review and Processing of Regional Entity Hearing Body Final Decisions that Are Not Appealed**

NERC shall review and process all final decisions of Regional Entity Hearing Bodies issued pursuant to Attachment 2 to Appendix 4C concerning an Alleged Violation, proposed Penalty or sanction, or proposed Mitigation Plan that are not appealed pursuant to Section 409, as though the determination had been made by the Regional Entity Compliance Monitoring and Enforcement Program. NERC shall review and process such final decisions, and may require that they be modified by the Regional Entity, in

accordance with, as applicable to the particular decision, Sections 5.8, 5.9 and 6.5 of Appendix 4C.

**414. Appeals of Decisions of Regional Entity Hearing Bodies Granting or Denying Motions to Intervene in Regional Entity Hearing Body Proceedings**

1. **Time to Appeal** — An entity may appeal a decision of a Regional Entity Hearing Body under Section 1.4.4 of Attachment 2 of **Appendix C** denying the entity's motion to intervene in a Regional Entity Hearing Body proceeding, and the Regional Entity Compliance Staff or any other Participant in the Regional Entity Hearing Body proceeding may appeal a decision of the Regional Entity Hearing Body under Section 1.4.4 of Attachment 2 of **Appendix C** granting or denying a motion to intervene in the Regional Entity Hearing Body proceeding, in either case by filing a notice of appeal with the NERC director of enforcement, with copies to the Regional Entity Clerk, the Regional Entity Hearing body, the Hearing Officer, the Regional Entity Compliance Staff, and all other Participants in the Regional Entity Hearing Body proceeding, no later than seven (7) days following the date of the Regional Entity Hearing Body decision granting or denying the motion to intervene.
2. **Contents of Notice of Appeal** — The notice of appeal shall set forth information and argument to demonstrate that the decision of the Regional Entity Hearing Body granting or denying the motion to intervene was erroneous under the grounds for intervention specified in Section 1.4.4 of Attachment 2 of **Appendix 4C** and that the entity requesting intervention should be granted or denied intervention, as applicable. Facts alleged in, and any offers of proof made in, the notice of appeal shall be supported by affidavit or verification. The notice of appeal shall include a copy of the original motion to intervene and a copy of the decision of the Regional Entity Hearing Body granting or denying the motion to intervene.
3. **Responses to Notice of Appeal** — Within ten (10) days following the date the notice of appeal is filed, the Regional Entity Clerk shall transmit to the NERC director of enforcement copies of all pleadings filed in the Regional Entity Hearing Body proceeding on the motion to intervene. Within fourteen (14) days following the date the notice of appeal is filed, the Regional Entity Hearing Body, the Regional Entity Compliance Staff, and any other Participants in the Regional Entity Hearing Body proceeding, may each file a response to the notice of appeal with the NERC director of enforcement. Within seven (7) days following the last day for filing responses, the entity filing the notice of appeal, and any Participant in the Regional Entity Hearing Body proceeding that supports the appeal, may file replies to the responses with the NERC director of enforcement.
4. **Disposition of Appeal** — The appeal shall be considered and decided by the Compliance Committee. The NERC director of enforcement shall provide copies of the notice of appeal and any responses and replies to the Compliance Committee. The Compliance Committee shall issue a written decision on the

appeal; provided, that if the Compliance Committee does not issue a written decision on the appeal within forty-five (45) days following the date of filing the notice of appeal, the appeal shall be deemed denied and the decision of the Regional Entity Hearing Body granting or denying the motion to intervene shall stand. The NERC director of enforcement shall transmit copies of the Compliance Committee's decision, or shall provide notice that the forty-five (45) day period has expired with no decision by the Compliance Committee, to the Regional Entity Clerk, the Regional Entity Hearing Body, the entity filing the notice of appeal, the Regional Entity Compliance Staff, and any other Participants in the Regional Entity Hearing Body proceeding that filed responses to the notice of appeal or replies to responses.

5. **Appeal of Compliance Committee Decision to FERC or Other Applicable Governmental Authority** — Any entity aggrieved by the decision of the Compliance Committee on an appeal of a Regional Entity Hearing Body decision granting or denying a motion to intervene in a Regional Entity Hearing Body proceeding (including a denial of such appeal by the expiration of the forty-five (45) day period as provided in Section 414.4) may appeal or petition for review of the decision of the Compliance Committee to FERC or to another Applicable Governmental Authority having jurisdiction over the matter, in accordance with the authorities, rules and procedures of FERC or such other Applicable Governmental Authority. Any such appeal or petition for review shall be filed within the time period, if any, and in the form and manner, specified by the applicable statutes, rules or regulations governing proceedings before FERC or the other Applicable Governmental Authority.

## SECTION 500 — ORGANIZATION REGISTRATION AND CERTIFICATION

### 501. Scope of the Organization Registration and Organization Certification Programs

The purpose of the Organization Registration Program is to clearly identify those entities that are responsible for compliance with the FERC approved Reliability Standards. Organizations that are registered are included on the NERC Compliance Registry (NCR) and are responsible for knowing the content of and for complying with all applicable Reliability Standards. Registered Entities are not and do not become Members of NERC or a Regional Entity, by virtue of being listed on the NCR. Membership in NERC is governed by Article II of NERC's Bylaws; membership in a Regional Entity or regional reliability organization is governed by that entity's bylaws or rules.

The purpose of the Organization Certification Program is to ensure that the new entity (i.e., applicant to be an RC, BA, or TOP that is not already performing the function for which it is applying to be certified as) has the tools, processes, training, and procedures to demonstrate their ability to meet the Requirements/sub-Requirements of all of the Reliability Standards applicable to the function(s) for which it is applying thereby demonstrating the ability to become certified and then operational.

Organization Registration and Organization Certification may be delegated to Regional Entities in accordance with the procedures in this Section 500; the NERC *Organization Registration and Organization Certification Manual*, which is incorporated into these Rules of Procedure as **Appendix 5A**; and, approved Regional Entity delegation agreements or other applicable agreements.

1. **NERC Compliance Registry** — NERC shall establish and maintain the NCR of the Bulk Power System owners, operators, and users that are subject to approved Reliability Standards.
  - 1.1 (a) The NCR shall set forth the identity and functions performed for each organization responsible for meeting Requirements/sub-Requirements of the Reliability Standards. Bulk Power System owners, operators, and users (i) shall provide to NERC and the applicable Regional Entity information necessary to complete the Registration, and (ii) shall provide NERC and the applicable Regional Entity with timely updates to information concerning the Registered Entity's ownership, operations, contact information, and other information that may affect the Registered Entity's Registration status or other information recorded in the Compliance Registry.
    - (b) A generation or transmission cooperative, a joint-action agency or another organization may register as a Joint Registration Organization (JRO), in lieu of each of the JRO's members or related entities being registered individually for one or more functions. Refer to Section 507.

(c) Multiple entities may each register using a Coordinated Functional Registration (CFR) for one or more Reliability Standard(s) and/or for one or more Requirements/sub-Requirements within particular Reliability Standard(s) applicable to a specific function pursuant to a written agreement for the division of compliance responsibility. Refer to Section 508.

- 1.2 In the development of the NCR, NERC and the Regional Entities shall determine which organizations should be placed on the NCR based on the criteria provided in the NERC *Statement of Compliance Registry Criteria* which is incorporated into these Rules of Procedure as **Appendix 5B**.
- 1.3 NERC and the Regional Entities shall use the following rules for establishing and maintaining the NCR based on the Registration criteria as set forth in **Appendix 5B** *Statement of Compliance Registry Criteria*:
  - 1.3.1 NERC shall notify each organization that it is on the NCR. The Registered Entity is responsible for compliance with all the Reliability Standards applicable to the functions for which it is registered from the time it receives the Registration notification from NERC.
  - 1.3.2 Any organization receiving such a notice may challenge its placement on the NCR according to the process in **Appendix 5A** *Organization Registration and Organization Certification Manual*, Section V.
  - 1.3.3 The Compliance Committee of the Board of Trustees shall promptly issue a written decision on the challenge, including the reasons for the decision.
  - 1.3.4 The decision of the Compliance Committee of the Board of Trustees shall be final unless, within 21 days of the date of the Compliance Committee of the Board of Trustees decision, the organization appeals the decision to the Applicable Governmental Authority.
  - 1.3.5 Each Registered Entity identified on the NCR shall notify its corresponding Regional Entity(s) of any corrections, revisions, deletions, changes in ownership, corporate structure, or similar matters that affect the Registered Entity's responsibilities with respect to the Reliability Standards. Failure to notify will not relieve the Registered Entity from any responsibility to comply with the Reliability Standards or shield it from any Penalties or sanctions associated with failing to comply with the Reliability Standards applicable to its associated Registration.

- 1.4 For all geographical or electrical areas of the Bulk Power System, the Registration process shall ensure that (1) no areas are lacking any entities to perform the duties and tasks identified in and required by the Reliability Standards to the fullest extent practical, and (2) there is no unnecessary duplication of such coverage or of required oversight of such coverage. In particular the process shall:
    - 1.4.1 Ensure that all areas are under the oversight of one and only one Reliability Coordinator.
    - 1.4.2 Ensure that all Balancing Authorities and Transmission Operator entities<sup>2</sup> are under the responsibility of one and only one Reliability Coordinator.
    - 1.4.3 Ensure that all transmission Facilities of the Bulk Power System are the responsibility and under the control of one and only one Transmission Planner, Planning Authority, and Transmission Operator.
    - 1.4.4 Ensure that all Loads and generators are under the responsibility and control of one and only one Balancing Authority.
  - 1.5 NERC shall maintain the NCR of organizations responsible for meeting the Requirements/sub-Requirements of the Reliability Standards currently in effect on its website and shall update the NCR monthly.
  - 1.6 With respect to: (i) entities to be registered for the first time; (ii) currently-registered entities or (iii) previously-registered entities, for which registration status changes are sought, including availability and composition of a sub-set list of applicable Reliability Standards (which specifies the Reliability Standards and may specify Requirements/sub-Requirements), the registration process steps in Section III of **Appendix 5A** apply.
  - 1.7 NERC shall establish a NERC-led, centralized review panel, comprised of a NERC lead with Regional Entity participants, in accordance with **Appendix 5A**, *Organization Registration and Organization Certification Manual*, Section III.D and **Appendix 5B**, *Statement of Compliance Registry Criteria*.
2. **Entity Certification** — NERC shall provide for Certification of all entities with primary reliability responsibilities requiring Certification. This includes those

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<sup>2</sup> Some organizations perform the listed functions (e.g., Balancing Authority, Transmission Operator) over areas that transcend the Footprints of more than one Reliability Coordinator. Such organizations will have multiple Registrations, with each such Registration corresponding to that portion of the organization's overall area that is within the Footprint of a particular Reliability Coordinator.



entities that satisfy the criteria established in the NERC provisional Certification process. The NERC programs shall:

- 2.1 Evaluate and certify the competency of entities performing reliability functions. The entities presently expected to be certified include Reliability Coordinators, Transmission Operators, and Balancing Authorities.
- 2.2 Evaluate and certify each applicant's ability to meet the requirements for Certification.
- 2.3 Maintain process documentation.
- 2.4 Maintain records of currently certified entities.
- 2.5 Issue a Certification document to the applicant that successfully demonstrates its competency to perform the evaluated functions.

**3. Delegation and Oversight**

- 3.1 NERC may delegate responsibilities for Organization Registration and Organization Certification to Regional Entities in accordance with requirements established by NERC. Delegation will be via the delegation agreement between NERC and the Regional Entity or other applicable agreement. The Regional Entity shall administer Organization Registration and Organization Certification Programs in accordance with such delegations to meet NERC's programs goals and requirements subject to NERC oversight.
- 3.2 NERC shall develop and maintain a plan to ensure the continuity of Organization Registration and Organization Certification within the geographic or electrical boundaries of a Regional Entity in the event that no entity is functioning as a Regional Entity for that Region, or the Regional Entity withdraws as a Regional Entity, or does not operate its Organization Registration and Organization Certification Programs in accordance with delegation agreements.
- 3.3 NERC shall develop and maintain a program to monitor and oversee the NERC Organization Registration and Organization Certification Programs activities that are delegated to each Regional Entity through a delegation agreement or other applicable agreement.
  - 3.3.1 This program shall monitor whether the Regional Entity carries out those delegated activities in accordance with NERC requirements, and whether there is consistency, fairness of administration, and comparability.

- 3.3.2 Monitoring and oversight shall be accomplished through direct participation in the Organization Registration and Organization Certification Programs with periodic reviews of documents and records of both programs.

**502. Organization Registration and Organization Certification Program Requirements**

1. NERC shall maintain the Organization Registration and Organization Certification Programs.
  - 1.1 The roles and authority of Regional Entities in the programs are delegated from NERC pursuant to the Rules of Procedure through regional delegation agreements or other applicable agreements.
  - 1.2 Processes for the programs shall be administered by NERC and the Regional Entities. Materials that each Regional Entity uses are subject to review and approval by NERC.
  - 1.3 The appeals process for the Organization Registration and Organization Certification Programs are identified in **Appendix 5A** *Organization Registration and Organization Certification Manual*, Sections V and VI, respectively.
  - 1.4 The Certification Team membership is identified in **Appendix 5A** *Organization Registration and Organization Certification Manual*, Section IV.8.d.
2. To ensure consistency and fairness of the Organization Registration and Organization Certification Programs, NERC shall develop procedures to be used by all Regional Entities and NERC in accordance with the following criteria:
  - 2.1 NERC and the Regional Entities shall have data management processes and procedures that provide for confidentiality, integrity, and retention of data and information collected.
  - 2.2 Documentation used to substantiate the conclusions of the Regional Entity/ NERC related to Registration and/or Certification must be retained by the Regional Entity for (6) six years, unless a different retention period is otherwise identified, for the purposes of future audits of these programs.
  - 2.3 To maintain the integrity of the NERC Organization Registration and Organization Certification Programs, NERC, Regional Entities, Certification Team members, program audit team members (Section 506), and committee members shall maintain the confidentiality of information provided by an applicant or entities.
    - 2.2.1 NERC and the Regional Entities shall have appropriate codes of conduct and confidentiality agreements for staff, Certification

Team, Certification related committees, and Certification program audit team members.

- 2.2.2 NERC, Regional Entities, Certification Team members, program audit team members and committee members shall maintain the confidentiality of any Registration or Certification-related discussions or documents designated as confidential (see Section 1500 for types of Confidential Information).
  - 2.2.3 NERC, Regional Entities, Certification Team members, program audit team members and committee members shall treat as confidential the individual comments expressed during evaluations, program audits and report-drafting sessions.
  - 2.2.4 Copies of notes, draft reports, and other interim documents developed or used during an entity Certification evaluation or program audit shall be destroyed after the public posting of a final, uncontested report.
  - 2.2.5 Information deemed by an applicant, entity, a Regional Entity, or NERC as confidential, including Critical Energy Infrastructure Information, shall not be released publicly or distributed outside of a committee or team.
  - 2.2.6 In the event that an individual violates any of the confidentiality rules set forth above, that individual and any member organization with which the individual is associated will be subject to immediate dismissal from the audit team and may be prohibited from future participation in Compliance Monitoring and Enforcement Program activities by the Regional Entity or NERC.
  - 2.2.7 NERC shall develop and provide training in auditing skills to all individuals prior to their participation in Certification evaluations. Training for Certification Team leaders shall be more comprehensive than the training given to industry subject matter experts and Regional Entity members. Training for Regional Entity members may be delegated to the Regional Entity.
- 2.4 An applicant that is determined to be competent to perform a function after completing all Certification requirements shall be deemed certified by NERC to perform that function for which it has demonstrated full competency.
- 2.4.1 All NERC certified entities shall be included on the NCR.

**503. Regional Entity Implementation of Organization Registration and Organization Certification Program Requirements**

1. **Delegation** — Recognizing the Regional Entity’s knowledge of and experience with their members, NERC may delegate responsibility for Organization Registration and Organization Certification to the Regional Entity through a delegation agreement.
2. **Registration** — The following Organization Registration activities shall be managed by the Regional Entity per the NERC *Organization Registration and Organization Certification Manual*, which is incorporated into the Rules of Procedure as Appendix 5A *Organization Registration and Organization Certification Manual*:
  - 2.1 Regional Entities shall verify that all Reliability Coordinators, Balancing Authorities, and Transmission Operators meet the Registration requirements of Section 501(1.4).
3. **Certification** — The following Organization Certification activities shall be managed by the Regional Entity in accordance with an approved delegation agreement or another applicable agreement:
  - 3.1 An entity seeking Certification to perform one of the functions requiring Certification shall contact the Regional Entity for the Region(s) in which it plans to operate to apply for Certification.
  - 3.2 An entity seeking Certification and other affected entities shall provide all information and data requested by NERC or the Regional Entity to conduct the Certification process.
  - 3.3 Regional Entities shall notify NERC of all Certification applicants.
  - 3.4 NERC and/or the Regional Entity shall evaluate the competency of entities requiring Certification to meet the NERC Certification requirements.
  - 3.5 NERC or the Regional Entity shall establish Certification procedures to include evaluation processes, schedules and deadlines, expectations of the applicants and all entities participating in the evaluation and Certification processes, and requirements for Certification Team members.
    - 3.5.1 The NERC / Regional Entity Certification procedures will include provisions for on-site visits to the applicant’s facilities to review the data collected through questionnaires, interviewing the operations and management personnel, inspecting the facilities and equipment (including requesting a demonstration of all tools identified in the Certification process), reviewing all necessary documents and data (including all agreements, processes, and procedures identified in the Certification process), reviewing Certification documents and projected system operator work schedules, and reviewing any additional documentation needed to

support the completed questionnaire or inquiries arising during the site visit.

- 3.5.2 The NERC/ Regional Entity Certification procedures will provide for preparation of a written report by the Certification Team, detailing any deficiencies that must be resolved prior to granting Certification, along with any other recommendations for consideration by the applicant, the Regional Entity, or NERC.

**504. Appeals**

1. NERC shall maintain an appeals process to resolve any disputes related to Registration or Certification activities per the *Organization Registration and Organization Certification Manual*, which is incorporated in these Rules of Procedure as Appendix 5A.
2. The Regional Entity Certification appeals process shall culminate with the Regional Entity board or a committee established by and reporting to the Regional Entity board as the final adjudicator, provided that where applicable, Canadian provincial governmental authorities may act as the final adjudicator in their jurisdictions. NERC shall be notified of all appeals and may observe any proceedings (**Appendix 5A** *Organization Registration and Organization Certification Manual*).

**505. Program Maintenance**

NERC shall maintain its program materials, including such manuals or other documents as it deems necessary, of the governing policies and procedures of the Organization Registration and Organization Certification Programs.

**506. Independent Audit of NERC Organization Registration and Organization Certification Program**

1. NERC, through the Compliance and Certification Committee, shall provide for an independent audit of its Organization Registration and Organization Certification Programs at least once every three years, or more frequently, as determined by the Board. The audit shall be conducted by independent expert auditors as selected by the Board.
2. The audit shall evaluate the success, effectiveness and consistency of the NERC Organization Registration and Organization Certification Programs.
3. The final report shall be posted by NERC for public viewing.
4. If the audit report includes recommendations to improve the program, the administrators of the program shall provide a written response to the Board within 30 days of the final report, detailing the disposition of each and every

recommendation, including an explanation of the reasons for rejecting a recommendation and an implementation plan for the recommendations accepted.

**507. Provisions Relating to Joint Registration Organizations (JRO)**

1. In addition to registering as the entity responsible for all functions that it performs itself, an entity may register as a JRO on behalf of one or more of its members or related entities for one or more functions for which such members or related entities would otherwise be required to register and, thereby, accept on behalf of such members or related entities all compliance responsibility for that function or those functions including all reporting requirements. Any entity seeking to register as a JRO must submit a written agreement with its members or related entities for all Requirements/sub-Requirements for the function(s) for which the entity is registering for and takes responsibility for, which would otherwise be the responsibility of one or more of its members or related entities. Neither NERC nor the Regional Entity shall be parties to any such agreement, nor shall NERC or the Regional Entity have responsibility for reviewing or approving any such agreement, other than to verify that the agreement provides for an allocation or assignment of responsibilities consistent with the JRO Registration.
2. The JRO Registration data must include the same Registration information as a normal compliance Registration entry. The JRO is responsible for providing all of the information and data, including submitting reports, as needed by the Regional Entity for performing assessments of compliance.
3. The Regional Entity shall notify NERC of each JRO that the Regional Entity accepts. The notification will identify the point of contact and the function(s) being registered for on behalf of its members or related entities.
4. For purposes of Compliance Audits, the Regional Entity shall keep a list of all JROs. This document shall contain a list of each JRO's members or related entities and the function(s) for which the JRO is registered for that member(s) or related entity(s). It is the responsibility of the JRO to provide the Regional Entity with this information as well as the applicable JRO agreement(s).
5. The Regional Entity may request clarification of any list submitted to it that identifies the members of the JRO and may request such additional information as the Regional Entity deems appropriate.
6. The Regional Entity's acceptance of a JRO shall be a representation by the Regional Entity to NERC that the Regional Entity has concluded the JRO will meet the Registration requirements of Section 501(1.4).
7. NERC shall maintain, and post on its website, a JRO registry listing all JRO Registrations that have been reviewed and accepted by the Regional Entity. The posting shall identify the JRO entity taking compliance responsibilities for itself and its members.

8. The JRO shall inform the Regional Entity of any changes to an existing JRO. The Regional Entity shall promptly notify NERC of each such revision.
9. Nothing in Section 507 shall preclude a member of a JRO, a related entity, or any other entity from registering on its own behalf and undertaking full compliance responsibility including reporting Requirements for the Reliability Standards applicable to the function(s) for which the member or other entity is registering. A JRO member or related entity that registers as responsible for any Reliability Standard or Requirement/sub-Requirement of a Reliability Standard shall inform the JRO of its Registration.

**508. Provisions Relating to Coordinated Functional Registration (CFR) Entities**

1. In addition to registering as an entity responsible for all functions that it performs itself, multiple entities may each register using a CFR for one or more Reliability Standard(s) and/or for one or more Requirements/sub-Requirements within particular Reliability Standard(s) applicable to a specific function. The CFR submission must include a written agreement that governs itself and clearly specifies the entities' respective compliance responsibilities. The Registration of the CFR is the complete Registration for each entity. Additionally, each entity shall take full compliance responsibility for those Reliability Standards and/or Requirements/sub-Requirements it has registered for in the CFR. Neither NERC nor the Regional Entity shall be parties to any such agreement, nor shall NERC or the Regional Entity have responsibility for reviewing or approving any such agreement, other than to verify that the agreement provides for an allocation or assignment of responsibilities consistent with the CFR.
2. Each CFR or each individual entity within a CFR must identify a point of contact that is responsible for providing information and data, including submitting reports as needed by the Regional Entity related to the CFR Registration.
3. The Regional Entity shall notify NERC of each CFR that the Regional Entity accepts.
4. NERC or the Regional Entity may request clarification of any list submitted to it that identifies the compliance responsibilities of the CFR and may request such additional information as NERC or the Regional Entity deems appropriate.
5. The Regional Entity's acceptance of that CFR shall be a representation by the Regional Entity to NERC that the Regional Entity has concluded the CFR will meet the Registration requirements of Section 501(1.4).
6. NERC shall maintain, and post on its website, a CFR registry listing all CFR Registrations that have been accepted by NERC or by a Regional Entity. The posting shall clearly list all the Reliability Standards or Requirements/sub-Requirements thereof for which each entity of the CFR is responsible for under the CFR.

7. The point of contact shall inform the Regional Entity of any changes to an existing CFR. The Regional Entity shall promptly notify NERC of each such revision.
8. In the event of a violation of a Reliability Standard or of a Requirement/sub-Requirement of a Reliability Standard for which an entity of a CFR is registered, that entity shall be identified in the Notice of Alleged Violation and shall be assessed the sanction or Penalty in accordance with the NERC Sanctions Guidelines. In the event a Regional Entity is not able to determine which entity(ies) is responsible for a particular Reliability Standard, or Requirements/sub-Requirements thereof that has been violated, the Regional Entity shall investigate the noncompliance in accordance with the NERC Rules of Procedure Section 400, *Compliance Enforcement*, to determine the entity(ies) to which the Regional Entity shall to issue the sanction or Penalty for the violation.
9. Nothing in Section 508 shall preclude an entity registered in a CFR, or any other entity from registering on its own behalf and undertaking full compliance responsibility including reporting Requirements for the Reliability Standards applicable to the function(s) for which the entity is registering. An entity registered in a CFR that registers as responsible for any Reliability Standard or Requirement/sub-Requirement of a Reliability Standard shall inform the point of contact of its Registration.

**509. Exceptions to the Definition of the Bulk Electric System**

An Element is considered to be (or not be) part of the Bulk Electric System by applying the BES Definition to the Element (including the inclusions and exclusions set forth therein). Appendix 5C sets forth the procedures by which (i) an entity may request a determination that an Element that falls within the definition of the Bulk Electric System should be exempted from being considered a part of the Bulk Electric System, or (ii) an entity may request that an Element that falls outside of the definition of the Bulk Electric System should be considered part of the Bulk Electric System.



## **SECTION 600 — PERSONNEL CERTIFICATION**

### **601. Scope of Personnel Certification**

Maintaining the reliability of the Bulk Electric System through implementation of the Reliability Standards requires skilled, trained and qualified system operators. The Personnel Certification Program provides the mechanism to ensure system operators are provided the education and training necessary to obtain the essential knowledge and skills and are therefore qualified to operate the Bulk Electric System. The Personnel Certification awards system operator Certification Credentials to individuals who demonstrate that they have attained essential knowledge relating to NERC Reliability Standards as well as principles of Bulk Power System operations. NERC, as the ERO, will ensure skilled, trained, and qualified system operators through the Personnel Certification Program.

Except as necessary to obtain approval of the Rules of Procedure, the NERC Personnel Certification Governance Committee (PCGC) is the governing body that establishes the policies, sets fees, and monitors the performance of the Personnel Certification Program for system operators.

### **602. Structure of ERO Personnel Certification Program**

1. The NERC Personnel Certification Program shall be international in scope.
2. The PCGC shall (1) be able to independently exercise decision-making for all matters pertaining to Certification, (2) include individuals from the discipline being certified and whose composition addresses the needs of the users of the program (e.g., employers, regulators, etc.), and (3) have representation for each specialty or level within a discipline.
3. NERC shall maintain a nominating process for membership in the governing body. Nominations shall be open to all interested parties and self-nominations shall be accepted. The NERC Board of Trustees shall appoint members to the governing body from among those nominated. The members of the governing body shall serve at the pleasure of the Board.
4. The PCGC shall have control over the matters related to the Personnel Certification and re-Certification Programs listed below, without being subject to approval by any other body.
  - 4.1 Policies and procedures, including eligibility requirements and application processing.
  - 4.2 Requirements for personnel Certification, maintaining Certification, and re-Certification.
  - 4.3 Examination content, development, and administration.
  - 4.4 Examination cut score.

- 4.5 Grievance and disciplinary processes.
  - 4.6 Governing body and subgroup(s)' meeting rules including agenda, frequency, and related procedures.
  - 4.7 Subgroup(s) appointments and work assignments.
  - 4.8 Publications about personnel Certification and re-Certification.
  - 4.9 Setting fees for application, and all other services provided as a part of the personnel Certification and re-Certification activities.
  - 4.10 Program funding, spending, and budget authority. Financial matters related to the operation of the program shall be segregated from other NERC activities.
5. The Personnel Certification Program shall utilize written procedures for the selection of members of the governing body that prohibit the governing body from selecting a majority of its successors.
  6. The Personnel Certification Program shall be separate from the accreditation and education functions of NERC in related disciplines.
  7. No member of the PCGC or staff member working with the Personnel Certification Program governing body shall have or exercise any authority or responsibility for compliance matters related to Reliability Standards concerning personnel Certification.

**603. Examination and Maintenance of NERC System Operator Certification Credentials**

1. System operators seeking to obtain a Credential must pass an examination to earn the Credential.
2. A certificate will be issued to successful candidates which is valid for three years.
3. A system operator must earn Continuing Education Hours (CE Hours) in NERC-Approved Learning Activities within the three-year period preceding the expiration date of his/her certificate as determined by the PCGC and posted in the NERC System Operator Program Manual. A system operator must request a renewal and submit the appropriate fee for Certification renewal evaluation.
4. The Credential of a certified system operator who does not accumulate the required number and balance of CE Hours within the three-year period will be Suspended. A system operator with a Suspended certificate cannot perform any task that requires an operator to be NERC-certified. The system operator with a Suspended Credential will have up to twelve months to acquire the necessary CE Hours.

- 4.1 During the time of suspension, the original anniversary date will be maintained. Therefore, should the system operator accumulate the required number of CE Hours within the twelve month suspension period, he/she will be issued a certificate that will be valid for three years from the previous expiration date.
- 4.2 At the end of the twelve-month suspension period, if the system operator has not accumulated the required number of CE Hours, the Credential will be Revoked and all CE Hours earned will be forfeited. After a Credential is Revoked, the system operator will be required to pass an examination to become certified.
5. **Hardship:** Due to unforeseen events and extenuating circumstances, a certified system operator may be unable to accumulate the necessary CE Hours in the time frame required by the Personnel Certification Program to maintain the Credential. In such an event, the individual must submit a written request containing a thorough explanation of the circumstances and supporting information to the NERC Personnel Certification Manager. The PCGC retains the right to invoke this hardship clause as it deems appropriate to address such events or circumstances.

#### **604. Dispute Resolution Process**

1. Any dispute arising under the NERC agreement establishing the *NERC Personnel Certification Program* or from the establishment of any NERC rules, policies, or procedures dealing with any segment of the Certification process shall be subject to the NERC System Operator Certification Dispute Resolution Process. The Dispute Resolution Process is for the use of persons who hold an operator Certification or persons wishing to be certified to dispute the validity of the examination, the content of the test, the content outlines, or the Registration process.
2. Dispute Resolution Process consists of three steps.
  - 2.1. **Notify NERC Personnel Certification Program Staff:** This first step can usually resolve the issues without further actions. It is expected that most disputes will be resolved at this step. If the issue(s) is not resolved to the satisfaction of the parties involved in the first step, the issue can be brought to the PCGC Dispute Resolution Task Force.
  - 2.2. **PCGC Dispute Resolution Task Force:** If the NERC staff did not resolve the issue(s) to the satisfaction of the parties involved, a written request must be submitted to the chairman of the PCGC through NERC staff explaining the issue(s) and requesting further action. Upon receipt of the letter, the PCGC chairman will present the request to the PCGC Dispute Resolution Task Force for action. This task force consists of three current members of the PCGC. The PCGC Dispute Resolution Task Force will

investigate and consider the issue(s) presented and make a decision. This decision will then be communicated to the submitting party, the PCGC chairman, and the NERC staff within 45 calendar days of receipt of the request.

3. Personnel Certification Governance Committee: If the PCGC Dispute Resolution Task Force's decision did not resolve the issue(s) to the satisfaction of the parties involved, the final step in the process is for the issue(s) to be brought before the PCGC. Within 45 days of the date of the Task Force's decision, the disputing party shall submit a written request to the PCGC chairman through NERC staff requesting that the issue(s) be brought before the PCGC for resolution. The chairman shall see that the necessary documents and related data are provided to the PCGC members as soon as practicable. The PCGC will then meet or conference to discuss the issue(s) and make their decision within 60 calendar days of the chairman's receipt of the request. The decision will be provided to the person bringing the issue(s) and the NERC staff. The PCGC is the governing body of the Certification program and its decision is final.
4. Dispute Resolution Process Expenses: All individual expenses associated with the Dispute Resolution Process, including salaries, meetings, or consultant fees, shall be the responsibility of the individual parties incurring the expense.
5. Decision Process: Robert's Rules of Order shall be used as a standard of conduct for the Dispute Resolution Process. A majority vote of the members present will decide all issues. The vote will be taken in a closed session. No member of the PCGC may participate in the Dispute Resolution Process, other than as a party or witness, if he or she has an interest in the particular matter.
  - 5.1 A stipulation of invoking the Dispute Resolution Process is that the entity invoking the Dispute Resolution Process agrees that neither NERC (its members, Board of Trustees, committees, subcommittees, and staff), any person assisting in the Dispute Resolution Process, nor any company employing a person assisting in the Dispute Resolution Process, shall be liable, and they shall be held harmless against the consequences of or any action or inaction or of any agreement reached in resolution of the dispute or any failure to reach agreement as a result of the Dispute Resolution Process. This "hold harmless" clause does not extend to matters constituting gross negligence, intentional misconduct, or a breach of confidentiality.

## **605. Disciplinary Action**

1. Disciplinary action may be necessary to protect the integrity of the system operator Credential. The PCGC may initiate disciplinary action should an individual act in a manner that is inconsistent with expectations, including but not limited to:

- 1.1. Willful, gross, and/or repeated violation of the NERC Reliability Standards as determined by a NERC investigation.
  - 1.2. Willful, gross, and/or repeated negligence in performing the duties of a certified system operator as determined by a NERC investigation.
  - 1.3. Intentional misrepresentation of information provided on a NERC application for a system operator Certification exam or to maintain a system operator Credential using CE Hours.
  - 1.4. Intentional misrepresentation of identification in the exam process, including a person identifying himself or herself as another person to obtain Certification for the other person.
  - 1.5. Any form of cheating during a Certification exam, including, but not limited to, bringing unauthorized reference material in the form of notes, crib sheets, or other methods of cheating into the testing center.
  - 1.6. A certified system operator's admission to or conviction of any felony or misdemeanor directly related to his/her duties as a system operator.
2. **Hearing Process:** Upon report to NERC of a candidate's or certified system operator's alleged misconduct, the NERC PCGC Credential Review Task Force will convene for the determination of facts. An individual, government agency, or other investigating authority can file a report. Unless the Task Force initially determines that the report of alleged misconduct is without merit, the candidate or certified system operator will be given the right to notice of the allegation. A hearing will be held and the charged candidate or certified system operator will be given an opportunity to be heard and present further relevant information. The Task Force may seek out information from other involved parties. The hearing will not be open to the public, but it will be open to the charged candidate or certified system operator and his or her representative. The Task Force will deliberate in a closed session, but the Task Force cannot receive any evidence during the closed session that was not developed during the course of the hearing.
  3. **Task Force's decision:** The Task Force's decision will be unanimous and will be in writing with inclusion of the facts and reasons for the decision. The Task Force's written decision will be delivered to the PCGC and by certified post to the charged candidate or certified system operator. In the event that the Task Force is unable to reach a unanimous decision, the matter shall be brought to the full committee for a decision.
    - 3.1. **No Action:** Allegation of misconduct was determined to be unsubstantiated or inconsequential to the Credential.
    - 3.2. **Probation:** A letter will be sent from NERC to the offender specifying:

- 3.2.1. The length of time of the probationary period (to be determined by the PCGC).
    - 3.2.2. Credential will remain valid during the probationary period.
    - 3.2.3. The probationary period does not affect the expiration date of the current certificate.
    - 3.2.4. During the probationary period, a subsequent offense of misconduct, as determined through the same process as described above, may be cause for more serious consequences.
  - 3.3. Revoke for Cause: A letter will be sent from NERC to the offender specifying:
    - 3.3.1. The length of time of the probationary period (to be determined by the PCGC).
    - 3.3.2. Credential is no longer valid.
    - 3.3.3. Successfully passing an exam will be required to become recertified.
    - 3.3.4. An exam will not be authorized until the revocation period expires
  - 3.4. Termination of Credential: A letter will be sent from NERC to the offender specifying permanent removal of Credential.
4. Credential Review Task Force: The Credential Review Task Force shall be comprised of three active members of the PCGC assigned by the Chairman of the PCGC on an ad hoc basis. No one on the Credential Review Task Force may have an interest in the particular matter. The Task Force will meet in a venue determined by the Task Force chairman.
5. Appeal Process: The decision of the Task Force may be appealed using the NERC System Operator Certification Dispute Resolution Process.

**606. Candidate Testing Mechanisms**

1. The Personnel Certification Program shall utilize reliable testing mechanisms to evaluate individual competence in a manner that is objective, fair to all candidates, job-related, and based on the knowledge and skill needed to function in the discipline.

2. The Personnel Certification Program shall implement a formal policy of periodic review of the testing mechanisms to ensure ongoing relevance of the mechanisms to knowledge and skill needed in the discipline.
3. The Personnel Certification Program shall utilize policies and procedures to ensure that all test administration and development materials are secure and demonstrate that these policies and procedures are consistently implemented.
4. The Personnel Certification Program shall establish pass/fail levels that protect the public with a method that is based on competence and generally accepted in the psychometric community as being fair and reasonable.
5. The Personnel Certification Program shall conduct ongoing studies to substantiate the reliability and validity of the testing mechanisms.
6. The Personnel Certification Program shall utilize policies and procedures that govern how long examination records are kept in their original format.
7. The Personnel Certification Program shall demonstrate that different forms of the testing mechanisms assess equivalent content and that candidates are not penalized for taking forms of varying difficulty.

**607. Public Information About the Personnel Certification Program**

1. The Personnel Certification Program shall maintain and publish publicly a System Operator Certification Program Manual describing the procedures used in examination construction and validation; all eligibility requirements and determination; fees; and examination administration documents, including: reporting of results, re-Certification requirements, and disciplinary and dispute resolution.
2. The Personnel Certification Program shall maintain and publish publicly a comprehensive summary or outline of the information, knowledge, or functions covered by each examination.
3. The Personnel Certification Program shall publish publicly and make available at least annually a summary of Certification activities for the program, including at least the following information: number of examinations delivered, the number passed, the number failed, and the number certified.

**608. Responsibilities to Applicants for Certification or Re-Certification**

The Personnel Certification Program:

1. Shall not discriminate among applicants as to age, gender, race, religion, national origin, disability, or marital status and shall include a statement of non-discrimination in announcements of the program.

2. Shall comply with all requirements of applicable federal and state/provincial laws with respect to all Certification and re-Certification activities, and shall require compliance of all contractors and/or providers of services.
3. Shall make available to all applicants copies of formalized procedures for application for, and attainment of, personnel Certification and re-Certification and shall uniformly follow and enforce such procedures for all applicants.
4. Shall implement a formal policy for the periodic review of eligibility criteria and application procedures to ensure that they are fair and equitable.
5. Shall provide competently proctored examination sites.
6. Shall uniformly report examination results to applicants in a timely manner.
7. Shall give applicants failing the examination information on general content areas of deficiency.

**609. Responsibilities to the Public and to Employers of Certified Practitioners**

The Personnel Certification Program:

1. Shall demonstrate that the testing mechanisms adequately measure the knowledge and skill required for entry, maintenance, and/or advancement in the profession for each position to be certified.
2. Shall award Certification and re-Certification only after the skill and knowledge of the individual have been evaluated and determined to be acceptable.
3. Shall maintain, in an electronic format, a current list of those persons certified in the programs and have policies and procedures that delineate what information about a Credential holder may be made public and under what circumstances.
4. Shall have formal policies and procedures for discipline of a Credential holder, including the revocation of the certificate, for conduct deemed harmful to the public or inappropriate to the discipline (e.g., incompetence, unethical behavior, physical or mental impairment affecting performance). These procedures shall incorporate due process.
5. Shall demonstrate that any title or Credential awarded accurately reflects or applies to the practitioner's daily occupational or professional duties and is not confusing to employers, consumers, regulators, related professions, and/or other interested parties.



## **SECTION 700 — RELIABILITY READINESS EVALUATION AND IMPROVEMENT AND FORMATION OF SECTOR FORUMS**

### **701. Confidentiality Requirements for Readiness Evaluations and Evaluation Team Members**

1. All information made available or created during the course of any reliability readiness evaluation including, but not limited to, data, Documents, observations and notes, shall be maintained as confidential by all evaluation team members, in accordance with the requirements of Section 1500.
2. Evaluation team members are obligated to destroy all confidential evaluation notes following the posting of the final report of the reliability readiness evaluation.
3. NERC will retain reliability readiness evaluation-related documentation, notes, and materials for a period of time as defined by NERC.
4. These confidentiality requirements shall survive the termination of the NERC Reliability Readiness Evaluation and Improvement Program.

### **702. Formation of Sector Forum**

1. NERC will form a sector forum at the request of any five members of NERC that share a common interest in the safety and reliability of the Bulk Power System. The members of sector forum may invite such others of the members of NERC to join the sector forum as the sector forum deems appropriate.
2. The request to form a sector forum must include a proposed charter for the sector forum. The Board must approve the charter.
3. NERC will provide notification of the formation of a sector forum to its membership roster. Notices and agendas of meetings shall be posted on NERC's website.
4. A sector forum may make recommendations to any of the NERC committees and may submit a Standards Authorization Request to the NERC *Reliability Standards Development Procedure*.

## **SECTION 800 — RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS**

### **801. Objectives of the Reliability Assessment and Performance Analysis Program**

The objectives of the NERC Reliability Assessment and Performance Analysis Program are to: (1) conduct, and report the results of, an independent assessment of the overall reliability and adequacy of the interconnected North American Bulk Power Systems, both as existing and as planned; (2) analyze off-normal events on the Bulk Power System; (3) identify the root causes of events that may be precursors of potentially more serious events; (4) assess past reliability performance for lessons learned; (5) disseminate findings and lessons learned to the electric industry to improve reliability performance; and (6) develop reliability performance benchmarks. The final reliability assessment reports shall be approved by the Board for publication to the electric industry and the general public.

### **802. Scope of the Reliability Assessment Program**

1. The scope of the Reliability Assessment Program shall include:
  - 1.1 Review, assess, and report on the overall electric generation and transmission reliability (adequacy and operating reliability) of the interconnected Bulk Power Systems, both existing and as planned.
  - 1.2 Assess and report on the key issues, risks, and uncertainties that affect or have the potential to affect the reliability of existing and future electric supply and transmission.
  - 1.3 Review, analyze, and report on Regional Entity self-assessments of electric supply and bulk power transmission reliability, including reliability issues of specific regional concern.
  - 1.4 Identify, analyze, and project trends in electric customer demand, supply, and transmission and their impacts on Bulk Power System reliability.
  - 1.5 Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, and new or proposed legislation (e.g. environmental requirements) on the adequacy and operating reliability of the Bulk Power Systems.
2. The Reliability Assessment Program shall be performed in a manner consistent with the Reliability Standards of NERC including but not limited to those that specify reliability assessment Requirements.

### **803. Reliability Assessment Reports**

The number and type of periodic assessments that are to be conducted shall be at the discretion of NERC. The results of the reliability assessments shall be documented in three reports: the long-term and the annual seasonal (summer) and the annual seasonal (winter) assessment reports. NERC shall also conduct special reliability assessments from time to time as circumstances warrant. The reliability assessment reports shall be reviewed and approved for publication by the Board. The three regular reports are described below.

1. **Long-Term Reliability Assessment Report** — The annual long-term report shall cover a ten-year planning horizon. The planning horizon of the long-term reliability assessment report shall be subject to change at the discretion of NERC. Detailed generation and transmission adequacy assessments shall be conducted for the first five years of the review period. For the second five years of the review period, the assessment shall focus on the identification, analysis, and projection of trends in peak demand, electric supply, and transmission adequacy, as well as other industry trends and developments that may impact future electric system reliability. Reliability issues of concern and their potential impacts shall be presented along with any mitigation plans or alternatives. The long-term reliability assessment reports will generally be published in the fall (September) of each year. NERC will also publish electricity supply and demand data associated with the long-term reliability assessment report.
2. **Summer Assessment Report** — The annual summer seasonal assessment report typically shall cover the four-month (June–September) summer period. It shall provide an overall perspective on the adequacy of the generation resources and the transmission systems necessary to meet projected summer peak demands. It shall also identify reliability issues of interest and regional and subregional areas of concern in meeting projected customer demands and may include possible mitigation alternatives. The report will generally be published in mid-May for the upcoming summer period.
3. **Winter Assessment Report** — The annual winter seasonal assessment report shall cover the three-month (December–February) winter period. The report shall provide an overall perspective on the adequacy of the generation resources and the transmission systems necessary to meet projected winter peak demands. Similar to the summer assessment, the winter assessment shall identify reliability issues of interest and regional and subregional areas of concern in meeting projected customer demands and may also include possible mitigation alternatives. The winter assessment report will generally be published in mid-November for the upcoming winter period.
4. **Special Reliability Assessment Reports** — In addition to the long-term and seasonal reliability assessment reports, NERC shall also conduct special reliability assessments on a regional, interregional, and Interconnection basis as conditions warrant, or as requested by the Board or governmental authorities. The teams of reliability and technical experts also may initiate special assessments of key

reliability issues and their impacts on the reliability of a regions, subregions, or Interconnection (or a portion thereof). Such special reliability assessments may include, among other things, operational reliability assessments, evaluations of emergency response preparedness, adequacy of fuel supply, hydro conditions, reliability impacts of new or proposed environmental rules and regulations, and reliability impacts of new or proposed legislation that affects or has the potential to affect the reliability of the interconnected Bulk Power Systems in North America.

#### **804. Reliability Assessment Data and Information Requirements**

To carry out the reviews and assessments of the overall reliability of the interconnected Bulk Power Systems, the Regional Entities and other entities shall provide sufficient data and other information requested by NERC in support of the annual long-term and seasonal assessments and any special reliability assessments.

Some of the data provided for these reviews and assessment may be considered confidential from a competitive marketing perspective, a Critical Energy Infrastructure Information perspective, or for other purposes. Such data shall be treated in accordance with the provisions of Section 1500 – Confidential Information.

While the major sources of data and information for this program are the Regional Entities, a team of reliability and technical experts is responsible for developing and formulating its own independent conclusions about the near-term and long-term reliability of the Bulk Power Systems.

In connection with the reliability assessment reports, requests shall be submitted to each of the Regional Entities for required reliability assessment data and other information, and for each Regional Entity's self-assessment report. The timing of the requests will be governed by the schedule for the preparation of the assessment reports.

The Regional Entity self-assessments are to be conducted in compliance with NERC Reliability Standards and the respective regional planning criteria. The team(s) of reliability and technical experts shall also conduct interviews with the Regional Entities as needed. The summary of the Regional Entity self-assessments that are to be included in the assessment reports shall follow the general outline identified in NERC's request. This outline may change from time to time as key reliability issues change.

In general, the Regional Entity reliability self-assessments shall address, among other areas, the following topics: demand and Net Energy for Load; assessment of projected resource adequacy; any transmission constraints that may impact bulk transmission adequacy and plans to alleviate those constraints; any unusual operating conditions that could impact reliability for the assessment period; fuel supply adequacy; the deliverability of generation (both internal and external) to **Load**; and any other reliability issues in the Region and their potential impacts on the reliability of the Bulk Power Systems.

### **805. Reliability Assessment Process**

Based on their expertise, the review of the collected data, the review of the Regional Entity self-assessment reports, and interviews with the Regional Entities, as appropriate, the teams of reliability and technical experts shall perform an independent review and assessment of the generation and transmission adequacy of each Region's existing and planned Bulk Power System. The results of the review teams shall form the basis of NERC's long-term and seasonal reliability assessment reports. The review and assessment process is briefly summarized below.

1. **Resource Adequacy Assessment** — The teams shall evaluate the regional demand and resource capacity data for completeness in the context of the overall resource capacity needs of the Region. The team shall independently evaluate the ability of the Regional Entity members to serve their obligations given the demand growth projections, the amount of existing and planned capacity, including committed and uncommitted capacity, contracted capacity, or capacity outside of the Region. If the Region relies on capacity from outside of the Region to meet its resource objectives, the ability to deliver that capacity shall be factored into the assessment. The demand and resource capacity information shall be compared to the resource adequacy requirements of the Regional Entity for the year(s) or season(s) being assessed. The assessment shall determine if the resource information submitted represents a reasonable and attainable plan for the Regional Entity and its members. For cases of inadequate capacity or reserve margin, the Regional Entity will be requested to analyze and explain any resource capacity inadequacies and its plans to mitigate the reliability impact of the potential inadequacies. The analysis may be expanded to include surrounding areas. If the expanded analysis indicates further inadequacies, then an interregional problem may exist and will be explored with the applicable Regions. The results of these analyses shall be described in the assessment report.
2. **Transmission Adequacy and Operating Reliability Assessment** — The teams shall evaluate transmission system information that relates to the adequacy and operating reliability of the regional transmission system. That information shall include: regional planning study reports, interregional planning study reports, and/or regional operational study reports. If additional information is required, another data request shall be sent to the Regional Entity. The assessment shall provide a judgment on the ability of the regional transmission system to operate reliably under the expected range of operating conditions over the assessment period as required by NERC Reliability Standards. If sub-areas of the regional system are especially critical to the Reliable Operation of the regional bulk transmission system, these Facilities or sub-areas shall be reviewed and addressed in the assessment. Any areas of concern related to the adequacy or operating reliability of the system shall be identified and reported in the assessment.
3. **Seasonal Operating Reliability Assessment** — The team(s) shall evaluate the overall operating reliability of the regional bulk transmission systems. In areas with potential resource adequacy or system operating reliability problems, operational readiness of the affected Regional Entities for the upcoming season

shall be reviewed and analyzed. The assessment may consider unusual but possible operating scenarios and how the system is expected to perform. Operating reliability shall take into account a wide range of activities, all of which should reinforce the Regional Entity's ability to deal with the situations that might occur during the upcoming season. Typical activities in the assessment may include: facility modifications and additions, new or modified operating procedures, emergency procedures enhancement, and planning and operating studies. The teams shall report the overall seasonal operating reliability of the regional transmission systems in the annual summer and winter assessment reports.

4. **Reporting of Reliability Assessment Results** — The teams of reliability and technical experts shall provide an independent assessment of the reliability of the Regional Entities and the North American interconnected Bulk Power System for the period of the assessment. While the Regional Entities are relied upon to provide the information to perform such assessments, the review team is not required to accept the conclusions provided by the Regional Entities. Instead, the review team is expected, based on their expertise, to reach their own independent conclusions about the status of the adequacy of the generation and bulk power transmission systems of North America.

The review team also shall strive to achieve consensus in their assessments. The assessments that are made are based on the best information available at the time. However, since judgment is applied to this information, legitimate differences of opinion can develop. Despite these differences, the review team shall work to achieve consensus on their findings.

In addition to providing long-term and seasonal assessments in connection with the Reliability Assessment Program, the review team of experts shall also be responsible for recommending new and revised Reliability Standards related to the reliability assessments and the reliability of the Bulk Power Systems. These proposals for new or revised Reliability Standards shall be entered into NERC's Reliability Standards development process.

Upon completion of the assessment, the team shall share the results with the Regional Entities. The Regional Entities shall be given the opportunity to review and comment on the conclusions in the assessment and to provide additional information as appropriate. The reliability assessments and their conclusions are the responsibility of NERC's technical review team and NERC.

The preparation and approval of NERC's reliability assessment reports shall follow a prescribed schedule including review, comment, and possible approval by appropriate NERC committees. The long-term and seasonal (summer and winter) reliability assessment reports shall be further reviewed for approval by the Board for publication to the electric industry.

**806. Scope of the Reliability Performance and Analysis Program**

The components of the program will include analysis of large-scale outages, disturbances, and near misses to determine root causes and lessons learned; identification and continuous monitoring of performance indices to detect emerging trends and signs of a decline in reliability performance; and communications of performance results, trends, recommendations, and initiatives to those responsible to take actions; followed with confirmation of actions to correct any deficiencies identified. Within NERC, the reliability performance program will provide performance results to the Reliability Standards Development and Compliance Monitoring and Enforcement Programs to make the necessary adjustments to preserve reliability based on a risk-based approach.

**807. Analysis of Major Events**

Responding to major events affecting the Bulk Power System such as significant losses of Load or generation, significant Bulk Power System disturbances, or other emergencies on the Bulk Power System, can be divided into four phases: situational assessment and communications; situation tracking and communications; data collection, investigation, analysis, and reporting; and follow-up on recommendations.

1. NERC's role following a major event is to provide leadership, coordination, technical expertise, and assistance to the industry in responding to the major event. Working closely with the Regional Entities and Reliability Coordinators, and other appropriate Registered Entities, NERC will coordinate and facilitate efforts among industry participants, and with state, federal, and provincial governments in the United States and Canada to support the industry's response.
2. When responding to any major event where physical or cyber security is suspected as a cause or contributing factor to the major event, NERC will immediately notify appropriate government agencies and coordinate its activities with them.
3. To the extent that a Reliability Standard sets forth specific criteria and procedures for reporting the Bulk Power System disturbances and events described in that Reliability Standard, all Registered Entities that are subject to the Requirements of that Reliability Standard must report the information required by that Reliability Standard within the time periods specified. In addition to reporting information as required by applicable Reliability Standards, each user, owner, and operator of the Bulk Power System shall also provide NERC and the applicable Regional Entities with such additional information requested by NERC or the applicable Regional Entity as is necessary to enable NERC and the applicable Regional Entities to carry out their responsibilities under this section.
4. During the conduct of NERC analyses, assistance may be needed from government agencies. This assistance could include: authority to require data reporting from affected or involved parties; communications with other agencies of government; investigations related to possible criminal or terrorist involvement in the major event; resources for initial data gathering immediately after the major

event; authority to call meetings of affected or involved parties; and technical and analytical resources for studies.

5. NERC shall work with all other participants to establish a clear delineation of roles, responsibilities, and coordination requirements among industry and government for the investigation and reporting of findings, conclusions, and recommendations related to major events with the objective of avoiding, to the extent possible, multiple investigations of the same major event. If the major event is confined to a single Regional Entity, NERC representatives will participate as members of the Regional Entity analysis team. NERC will establish, maintain, and revise from time to time as appropriate based on experience, a manual setting forth procedures and protocols for communications and sharing and exchange of information between and among NERC, the affected Regional Entity or Entities, and relevant governmental authorities, industry organizations and Bulk Power System user, owners, and operators concerning the investigation and analysis of major events.
6. NERC and applicable entity(s) will apply, as appropriate to the circumstances of the major event, the NERC *Blackout and Disturbance Response Procedures*, which are incorporated into these Rules of Procedure as **Appendix 8**. These procedures provide a framework to guide NERC's response to major events that may have multiregional, national, or international implications. Experienced industry leadership shall be applied to tailor the response to the specific circumstances of the major event. In accordance with those procedures, the NERC president will determine whether the major event warrants analysis at the NERC level. A Regional Entity may request that NERC elevate any analysis of a major event to the NERC level.
7. NERC will screen and analyze the findings and recommendations from the analysis, and those with generic applicability will be disseminated to the industry through various means appropriate to the circumstances, including in accordance with Section 810.

**808. Analysis of Off-Normal Occurrences, Bulk Power System Performance, and Bulk Power System Vulnerabilities**

1. NERC and Regional Entities will analyze Bulk Power System and equipment performance occurrences that do not rise to the level of a major event, as described in Section 807. NERC and Regional Entities will also analyze potential vulnerabilities in the Bulk Power System that they discover or that are brought to their attention by other sources including government agencies. The purpose of these analyses is to identify the root causes of occurrences or conditions that may be precursors of major events or other potentially more serious occurrences, or that have the potential to cause major events or other more serious occurrences, to assess past reliability performance for lessons learned, and to develop reliability performance benchmarks and trends.



2. NERC and Regional Entities will screen and analyze off-normal occurrences, Bulk Power System performance, and potential Bulk Power System vulnerabilities for significance, and information from those indicated as having generic applicability will be disseminated to the industry through various means appropriate to the circumstances, including in accordance with Section 810.
3. To the extent that a Reliability Standard sets forth specific criteria and procedures for reporting the Bulk Power System disturbances and events described in that Reliability Standard, all Registered Entities that are subject to the Requirements of that Reliability Standard must report the information required by that Reliability Standard within the time periods specified. In addition to reporting information as required by applicable Reliability Standards, each user, owner, and operator, of the Bulk Power System shall provide NERC and the applicable Regional Entities with such additional information requested by NERC or the applicable Regional Entities as is necessary to enable NERC and the applicable Regional Entities to carry out their responsibilities under this section.

**809. Reliability Benchmarking**

NERC shall identify and track key reliability indicators as a means of benchmarking reliability performance and measuring reliability improvements. This program will include assessing available metrics, developing guidelines for acceptable metrics, maintaining a performance metrics “dashboard” on the NERC website, and developing appropriate reliability performance benchmarks.

**810. Information Exchange and Issuance of NERC Advisories, Recommendations and Essential Actions**

1. Members of NERC and Bulk Power System owners, operators, and users shall provide NERC with detailed and timely operating experience information and data.
2. In the normal course of operations, NERC disseminates the results of its events analysis findings, lessons learned and other analysis and information gathering to the industry. These findings, lessons learned and other information will be used to guide the Reliability Assessment Program.
3. When NERC determines it is necessary to place the industry or segments of the industry on formal notice of its findings, analyses, and recommendations, NERC will provide such notification in the form of specific operations or equipment Advisories, Recommendations or Essential Actions:
  - 3.1 Level 1 (Advisories) – purely informational, intended to advise certain segments of the owners, operators and users of the Bulk Power System of findings and lessons learned;
  - 3.2 Level 2 (Recommendations) – specific actions that NERC is recommending be considered on a particular topic by certain segments of

owners, operators, and users of the Bulk Power System according to each entity's facts and circumstances;

- 3.3 Level 3 (Essential Actions) – specific actions that NERC has determined are essential for certain segments of owners, operators, or users of the Bulk Power System to take to ensure the reliability of the Bulk Power System. Such Essential Actions require NERC Board approval before issuance.
4. The Bulk Power System owners, operators, and users to which Level 2 (Recommendations) and Level 3 (Essential Actions) notifications apply are to evaluate and take appropriate action on such issuances by NERC. Such Bulk Power System owners, operators, and users shall also provide reports of actions taken and timely updates on progress towards resolving the issues raised in the Recommendations and Essential Actions in accordance with the reporting date(s) specified by NERC.
5. NERC will advise the Commission and other Applicable Governmental Authorities of its intent to issue all Level 1 (Advisories), Level 2 (Recommendations), and Level 3 (Essential Actions) at least five (5) business days prior to issuance, unless extraordinary circumstances exist that warrant issuance less than five (5) business days after such advice. NERC will file a report with the Commission and other Applicable Governmental Authorities no later than thirty (30) days following the date by which NERC has requested the Bulk Power System owners, operators, and users to which a Level 2 (Recommendation) or Level 3 (Essential Action) issuance applies to provide reports of actions taken in response to the notification. NERC's report to the Commission and other Applicable Governmental Authorities will describe the actions taken by the relevant owners, operators, and users of the Bulk Power System and the success of such actions taken in correcting any vulnerability or deficiency that was the subject of the notification, with appropriate protection for Confidential Information or Critical Energy Infrastructure Information.

#### **811. Equipment Performance Data**

Through its Generating Availability Data System (GADS), NERC shall collect operating information about the performance of electric generating equipment; provide assistance to those researching information on power plant outages stored in its database; and support equipment reliability as well as availability analyses and other decision-making processes developed by GADS subscribers. GADS data is also used in conducting assessments of generation resource adequacy.

## **SECTION 900 — TRAINING AND EDUCATION**

### **901. Scope of the Training and Education Program**

Maintaining the reliability of the Bulk Electric System through implementation of the Reliability Standards requires informed and trained personnel. The training and education program will provide the education and training necessary for Bulk Power System personnel and regulators to obtain the essential knowledge necessary to understand and operate the Bulk Electric System.

NERC shall develop and maintain training and education programs for the purpose of establishing training requirements, developing materials, and developing training activities. The target audience of the training and education programs shall be Bulk Power System operating personnel including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, training personnel, and other personnel directly responsible for complying with NERC Reliability Standards who, through their actions or inactions, may impact the real-time, or day-ahead reliability of the Bulk Power System.

NERC shall also develop and provide appropriate training and education for industry participants and regulators affected by new or changed Reliability Standards or compliance Requirements.

To accomplish those objectives:

1. NERC shall periodically conduct job task analyses for targeted Bulk Power System personnel to ensure that the training program content is properly aligned to the job tasks performed by those personnel.
2. NERC shall develop and maintain personnel training program curriculum requirements based on valid job-task analysis.
3. NERC shall periodically conduct performance surveys to determine the effectiveness of the training program and identify areas for further training development and improvement.
4. NERC shall develop training and education materials and activities to assist Bulk Power System entities implementing new or revised Reliability Standard Requirements or other NERC-related changes.
5. NERC shall develop and provide training to people who participate in NERC and Regional Entity evaluations, audits, and investigations for the Compliance Monitoring and Enforcement Program, Organization Certification Program, and the continuing education program.

### **902. Continuing Education Program**

NERC shall develop and maintain a continuing education program to foster the improvement of training and to promote quality in the training programs used by and

implemented by Bulk Power System entities. The program shall approve or accredit those activities and entities meeting NERC continuing education requirements.

1. NERC shall develop and implement continuing education program requirements that promote excellence in training programs and advance improved performance for Bulk Power System personnel identified in Section 901.
2. NERC shall develop and maintain a process to approve or accredit continuing education Providers and activities seeking approval or accreditation and meeting NERC-approved continuing education requirements.
3. NERC shall perform periodic audits on continuing education Providers and training activities to ensure that the approved or accredited Providers and training activities satisfy NERC continuing education requirements.
4. NERC shall develop and maintain an appeals process for disputed application reviews, interpretations of guidelines and standards, probation or suspension of NERC-approved Provider status, or Continuing Education Hour disputes.

## **SECTION 1000 — SITUATION AWARENESS AND INFRASTRUCTURE SECURITY**

### **1001. Situation Awareness**

NERC shall through the use of Reliability Coordinators and available tools, monitor present conditions on the Bulk Power System and provide leadership coordination, technical expertise, and assistance to the industry in responding to events as necessary. To accomplish these goals, NERC will:

1. Maintain real-time situation awareness of conditions on the Bulk Power System;
2. Notify the industry of significant Bulk Power System events that have occurred in one area, and which have the potential to impact reliability in other areas;
3. Maintain and strengthen high-level communication, coordination, and cooperation with governments and government agencies regarding real-time conditions; and
4. Enable the Reliable Operation of interconnected Bulk Power Systems by facilitating information exchange and coordination among reliability service organizations.

### **1002. Reliability Support Services**

NERC may assist in the development of tools and other support services for the benefit of Reliability Coordinators and other system operators to enhance reliability, operations and planning. NERC will work with the industry to identify new tools, collaboratively develop requirements, support development, provide an incubation period, and at the end of that period, transition the tool or service to another group or owner for long term operation of the tool or provision of the service. To accomplish this goal, NERC will:

1. Collaborate with industry to determine the necessity of new tools or services to enhance reliability;
2. For those tools that the collaborative process determines should proceed to a development phase, provide a start-up mechanism and development system;
3. Implement the tool either on its own or through an appropriate group or organization; and
4. Where NERC conducts the implementation phase of a new tool or service, develop a transition plan to turn maintenance and provision of the tool or service over to an organization identified in the development stage.

In addition to tools developed as a result of a collaborative process with industry, NERC may develop reliability tools on its own, but will consult with industry concerning the need for the tool prior to proceeding to development.

Tools and services being maintained by NERC as of January 1, 2012, will be reviewed and, as warranted, transitioned to an appropriate industry group or organization. NERC will develop and maintain a strategic reliability tools plan that will list the tools and services being maintained by NERC, and, where applicable, the plans for transition to an appropriate industry group or organization.

### **1003. Infrastructure Security Program**

NERC shall coordinate electric industry activities to promote Critical Infrastructure protection of the Bulk Power System in North America by taking a leadership role in Critical Infrastructure protection of the electricity sector so as to reduce vulnerability and improve mitigation and protection of the electricity sector's Critical Infrastructure. To accomplish these goals, NERC shall perform the following functions.

1. Electric Sector Information Sharing and Analysis Center (ESISAC)
  - 1.1 NERC shall serve as the electricity sector's sector coordinator and operate its Information Sharing and Analysis Center to gather information and communicate security-related threats and incidents within the sector, with United States and Canadian government agencies, and with other Critical Infrastructure sectors.
  - 1.2 NERC shall improve the capability of the ESISAC to analyze security threats and incident information and provide situational assessments for the electricity sector and governments.
  - 1.3 NERC shall work closely with the United States Department of Homeland Security, Department of Energy, Natural Resources Canada, and Public Safety and Emergency Preparedness Canada.
  - 1.4 NERC shall strengthen and expand these functions and working relationships with the electricity sector, other Critical Infrastructure industries, governments, and government agencies throughout North America to ensure the protection of the infrastructure of the Bulk Power System.
  - 1.5 NERC shall fill the role of the Electricity Sector Coordinating Council and coordinate with the Government Coordinating Council.
  - 1.6 NERC shall coordinate with other Critical Infrastructure sectors through active participation with the other Sector Coordinating Councils, the other ISACs, and the National Infrastructure Advisory Committee.
  - 1.7 NERC shall encourage and participate in coordinated Critical Infrastructure protection exercises, including interdependencies with other Critical Infrastructure sectors.
2. Security Planning

- 2.1 NERC shall take a risk management approach to Critical Infrastructure protection, considering probability and severity, and recognizing that mitigation and recovery can be practical alternatives to prevention.
- 2.2 NERC shall keep abreast of the changing threat environment through collaboration with government agencies.
- 2.3 NERC shall develop criteria to identify critical physical assets and Critical Cyber Assets, assess security threats, identify risk assessment methodologies, and assess effectiveness of physical and cyber protection measures.
- 2.4 NERC shall enhance and maintain the Bulk Power System critical spare transformer program, encourage increased participation by asset owners, and continue to assess the need to expand this program to include other critical Bulk Power System equipment.
- 2.5 NERC shall support implementation of the Critical Infrastructure Protection Standards through education and outreach.
- 2.6 NERC shall review and improve existing security guidelines, develop new security guidelines to meet the needs of the electricity sector, and consider whether any guidelines should be developed into Reliability Standards.
- 2.7 NERC shall conduct education and outreach initiatives to increase awareness and respond to the needs of the electricity sector.
- 2.8 NERC shall strengthen relationships with federal, state, and provincial government agencies on Critical Infrastructure protection matters.
- 2.9 NERC shall maintain and improve mechanisms for the sharing of sensitive or classified information with federal, state, and provincial government agencies on Critical Infrastructure protection matters; work with DOE and DHS to implement the National Infrastructure Protection Plan, as applicable to the electricity sector; and coordinate this work with PSEPC.
- 2.10 NERC shall improve methods to better assess the impact of a possible physical attack on the Bulk Power System and means to deter, mitigate, and respond following an attack.
- 2.11 NERC shall assess the results of vulnerability assessments and enhance the security of system control and data acquisition (SCADA) and process control systems by developing methods to detect an emerging cyber attack and the means to mitigate impacts on the Bulk Power Systems.
- 2.12 NERC shall work with the National SCADA Test Bed and the Process Control Systems Forum to accelerate the development of technology that

will enhance the security, safety, and reliability of process control and SCADA systems.



## **SECTION 1100 — ANNUAL NERC BUSINESS PLANS AND BUDGETS**

### **1101. Scope of Business Plans and Budgets**

The Board shall determine the content of the budgets to be submitted to the Applicable Governmental Authorities with consultation from the members of the Member Representatives Committee, Regional Entities, and others in accordance with the Bylaws. The Board shall identify any activities outside the scope of NERC's statutory reliability functions, if any, and the appropriate funding mechanisms for those activities.

### **1102. NERC Funding and Cost Allocation**

1. In order that NERC's costs shall be fairly allocated among Interconnections and among Regional Entities, the NERC funding mechanism for all statutory functions shall be based on Net Energy for Load (NEL).
2. NERC's costs shall be allocated so that all **Load** (or, in the case of costs for an Interconnection or Regional Entity, all **Load** within that Interconnection or Regional Entity) bears an equitable share of such costs based on NEL.
3. Costs shall be equitably allocated between countries or Regional Entities thereof for which NERC has been designated or recognized as the Electric Reliability Organization.
4. Costs incurred to accomplish the statutory functions for one Interconnection, Regional Entity, or group of entities will be directly assigned to that Interconnection, Regional Entity, or group of entities provided that such costs are allocated equitably to end-users based on Net Energy for Load.

### **1103. NERC Budget Development**

1. The NERC annual budget process shall be scheduled and conducted for each calendar year so as to allow a sufficient amount of time for NERC to receive Member inputs, develop the budget, and receive Board and, where authorized by applicable legislation or agreement, Applicable Governmental Authority approval of the NERC budget for the following fiscal year, including timely submission of the proposed budget to FERC for approval in accordance with FERC regulations.
2. The NERC budget submittal to Applicable Governmental Authorities shall include provisions for all ERO functions, all Regional Entity delegated functions as specified in delegation agreements and reasonable reserves and contingencies.
3. The NERC annual budget submittal to Applicable Governmental Authorities shall include description and explanation of NERC's proposed ERO program activities for the year; budget component justification based on statutory or other authorities; explanation of how each budgeted activity lends itself to the accomplishment of the statutory or other authorities; sufficiency of resources

provided for in the budget to carry out the ERO program responsibilities; explanation of the calculations and budget estimates; identification and explanation of changes in budget components from the previous year's budget; information on staffing and organization charts; and such other information as is required by FERC and other Applicable Governmental Authorities having authority to approve the proposed budget.

4. NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, to allow a meaningful comparison of actual results at the NERC and Regional Entity level by the Applicable Governmental Authorities.

#### **1104. Submittal of Regional Entity Budgets to NERC**

1. Each Regional Entity shall submit its proposed annual budget for carrying out its delegated authority functions as well as all other activities and funding to NERC in accordance with a schedule developed by NERC and the Regional Entities, which shall provide for the Regional Entity to submit its final budget that has been approved by its board of directors or other governing body no later than July 1 of the prior year, in order to provide sufficient time for NERC's review and comment on the proposed budget and approval of the Regional Entity budget by the NERC Board of Trustees in time for the NERC and Regional Entity budgets to be submitted to FERC and other Applicable Governmental Authorities for approval in accordance with their regulations. The Regional Entity's budget shall include supporting materials in accordance with the budget and reporting format developed by NERC and the Regional Entities, including the Regional Entity's complete business plan and organization chart, explaining the proposed collection of all dues, fees, and charges and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures.
2. NERC shall review and approve each Regional Entity's budget for meeting the requirements of its delegated authority. Concurrent with approving the NERC budget, NERC shall review and approve, or reject, each Regional Entity budget for filing.
3. NERC shall also have the right to review from time to time, in reasonable intervals but no less frequently than every three years, the financial books and records of each Regional Entity having delegated authority in order to ensure that the documentation fairly represents in all material aspects appropriate funding of delegated functions.

#### **1105. Submittal of NERC and Regional Entity Budgets to Governmental Authorities for Approval**

1. NERC shall file for approval by the Applicable Governmental Authorities at least 130 days in advance of the start of each fiscal year. The filing shall include: (1) the complete NERC and Regional Entity budgets including the business plans and organizational charts approved by the Board, (2) NERC's annual funding requirement (including Regional Entity costs for delegated functions), and (3) the

mechanism for assessing charges to recover that annual funding requirement, together with supporting materials in sufficient detail to support the requested funding requirement.

2. NERC shall seek approval from each Applicable Governmental Authority requiring such approval for the funding requirements necessary to perform ERO activities within their jurisdictions.

**1106. NERC and Regional Entity Billing and Collections**

1. NERC shall request the Regional Entities to identify all Load-Serving Entities<sup>3</sup> within each Regional Entity and the NEL assigned to each Load-Serving Entity, and the Regional Entities shall supply the requested information. The assignment of a funding requirement to an entity shall not be the basis for determining that the entity must be registered in the Compliance Registry.
2. NERC shall accumulate the NEL by Load-Serving Entities for each Applicable Governmental Authority and submit the proportional share of NERC funding requirements to each Applicable Governmental Authority for approval together with supporting materials in sufficient detail to support the requested funding requirement.
3. NEL reported by Balancing Authorities within a Region shall be used to rationalize and validate amounts allocated for collection through Regional Entity processes.
4. The billing and collection processes shall provide:
  - 4.1 A clear validation of billing and application of payments.
  - 4.2 A minimum of data requests to those being billed.
  - 4.3 Adequate controls to ensure integrity in the billing determinants including identification of entities responsible for funding NERC's activities.
  - 4.4 Consistent billing and collection terms.
5. NERC will bill and collect all budget requirements approved by Applicable Governmental Authorities (including the funds required to support those functions assigned to the Regional Entities through the delegation agreements) directly from the Load-Serving Entities or their designees or as directed by particular Applicable Governmental Authorities, except where the Regional Entity is required to collect the budget requirements for NERC, in which case the Regional Entity will collect directly from the Load-Serving Entities or as otherwise

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<sup>3</sup> A Regional Entity may allocate funding obligations using an alternative method approved by NERC and by FERC and other Applicable Governmental Authorities, as provided for in the regional delegation agreement.

provided by agreement and submit funds to NERC. Alternatively, a load-serving entity may pay its allocated ERO costs through a Regional Entity managed collection mechanism.

6. NERC shall set a minimum threshold limit on the billing of small LSEs to minimize the administrative burden of collection.
7. NERC shall pursue any non-payments and shall request assistance from Applicable Governmental Authorities as necessary to secure collection.
8. In the case where a Regional Entity performs the collection for ERO, the Regional Entity will not be responsible for non-payment in the event that a user, owner or operator of the Bulk Power System does not pay its share of dues, fees and charges in a timely manner, provided that such a Regional Entity shall use reasonably diligent efforts to collect dues, fees, and other charges from all entities obligated to pay them. However, any revenues not paid shall be recovered from others within the same Region to avoid cross-subsidization between Regions.
9. Both NERC and the Regional Entities also may bill members or others for functions and services not within statutory requirements or otherwise authorized by the Applicable Governmental Authorities. Costs and revenues associated with these functions and services shall be separately identified and not commingled with billings associated with the funding of NERC or of the Regional Entities for delegated activities.

#### **1107. Penalty Applications**

1. Where NERC or a Regional Entity initiates a compliance monitoring and enforcement process that leads to imposition of a Penalty, the entity that initiated the process shall receive any Penalty monies imposed and collected as a result of that process, unless a different disposition of the Penalty monies is provided for in the delegation agreement, or in a contract or a disposition of the violation that is approved by NERC and FERC.
2. All funds from financial Penalties assessed in the United States received by the entity initiating the compliance monitoring and enforcement process shall be applied as a general offset to the entity's budget requirements for the subsequent fiscal year, if received by July 1, or for the second subsequent fiscal year, if received on or after July 1. Funds from financial Penalties shall not be directly applied to any program maintained by the entity conducting the compliance monitoring and enforcement process. Funds from financial Penalties assessed against a Canadian entity shall be applied as specified by legislation or agreement.
3. In the event that a compliance monitoring and enforcement process is conducted jointly by NERC and a Regional Entity, the Regional Entity shall receive the Penalty monies and offset the Regional Entity's budget requirements for the subsequent fiscal year.

4. Exceptions or alternatives to the foregoing provisions will be allowed if approved by NERC and by FERC or any other Applicable Governmental Authority.

**1108. Special Assessments**

On a demonstration of unforeseen and extraordinary circumstances requiring additional funds prior to the next funding cycle, NERC shall file with the Applicable Governmental Authorities, where authorized by applicable legislation or agreement, for authorization for an amended or supplemental budget for NERC or a Regional Entity and, if necessary under the amended or supplemental budget, to collect a special or additional assessment for statutory functions of NERC or the Regional Entity. Such filing shall include supporting materials to justify the requested funding, including any departure from the approved funding formula or method.

## **SECTION 1200 — REGIONAL DELEGATION AGREEMENTS**

### **1201. Pro Forma Regional Delegation Agreement**

NERC shall develop and maintain a pro forma Regional Entity delegation agreement, which shall serve as the basis for negotiation of consistent agreements for the delegation of ERO functions to Regional Entities.

### **1202. Regional Entity Essential Requirements**

NERC shall establish the essential requirements for an entity to become qualified and maintain good standing as a Regional Entity.

### **1203. Negotiation of Regional Delegation Agreements**

NERC shall, for all areas of North America that have provided NERC with the appropriate authority, negotiate regional delegation agreements for the purpose of ensuring all areas of the North American Bulk Power Systems are within a Regional Entity Region. In the event NERC is unable to reach agreement with Regional Entities for all areas, NERC shall provide alternative means and resources for implementing NERC functions within those areas. No delegation agreement shall take effect until it has been approved by the Applicable Governmental Authority.

### **1204. Conformance to Rules and Terms of Regional Delegation Agreements**

NERC and each Regional Entity shall comply with all applicable ERO Rules of Procedure and the obligations stated in the regional delegation agreement.

### **1205. Sub-delegation**

The Regional Entity shall not sub-delegate any responsibilities and authorities delegated to it by its regional delegation agreement with NERC except with the approval of NERC and FERC and other Applicable Governmental Authorities. Responsibilities and authorities may only be sub-delegated to another Regional Entity. Regional Entities may share resources with one another so long as such arrangements do not result in cross-subsidization or in any sub-delegation of authorities.

### **1206. Nonconformance to Rules or Terms of Regional Delegation Agreement**

If a Regional Entity is unable to comply or is not in compliance with an ERO Rule of Procedure or the terms of the regional delegation agreement, the Regional Entity shall immediately notify NERC in writing, describing the area of nonconformance and the reason for not being able to conform to the Rule of Procedure. NERC shall evaluate each case and inform the affected Regional Entity of the results of the evaluation. If NERC determines that a Rule of Procedure or term of the regional delegation agreement has been violated by a Regional Entity or cannot practically be implemented by a Regional Entity, NERC shall notify the Applicable Governmental Authorities and take any actions necessary to address the situation.

**1207. Regional Entity Audits**

Approximately every five years and more frequently if necessary for cause, NERC shall audit each Regional Entity to verify that the Regional Entity continues to comply with NERC Rules of Procedure and the obligations of NERC delegation agreement. Audits of Regional Entities shall be conducted, to the extent practical, based on professional auditing standards recognized in the U.S., including Generally Accepted Auditing Standards, Generally Accepted Government Auditing Standards, and standards sanctioned by the Institute of Internal Auditors, and if applicable to the coverage of the audit, may be based on Canadian or other international standards. The audits required by this Section 1207 shall not duplicate the audits of Regional Entity Compliance Monitoring and Enforcement Programs provided for in **Appendix 4A**, Audit of Regional Compliance Programs, to these Rules of Procedure.

**1208. Process for Considering Registered Entity Requests to Transfer to Another Regional Entity**

1. A Registered Entity that is registered in the Region of one Regional Entity and believes its registration should be transferred to a different Regional Entity may submit a written request to both Regional Entities requesting that they process the proposed transfer in accordance with this section. The Registered Entity's written request shall set forth the reasons the Registered Entity believes justify the proposed transfer and shall describe any impacts of the proposed transfer on other Bulk Power System owners, operators, and users.
2. After receiving the Registered Entity's written request, the two Regional Entities shall consult with each other as to whether they agree or disagree that the requested transfer is appropriate. The Regional Entities may also consult with affected Reliability Coordinators, Balancing Authorities and Transmission Operators as appropriate. Each Regional Entity shall post the request on its website for public comment period of 21 days. In evaluating the proposed transfer, the Regional Entities shall consider the location of the Registered Entity's Bulk Power System facilities in relation to the geographic and electrical boundaries of the respective Regions; the impacts of the proposed transfer on other Bulk Power System owners, operators; and users, the impacts of the proposed transfer on the current and future staffing, resources, budgets and assessments to other Load-Serving Entities of each Regional Entity, including the sufficiency of the proposed transferee Regional Entity's staffing and resources to perform compliance monitoring and enforcement activities with respect to the Registered Entity; the Registered Entity's compliance history with its current Regional Entity; and the manner in which pending compliance monitoring and enforcement matters concerning the Registered Entity would be transitioned from the current Regional Entity to the transferee Regional Entity; along with any other reasons for the proposed transfer stated by the Registered Entity and any other reasons either Regional Entity considers relevant. The Regional Entities may

request that the Registered Entity provide additional data and information concerning the proposed transfer for the Regional Entities' use in their evaluation. The Registered Entity's current Regional Entity shall notify the Registered Entity in writing as to whether (i) the two Regional Entities agree that the requested transfer is appropriate, (ii) the two Regional Entities agree that the requested transfer is not appropriate and should not be processed further, or (iii) the two Regional Entities disagree as to whether the proposed transfer is appropriate.

3. If the two Regional Entities agree that the requested transfer is appropriate, they shall submit a joint written request to NERC requesting that the proposed transfer be approved and that the delegation agreement between NERC and each of the Regional Entities be amended accordingly. The Regional Entities' joint written submission to NERC shall describe the reasons for the proposed transfer; the location of the Registered Entity's Bulk Power System Facilities in relation to the geographic and electrical boundaries of the respective Regions; the impacts of the proposed transfer on other Bulk Power System owners, operators, and users; the impacts of the proposed transfer on the current and future staffing, resources, budgets and assessments of each Regional Entity, including the sufficiency of the proposed transferee Regional Entity's staffing and resources to perform compliance monitoring and enforcement activities with respect to the Registered Entity; the Registered Entity's compliance history with its current Regional Entity; and the manner in which pending compliance monitoring and enforcement matters concerning the Registered Entity will be transitioned from the current Regional Entity to the transferee Regional Entity. The NERC Board of Trustees shall consider the proposed transfer based on the submissions of the Regional Entities and any other information the Board considers relevant, and shall approve or disapprove the proposed transfer and the related delegation agreement amendments. The NERC Board may request that the Regional Entities provide additional information, or obtain additional information from the Registered Entity, for the use of the NERC Board in making its decision. If the NERC Board approves the proposed transfer, NERC shall file the related delegation agreements with FERC for approval.
4. If the two Regional Entities do not agree with each other that the proposed transfer is appropriate, the Regional Entity supporting the proposed transfer shall, if requested by the Registered Entity, submit a written request to NERC to approve the transfer and the related delegation agreement amendments. The Regional Entity's written request shall include the information specified in Section 1208.3. The Regional Entity that does not believe the proposed transfer is appropriate will be allowed to submit a written statement to NERC explaining why the Regional Entity believes the transfer is not appropriate and should not be approved. The NERC Board of Trustees shall consider the proposed transfer based on the submissions of the Regional Entities and any other information the Board considers relevant, and shall approve or disapprove the proposed transfer and the related delegation agreement amendments. The NERC Board may request that the Regional Entities provide additional information, or obtain additional



information from the Registered Entity, for the use of the NERC Board in making its decision. If the NERC Board approves the proposed transfer, NERC shall file the related delegation agreements with FERC for approval.

5. Prior to action by the NERC Board of Trustees on a proposed transfer of registration under Section 1208.3 or 1208.4, NERC shall post information concerning the proposed transfer, including the submissions from the Regional Entities, on its website for at least twenty-one (21) days for the purpose of receiving public comment.
6. If the NERC Board of Trustees disapproves a proposed transfer presented to it pursuant to either Section 1208.3 or 1208.4, the Regional Entity or Regional Entities that believe the transfer is appropriate may, if requested to do so by the Registered Entity, file a petition with FERC pursuant to 18 C.F.R. section 39.8(f) and (g) requesting that FERC order amendments to the delegation agreements of the two Regional Entities to effectuate the proposed transfer.
7. No transfer of a Registered Entity from one Regional Entity to another Regional Entity shall be effective (i) unless approved by FERC, and (ii) any earlier than the first day of January of the second calendar year following approval by FERC, unless an earlier effective date is agreed to by both Regional Entities and NERC and approved by FERC.

## **SECTION 1300 — COMMITTEES**

### **1301. Establishing Standing Committees**

The Board may from time to time create standing committees. In doing so, the Board shall approve the charter of each committee and assign specific authority to each committee necessary to conduct business within that charter. Each standing committee shall work within its Board-approved charter and shall be accountable to the Board for performance of its Board-assigned responsibilities. A NERC standing committee may not delegate its assigned work to a member forum, but, in its deliberations, may request the opinions of and consider the recommendations of a member forum.

### **1302. Committee Membership**

Each committee shall have a defined membership composition that is explained in its charter. Committee membership may be unique to each committee, and can provide for balanced decision-making by providing for representatives from each Sector or, where Sector representation will not bring together the necessary diversity of opinions, technical knowledge and experience in a particular subject area, by bringing together a wide diversity of opinions from industry experts with outstanding technical knowledge and experience in a particular subject area. Committee membership shall also provide the opportunity for an equitable number of members from the United States and Canada, based approximately on proportionate Net Energy for Load. All committees and other subgroups (except for those organized on other than a Sector basis because Sector representation will not bring together the necessary diversity of opinions, technical knowledge and experience in a particular subject area) must ensure that no two stakeholder Sectors are able to control the vote on any matter, and no single Sector is able to defeat a matter. With regard to committees and subgroups pertaining to development of, interpretation of, or compliance with Reliability Standards, NERC shall provide a reasonable opportunity for membership from Sectors desiring to participate. Committees and subgroups organized on other than a Sector basis shall be reported to the NERC Board and the Member Representatives Committee, along with the reasons for constituting the committee or subgroup in the manner chosen. In such cases and subject to reasonable restrictions necessary to accomplish the mission of such committee or subgroup, NERC shall provide a reasonable opportunity for additional participation, as members or official observers, for Sectors not represented on the committee or subgroup.

### **1303. Procedures for Appointing Committee Members**

Committee members shall be nominated and selected in a manner that is open, inclusive, and fair. Unless otherwise stated in these Rules of Procedure or approved by the Board, all committee member appointments shall be approved by the board, and committee officers shall be appointed by the Chairman of the Board.

### **1304. Procedures for Conduct of Committee Business**

1. Notice to the public of the dates, places, and times of meetings of all committees, and all nonconfidential material provided to committee members, shall be posted

on NERC's website at approximately the same time that notice is given to committee members. Meetings of all standing committees shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance enforcement matters, litigation, or commercially sensitive or Critical Energy Infrastructure Information of any entity.

2. NERC shall maintain a set of procedures, approved by the Board, to guide the conduct of business by standing committees.

**1305. Committee Subgroups**

Standing committees may appoint subgroups using the same principles as in Section 1302.

## **SECTION 1400 — AMENDMENTS TO THE NERC RULES OF PROCEDURE**

### **1401. Proposals for Amendment or Repeal of Rules of Procedure**

In accordance with the Bylaws of NERC, requests to amend or repeal the Rules of Procedure may be submitted by (1) any fifty Members of NERC, which number shall include Members from at least three membership Sectors, (2) the Member Representatives Committee, (3) a committee of NERC to whose function and purpose the Rule of Procedure pertains, or (4) an officer of NERC.

### **1402. Approval of Amendment or Repeal of Rules of Procedure**

Amendment to or repeal of Rules of Procedure shall be approved by the Board after public notice and opportunity for comment in accordance with the Bylaws of NERC. In approving changes to the Rules of Procedure, the Board shall consider the inputs of the Member Representatives Committee, other ERO committees affected by the particular changes to the Rules of Procedure, and other stakeholders as appropriate. After Board approval, the amendment or repeal shall be submitted to the Applicable Governmental Authorities for approval, where authorized by legislation or agreement. No amendment to or repeal of the Rules of Procedure shall be effective until it has been approved by the Applicable Governmental Authorities.

## **SECTION 1500 — CONFIDENTIAL INFORMATION**

### **1501. Definitions**

1. **Confidential Information** means (i) Confidential Business and Market Information; (ii) Critical Energy Infrastructure Information; (iii) personnel information that identifies or could be used to identify a specific individual, or reveals personnel, financial, medical, or other personal information; (iv) work papers, including any records produced for or created in the course of an evaluation or audit; (v) investigative files, including any records produced for or created in the course of an investigation; or (vi) Cyber Security Incident Information; provided, that public information developed or acquired by an entity shall be excluded from this definition.
2. **Confidential Business and Market Information** means any information that pertains to the interests of any entity, that was developed or acquired by that entity, and that is proprietary or competitively sensitive.
3. **Critical Energy Infrastructure Information** means specific engineering, vulnerability, or detailed design information about proposed or existing Critical Infrastructure that (i) relates details about the production, generation, transportation, transmission, or distribution of energy; (ii) could be useful to a person in planning an attack on Critical Infrastructure; and (iii) does not simply give the location of the Critical Infrastructure.
4. **Critical Infrastructure** means existing and proposed systems and assets, whether physical or virtual, the incapacity or destruction of which would negatively affect security, economic security, public health or safety, or any combination of those matters.
5. **Cyber Security Incident Information** means any information related to, describing, or which could be used to plan or cause a Cyber Security Incident.

### **1502. Protection of Confidential Information**

1. **Identification of Confidential Information** — An owner, operator, or user of the Bulk Power System and any other party (the “Submitting Entity”) shall mark as confidential any information that it submits to NERC or a Regional Entity (the “Receiving Entity”) that it reasonably believes contains Confidential Information as defined by these Rules of Procedure, indicating the category or categories defined in Section 1501 in which the information falls. If the information is subject to a prohibition on public disclosure in the Commission-approved rules of a regional transmission organization or independent system operator or a similar prohibition in applicable federal, state, or provincial laws, the Submitting Entity shall so indicate and provide supporting references and details.
2. **Confidentiality** — Except as provided herein, a Receiving Entity shall keep in confidence and not copy, disclose, or distribute any Confidential Information or

any part thereof without the permission of the Submitting Entity, except as otherwise legally required.

3. **Information no longer Confidential** – If a Submitting Entity concludes that information for which it had sought confidential treatment no longer qualifies for that treatment, the Submitting Entity shall promptly so notify NERC or the relevant Regional Entity.

### **1503. Requests for Information**

1. **Limitation** — A Receiving Entity shall make information available only to one with a demonstrated need for access to the information from the Receiving Entity.
2. **Form of Request** — A person with such a need may request access to information by using the following procedure:
  - 2.1 The request must be in writing and clearly marked “Request for Information.”
  - 2.2 The request must identify the individual or entity that will use the information, explain the requester’s need for access to the information, explain how the requester will use the information in furtherance of that need, and state whether the information is publicly available or available from another source or through another means. If the requester seeks access to information that is subject to a prohibition on public disclosure in the Commission-approved rules of a regional transmission organization or independent system operator or a similar prohibition in applicable federal, state, or provincial laws, the requester shall describe how it qualifies to receive such information.
  - 2.3 The request must stipulate that, if the requester does not seek public disclosure, the requester will maintain as confidential any information received for which a Submitting Party has made a claim of confidentiality in accordance with NERC’s rules. As a condition to gaining access to such information, a requester shall execute a non-disclosure agreement in a form approved by NERC’s Board of Trustees.
3. **Notice and Opportunity for Comment** — Prior to any decision to disclose information marked as confidential, the Receiving Entity shall provide written notice to the Submitting Entity and an opportunity for the Submitting Entity to either waive objection to disclosure or provide comments as to why the Confidential Information should not be disclosed. Failure to provide such comments or otherwise respond is not deemed waiver of the claim of confidentiality.
4. **Determination by ERO or Regional Entity** — Based on the information provided by the requester under Rule 1503.2, any comments provided by the Submitting Entity, and any other relevant available information, the chief

executive officer or his or her designee of the Receiving Entity shall determine whether to disclose such information.

5. **Appeal** — A person whose request for information is denied in whole or part may appeal that determination to the President of NERC (or the President’s designee) within 30 days of the determination. Appeals filed pursuant to this Section must be in writing, addressed to the President of NERC (or the President’s designee), and clearly marked “Appeal of Information Request Denial.”

NERC will provide written notice of such appeal to the Submitting Entity and an opportunity for the Submitting Entity to either waive objection to disclosure or provide comments as to why the Confidential Information should not be disclosed; provided that any such comments must be received within 30 days of the notice and any failure to provide such comments or otherwise respond is not deemed a waiver of the claim of confidentiality.

The President of NERC (or the President’s designee) will make a determination with respect to any appeal within 30 days. In unusual circumstances, this time limit may be extended by the President of NERC (or the President’s designee), who will send written notice to the requester setting forth the reasons for the extension and the date on which a determination on the appeal is expected.

6. **Disclosure of Information** — In the event the Receiving Entity, after following the procedures herein, determines to disclose information designated as Confidential Information, it shall provide the Submitting Entity no fewer than 21 days’ written notice prior to releasing the Confidential Information in order to enable such Submitting Entity to (a) seek an appropriate protective order or other remedy, (b) consult with the Receiving Entity with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. Should a Receiving Entity be required to disclose Confidential Information, or should the Submitting Entity waive objection to disclosure, the Receiving Entity shall furnish only that portion of the Confidential Information which the Receiving Entity’s counsel advises is legally required.

7. **Posting of Determinations on Requests for Disclosure of Confidential Information** — Upon making its determination on a request for disclosure of Confidential Information, NERC or the Regional Entity, as applicable, shall (i) notify the requester that the request for disclosure is granted or denied, (ii) publicly post any determination to deny the request to disclose Confidential Information, including in such posting an explanation of the reasons for the denial (but without in such explanation disclosing the Confidential Information), and (iii) publicly post any determination that information claimed by the Submitting Entity to be Confidential Information is not Confidential Information (but without in such posting disclosing any information that has been determined to be Confidential Information).

**1504. Employees, Contractors and Agents**

A Receiving Entity shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein.

**1505. Provision of Information to FERC and Other Governmental Authorities**

1. **Request** — A request from FERC for reliability information with respect to owners, operators, and users of the Bulk Power System within the United States is authorized by Section 215 of the Federal Power Act. Other Applicable Governmental Authorities may have similar authorizing legislation that grants a right of access to such information. Unless otherwise directed by FERC or its staff or the other Applicable Governmental Authority requesting the information, upon receiving such a request, a Receiving Entity shall provide contemporaneous notice to the applicable Submitting Entity. In its response to such a request, a Receiving Entity shall preserve any mark of confidentiality and shall notify FERC or other Applicable Governmental Authorities that the Submitting Entity has marked the information as confidential.
2. **Continued Confidentiality** — Each Receiving Entity shall continue to treat as confidential all Confidential Information that it has submitted to NERC or to FERC or another Applicable Governmental Authority, until such time as FERC or the other Applicable Governmental Authority authorizes disclosure of such information.

**1506. Permitted Disclosures**

1. **Confirmed Violations** — Nothing in this Section 1500 shall prohibit the disclosure of a violation at the point when the matter is filed with an Applicable Governmental Authority as a Notice of Penalty, the “violator” admits to the violation, or the alleged violator and NERC or the Regional Entity reach a settlement regarding the violation.
2. **Compliance Information** — NERC and the Regional Entities are authorized to exchange Confidential Information related to evaluations, Compliance Audits, and Compliance Investigations in furtherance of the Compliance Monitoring and Enforcement Program, on condition they continue to maintain the confidentiality of such information.

**1507. Remedies for Improper Disclosure**

Any person engaged in NERC or Regional Entity activity under Section 215 of the Federal Power Act or the equivalent laws of other Applicable Governmental Authorities who improperly discloses information determined to be confidential may lose access to Confidential Information on a temporary or permanent basis and may be subject to adverse personnel action, including suspension or termination. Nothing in Section 1500



precludes an entity whose information was improperly disclosed from seeking a remedy in an appropriate court.

## **SECTION 1600 — REQUESTS FOR DATA OR INFORMATION**

### **1601. Scope of a NERC or Regional Entity Request for Data or Information**

Within the United States, NERC and Regional Entities may request data or information that is necessary to meet their obligations under Section 215 of the Federal Power Act, as authorized by Section 39.2(d) of the Commission’s regulations, 18 C.F.R. § 39.2(d). In other jurisdictions NERC and Regional Entities may request comparable data or information, using such authority as may exist pursuant to these Rules of Procedure and as may be granted by Applicable Governmental Authorities in those other jurisdictions. The provisions of Section 1600 shall not apply to Requirements contained in any Reliability Standard to provide data or information; the Requirements in the Reliability Standards govern. The provisions of Section 1600 shall also not apply to data or information requested in connection with a compliance or enforcement action under Section 215 of the Federal Power Act, Section 400 of these Rules of Procedure, or any procedures adopted pursuant to those authorities, in which case the Rules of Procedure applicable to the production of data or information for compliance and enforcement actions shall apply.

### **1602. Procedure for Authorizing a NERC Request for Data or Information**

1. NERC shall provide a proposed request for data or information or a proposed modification to a previously-authorized request, including the information specified in Section 1602.2.1 or 1602.2.2 as applicable, to the Commission’s Office of Electric Reliability at least twenty-one (21) days prior to initially posting the request or modification for public comment. Submission of the proposed request or modification to the Office of Electric Reliability is for the information of the Commission. NERC is not required to receive any approval from the Commission prior to posting the proposed request or modification for public comment in accordance with Section 1602.2 or issuing the request or modification to Reporting Entities following approval by the Board of Trustees.
2. NERC shall post a proposed request for data or information or a proposed modification to a previously authorized request for data or information for a forty-five (45) day public comment period.
  - 2.1. A proposed request for data or information shall contain, at a minimum, the following information: (i) a description of the data or information to be requested, how the data or information will be used, and how the availability of the data or information is necessary for NERC to meet its obligations under applicable laws and agreements; (ii) a description of how the data or information will be collected and validated; (iii) a description of the entities (by functional class and jurisdiction) that will be required to provide the data or information (“Reporting Entities”); (iv) the schedule or due date for the data or information; (v) a description of any restrictions on disseminating the data or information (e.g., “Confidential Information,” “Critical Energy Infrastructure Information,”

“aggregating” or “identity masking”); and (vi) an estimate of the relative burden imposed on the Reporting Entities to accommodate the data or information request.

- 2.2. A proposed modification to a previously authorized request for data or information shall explain (i) the nature of the modifications; (ii) an estimate of the burden imposed on the Reporting Entities to accommodate the modified data or information request, and (iii) any other items from Section 1602.2.1 that require updating as a result of the modifications.
3. After the close of the comment period, NERC shall make such revisions to the proposed request for data or information as are appropriate in light of the comments. NERC shall submit the proposed request for data or information, as revised, along with the comments received, NERC’s evaluation of the comments and recommendations, to the Board of Trustees.
4. In acting on the proposed request for data or information, the Board of Trustees may authorize NERC to issue it, modify it, or remand it for further consideration.
5. NERC may make minor changes to an authorized request for data or information without Board approval. However, if a Reporting Entity objects to NERC in writing to such changes within 21 days of issuance of the modified request, such changes shall require Board approval before they are implemented.
6. Authorization of a request for data or information shall be final unless, within thirty (30) days of the decision by the Board of Trustees, an affected party appeals the authorization under this Section 1600 to the Applicable Governmental Authority.

### **1603. Owners, Operators, and Users to Comply**

Owners, operators, and users of the Bulk Power System registered on the NERC Compliance Registry shall comply with authorized requests for data and information. In the event a Reporting Entity within the United States fails to comply with an authorized request for data or information under Section 1600, NERC may request the Commission to exercise its enforcement authority to require the Reporting Entity to comply with the request for data or information and for other appropriate enforcement action by the Commission. NERC will make any request for the Commission to enforce a request for data or information through a non-public submission to the Commission’s enforcement staff.

### **1604. Requests by Regional Entity for Data or Information**

1. A Regional Entity may request that NERC seek authorization for a request for data or information to be applicable within the Region of the Regional Entity, either as a freestanding request or as part of a proposed NERC request for data or information. Any such request must be consistent with this Section 1600.

2. A Regional Entity may also develop its own procedures for requesting data or information, but any such procedures must include at least the same procedural elements as are included in this Section 1600. Any such Regional Entity procedures or changes to such procedures shall be submitted to NERC for approval. Upon approving such procedures or changes thereto, NERC shall file the proposed procedures or proposed changes for approval by the Commission and any other Applicable Governmental Authorities applicable to the Regional Entity. The Regional Entity procedures or changes to such procedures shall not be effective in a jurisdiction until approved by, and in accordance with any revisions directed by, the Commission or other Applicable Governmental Authority.

### **1605. Confidentiality**

If the approved data or information request includes a statement under Section 1602.1.1(v) that the requested data or information will be held confidential or treated as Critical Energy Infrastructure Information, then the applicable provisions of Section 1500 will apply without further action by a Submitting Entity. A Submitting Entity may designate any other data or information as Confidential Information pursuant to the provisions of Section 1500, and NERC or the Regional Entity shall treat that data or information in accordance with Section 1500. NERC or a Regional Entity may utilize additional protective procedures for handling particular requests for data or information as may be necessary under the circumstances.

### **1606. Expedited Procedures for Requesting Time-Sensitive Data or Information**

1. In the event NERC or a Regional Entity must obtain data or information by a date or within a time period that does not permit adherence to the time periods specified in Section 1602, the procedures specified in Section 1606 may be used to obtain the data or information. Without limiting the circumstances in which the procedures in Section 1606 may be used, such circumstances include situations in which it is necessary to obtain the data or information (in order to evaluate a threat to the reliability or security of the Bulk Power System, or to comply with a directive in an order issued by the Commission or by another Applicable Governmental Authority) within a shorter time period than possible under Section 1602. The procedures specified in Section 1606 may only be used if authorized by the NERC Board of Trustees prior to activation of such procedures.
2. Prior to posting a proposed request for data or information, or a modification to a previously-authorized request, for public comment under Section 1606, NERC shall provide the proposed request or modification, including the information specified in paragraph 1602.2.1 or 1602.2.2 as applicable, to the Commission's Office of Electric Reliability. The submission to the Commission's Office of Electric Reliability shall also include an explanation of why it is necessary to use the expedited procedures of Section 1606 to obtain the data or information. The submission shall be made to the Commission's Office of Electric Reliability as far in advance, up to twenty-one (21) days, of the posting of the proposed request or modification for public comments as is

- reasonably possible under the circumstances, but in no event less than two (2) days in advance of the public posting of the proposed request or modification.
3. NERC shall post the proposed request for data or information or proposed modification to a previously-authorized request for data or information for a public comment period that is reasonable in duration given the circumstances, but in no event shorter than five (5) days. The proposed request for data or information or proposed modification to a previously-authorized request for data or information shall include the information specified in Section 1602.2.1 or 1602.2.2, as applicable, and shall also include an explanation of why it is necessary to use the expedited procedures of Section 1606 to obtain the data or information.
  4. The provisions of Sections 1602.3, 1602.4, 1602.5 and 1602.6 shall be applicable to a request for data or information or modification to a previously-authorized request for data or information developed and issued pursuant to Section 1606, except that (a) if NERC makes minor changes to an authorized request for data or information without Board approval, such changes shall require Board approval if a Reporting Entity objects to NERC in writing to such changes within five (5) days of issuance of the modified request; and (b) authorization of the request for data or information shall be final unless an affected party appeals the authorization of the request by the Board of Trustees to the Applicable Governmental Authority within five (5) days following the decision of the Board of Trustees authorizing the request, which decision shall be promptly posted on NERC's website.

## SECTION 1700 — CHALLENGES TO DETERMINATIONS

### 1701. Scope of Authority

Section 1702 sets forth the procedures to be followed for Registered Entities to challenge determinations made by Planning Coordinators under Reliability Standard PRC-023. Section 1703 sets forth the procedures to be followed when a Submitting Entity or Owner wishes to challenge a determination by NERC to approve or to disapprove an Exception Request or to terminate an Exception under Section 509.

### 1702. Challenges to Determinations by Planning Coordinators Under Reliability Standard PRC-023

1. This Section 1702 establishes the procedures to be followed when a Registered Entity wishes to challenge a determination by a Planning Coordinator of the sub-200 kV circuits in its Planning Coordinator area for which Transmission Owners, Generator Owners, and Distribution Providers (defined as “Registered Entities” for purposes of this Section 1702) must comply with the requirements of Reliability Standard PRC-023.
2. Planning Coordinator Procedures
  - 2.1 Each Planning Coordinator shall establish a procedure for a Registered Entity to submit a written request for an explanation of a determination made by the Planning Coordinator under PRC-023.
  - 2.2 A Registered Entity shall follow the procedure established by the Planning Coordinator for submitting the request for explanation and must submit any such request within 60 days of receiving the determination under PRC-023 from the Planning Coordinator.
  - 2.3 Within 30 days of receiving a written request from a Registered Entity, the Planning Coordinator shall provide the Registered Entity with a written explanation of the basis for its determination under PRC-023, unless the Planning Coordinator provided a written explanation of the basis for its determination when it initially informed the Registered Entity of its determination.
3. A Registered Entity may challenge the determination of the Planning Coordinator by filing with the appropriate Regional Entity, with a copy to the Planning Coordinator, within 60 days of receiving the written explanation from the Planning Coordinator. The challenge shall include the following: (a) an explanation of the technical reasons for its disagreement with the Planning Coordinator’s determination, along with any supporting documentation, and (b) a copy of the Planning Coordinator’s written explanation. Within 30 days of receipt of a challenge, the Planning Coordinator may file a response to the Regional Entity, with a copy to the Registered Entity.

4. The filing of a challenge in good faith shall toll the time period for compliance with PRC-023 with respect to the subject facility until such time as the challenge is withdrawn, settled or resolved.
5. The Regional Entity shall issue its written decision setting forth the basis of its determination within 90 days after it receives the challenge and send copies of the decision to the Registered Entity and the Planning Coordinator. The Regional Entity may convene a meeting of the involved entities and may request additional information. The Regional Entity shall affirm the determination of the Planning Coordinator if it is supported by substantial evidence.
6. A Planning Coordinator or Registered Entity affected by the decision of the Regional Entity may, within 30 days of the decision, file an appeal with NERC, with copies to the Regional Entity and the Planning Coordinator or Registered Entity. The appeal shall state the basis of the objection to the decision of the Regional Entity and shall include the Regional Entity decision, the written explanation of the Planning Coordinator's determination under PRC-023, and the documents and reasoning filed by the Registered Entity with the Regional Entity in support of its objection. The Regional Entity, Planning Coordinator or Registered Entity may file a response to the appeal within 30 days of the appeal.
7. The Board of Trustees shall appoint a panel to decide appeals from Regional Entity decisions under Section 1702.5. The panel, which may contain alternates, shall consist of at least three appointees, one of whom must be a member of the NERC staff, who are knowledgeable about PRC-023 and transmission planning and do not have a direct financial or business interest in the outcome of the appeal. The panel shall decide the appeal within 90 days of receiving the appeal from the decision of the Regional Entity and shall affirm the determination of the Planning Coordinator if it is supported by substantial evidence.
8. The Planning Coordinator or Registered Entity affected by the decision of the panel may request that the Board of Trustees review the decision by filing its request for review and a statement of reasons with NERC's Chief Reliability Officer within 30 days of the panel decision. The Board of Trustees may, in its discretion, decline to review the decision of the panel, in which case the decision of the panel shall be the final NERC decision. Within 90 days of the request for review under this Section 1702.8, the Board of Trustees may either (a) issue a decision on the merits, which shall be the final NERC decision, or (b) issue a notice declining to review the decision of the panel, in which case the decision of the panel shall be the final NERC decision. If no written decision or notice declining review is issued within 90 calendar days, the appeal shall be deemed to have been denied by the Board of Trustees and this will have the same effect as a notice declining review.
9. The Registered Entity or Planning Coordinator may appeal the final NERC decision to the Applicable Governmental Authority within 30 days of receipt of

the Board of Trustees' final decision or notice declining review, or expiration of the 90-day review period without any action by NERC.

10. The Planning Coordinator and Registered Entity are encouraged, but not required, to meet to resolve any dispute, including use of mutually agreed to alternative dispute resolution procedures, at any time during the course of the matter. In the event resolution occurs after the filing of a challenge, the Registered Entity and Planning Coordinator shall jointly provide to the applicable Regional Entity a written acknowledgement of withdrawal of the challenge or appeal, including a statement that all outstanding issues have been resolved.

### **1703. Challenges to NERC Determinations of BES Exception Requests Under Section 509**

1. This Section 1703 establishes the procedures to be followed when a Submitting Entity or Owner wishes to challenge a determination by NERC to approve or to disapprove an Exception Request or to terminate an Exception under Section 509.
2. A Submitting Entity (or Owner if different) aggrieved by the decision of NERC to approve or disapprove an Exception Request or to terminate an Exception with respect to any Element may, within 30 days following the date of the decision, file a written challenge to the decision with the NERC director of compliance operations, with copies to the Regional Entity and the Submitting Entity or Owner if different. The challenge shall state the basis of the objection to the decision of NERC. The Regional Entity, and the Submitting Entity or Owner if different, may file a response to the challenge within 30 days following the date the challenge is filed with NERC.
3. The challenge shall be decided by the Board of Trustees Compliance Committee. Within 90 days of the date of submission of the challenge, the Board of Trustees Compliance Committee shall issue its decision on the challenge. The decision of the Board of Trustees Compliance Committee shall be the final NERC decision; provided, that the Board of Trustees Compliance Committee may extend the deadline date for its decision to a date more than 90 days following submission of the challenge, by issuing a notice to the Submitting Entity, the Owner (if different) and the Regional Entity stating the revised deadline date and the reason for the extension.
4. The Submitting Entity, or Owner if different, may appeal the final NERC decision to, or seek review of the final NERC decision by, the Applicable Governmental Authority(ies), in accordance with the legal authority and rules and procedures of the Applicable Governmental Authority(ies). Any such appeal shall be filed within thirty (30) days following the date of the decision of the Board of Trustees Compliance Committee, or within such other time period as is provided for in the legal authority, rules or procedures of the Applicable Governmental Authority.





## **NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

### **DEFINITIONS USED IN THE RULES OF PROCEDURE**

#### **APPENDIX 2 TO THE RULES OF PROCEDURE**

**Effective: DATE  
(as noted below)**

New or revised definitions marked with # will become effective as defined terms on July 1, 2014 in accordance with the Bulk Electric System Order (Order No. 773), the June 13, 2013 Order Granting Extension of Time, and the March 20, 2014 Order Approving Revised Definition.

## General

For purposes of the NERC Rules of Procedure, including all Appendices, the terms defined in this Appendix shall have the meanings set forth herein. For convenience of reference to the user, definitions of terms that are used in a particular Appendix may be repeated in that Appendix.

Where used in the Rules of Procedure, a defined term will be capitalized. Where a term defined in this Appendix appears in the Rules of Procedure but is not capitalized, the term is there being used in its ordinary and commonly understood meaning and not as defined in this Appendix (if different). Other terms that are not defined terms, such as the names of entities, organizations, committees, or programs; position titles; titles of documents or forms; section headings; geographic locations; and other terms commonly presented as proper nouns, may also be capitalized in the Rules of Procedure without being defined in this Appendix.

Definitions of terms in this Appendix that are marked with asterisks (\*\*) are taken from the NERC *Glossary of Terms Used in Reliability Standards*. Definitions of terms in this Appendix that are marked with “pluses” (++) are taken from Section 215 of the Federal Power Act or the Commission’s regulations at 18 C.F.R. Part 39 or Part 388.

Other terms used in the Rules of Procedure but not defined in this Appendix that have commonly understood and used technical meanings in the electric power industry, including applicable codes and standards, shall be construed in accordance with such commonly understood and used technical meanings.

## Specific Definitions

#“Acceptance of the Exception Request” or “Acceptance” means the determination that an eligible Exception Request (i.e., a Request permitted by section 4.1 of Appendix 5C) contains all the Required Information so that it can undergo substantive review.

“Adjacent Balancing Authority” means a Balancing Authority Area that is interconnected to another Balancing Authority Area either directly or via a multi-party agreement or transmission tariff.\*\*

“Adjusted Penalty Amount” means the proposed Penalty for a violation of a Reliability Standard as determined based on application of the adjustment factors identified in Section 4.3 of the *Sanction Guidelines* to the Base Penalty Amount.

“Advisories” or “Level 1 (Advisories)” is a notification issued by NERC in accordance with Section 810.3.1 of the Rules of Procedure.

“Alleged Violation” means a Possible Violation for which the Compliance Enforcement Authority has determined, based on an assessment of the facts and circumstances surrounding the Possible Violation, that evidence exists to indicate a Registered Entity has violated a Reliability Standard.

“Annual Audit Plan” means a plan developed annually by the Compliance Enforcement Authority that includes the Reliability Standards and Registered Entities to be audited and the schedule of Compliance Audits for the calendar year.

“Annual Report” means the annual report to be filed by NERC with FERC and other Applicable Governmental Authorities in accordance with Section 13.0 of Appendix 4D.

“Applicable Governmental Authority” means the FERC within the United States and the appropriate governmental authority with subject matter jurisdiction over reliability in Canada and Mexico.

“Applicable Requirement” means a Requirement of a CIP Standard that (i) expressly provides either (A) that compliance with the terms of the Requirement is required where or as technically feasible, or (B) that technical limitations may preclude compliance with the terms of the Requirement; or (ii) is subject to Appendix 4D by FERC directive.

#“Approval of the Exception Request” or “Approval” means the determination by NERC that an Exception Request meets the criteria to receive the requested Exception.

#“Balancing Authority” means 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.\*\*

#“Balancing Authority Area” means the collection of generation, transmission, and Loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains Load-resource balance within this area.\*\*

“Base Penalty Amount” means the proposed Penalty for a violation of a Reliability Standard as initially determined pursuant to Sections 4.1 and 4.2 of the NERC *Sanction Guidelines*, before application of any adjustment factors.

#“BES Definition” means the NERC definition of the Bulk Electric System as set forth in the NERC *Glossary of Terms Used in Reliability Standards*.

#“Blackstart Resource” means a generating unit(s) and its associated set of equipment which has the ability to be started without support from the System or is designed to remain energized without connection to the remainder of the System, with the ability to energize a bus, meeting the Transmission Operator’s restoration plan needs for Real and Reactive Power capability, frequency and voltage control, and that has been included in the Transmission Operator’s restoration plan.\*\*

“Board” or “Board of Trustees” means the Board of Trustees of NERC.

“Board of Trustees Compliance Committee,” “BOTCC” or “Compliance Committee” means the Compliance Committee of the NERC Board of Trustees.

#“Bulk Electric System” or “BES” means unless modified by the lists shown below, all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher. This does not include facilities used in the local distribution of electric energy.

**Inclusions:**

- **I1** - Transformers with the primary terminal and at least one secondary terminal operated at 100 kV or higher unless excluded by application of Exclusion E1 or E3.
- **I2** - Generating resource(s) including the generator terminals through the high-side of the step-up transformer(s) connected at a voltage of 100 kV or above with:
  - a) Gross individual nameplate rating greater than 20 MVA. Or,
  - b) Gross plant/facility aggregate nameplate rating greater than 75 MVA.
- **I3** - Blackstart Resources identified in the Transmission Operator’s restoration plan.
- **I4** - Dispersed power producing resources that aggregate to a total capacity greater than 75 MVA (gross nameplate rating), and that are connected through a system designed primarily for delivering such capacity to a common point of connection at a voltage of 100 kV or above. Thus, the facilities designated as BES are:
  - a) The individual resources, and
  - b) The system designed primarily for delivering capacity from the point where those resources aggregate to greater than 75 MVA to a common point of connection at a voltage of 100 kV or above.
- **I5** - Static or dynamic devices (excluding generators) dedicated to supplying or absorbing Reactive Power that are connected at 100 kV or higher, or through a dedicated transformer with a high-side voltage of 100 kV or higher, or through a transformer that is designated in Inclusion I1 unless excluded by application of Exclusion E4.

**Exclusions:**

- **E1** - Radial systems: A group of contiguous transmission Elements that emanates from a single point of connection of 100 kV or higher and:
  - a) Only serves Load. Or,
  - b) Only includes generation resources, not identified in Inclusions I2, I3, or I4, with an aggregate capacity less than or equal to 75 MVA (gross nameplate rating). Or,
  - c) Where the radial system serves Load and includes generation resources, not identified in Inclusions I2, I3 or I4, with an aggregate capacity of non-retail generation less than or equal to 75 MVA (gross nameplate rating).

Note 1 – A normally open switching device between radial systems, as depicted on prints or one-line diagrams for example, does not affect this exclusion.

Note 2 – The presence of a contiguous loop, operated at a voltage level of 50 kV or less, between configurations being considered as radial systems, does not affect this exclusion.

- **E2** - A generating unit or multiple generating units on the customer’s side of the retail meter that serve all or part of the retail Load with electric energy if: (i) the net capacity provided to the BES does not exceed 75 MVA, and (ii) standby, back-up, and maintenance power services are provided to the generating unit or multiple generating units or to the retail Load by a Balancing Authority, or provided pursuant to a binding obligation with a Generator Owner or Generator Operator, or under terms approved by the applicable regulatory authority.
- **E3** - Local networks (LN): A group of contiguous transmission Elements operated at less than 300 kV that distribute power to Load rather than transfer bulk power across the interconnected system. LN’s emanate from multiple points of connection at 100 kV or higher to improve the level of service to retail customers and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:
  - a) Limits on connected generation: The LN and its underlying Elements do not include generation resources identified in Inclusions I2, I3, or I4 and do not have an aggregate capacity of non-retail generation greater than 75 MVA (gross nameplate rating);
  - b) Real Power flows only into the LN and the LN does not transfer energy originating outside the LN for delivery through the LN; and
  - c) Not part of a Flowgate or transfer path: The LN does not contain any part of a permanent Flowgate in the Eastern Interconnection, a major transfer path within the Western Interconnection, or a comparable monitored Facility in the ERCOT or Quebec Interconnections, and is not a monitored Facility included in an Interconnection Reliability Operating Limit (IROL).
- **E4** - Reactive Power devices installed for the sole benefit of a retail customer(s).

Note - Elements may be included or excluded on a case-by-case basis through the Rules of Procedure exception process.\*\*

“Bulk Power System” means, depending on the context: (i) Facilities and control systems necessary for operating an interconnected electric energy supply and transmission network (or any portion thereof), and electric energy from generating facilities needed to maintain

transmission system reliability. The term does not include facilities used in the local distribution of electric energy [++]. (ii) Solely for purposes of Appendix 4E, Bulk Electric System.

“Canadian” means one of the following: (a) a company or association incorporated or organized under the laws of Canada, or its designated representative(s) irrespective of nationality; (b) an agency of a federal, provincial, or local government in Canada, or its designated representative(s) irrespective of nationality; or (c) a self-representing individual who is a Canadian citizen residing in Canada.

#“Canadian Entity” means a Registered Entity (or, solely for purposes of Appendix 4D, a Responsible Entity) that is organized under Canadian federal or provincial law.

“Cascading” means the uncontrolled successive loss of System Elements triggered by an incident at any location. Cascading results in widespread electric service interruption that cannot be restrained from sequentially spreading beyond an area predetermined by studies.\*\*

“CCC” means the NERC Compliance and Certification Committee.

“Certification” means, depending on the context, (i) the process undertaken by NERC and a Regional Entity to verify that an entity is capable of responsibilities for tasks associated with a particular function such as a Balancing Authority, Transmission Operator and/or Reliability Coordinator; such Certification activities are further described in Section 500 and Appendix 5A of the NERC Rules of Procedure; or (ii) for purposes of Section 600 of the Rules of Procedure, an official recognition that indicates the recipient has passed a NERC exam or completed a specified number of Continuing Education Hours.

“Certification Staff” means individuals employed or contracted by NERC who have the authority to make initial determinations of Certification of entities performing reliability functions.

“Certification Team” means a team assembled by a Regional Entity that will be responsible for performing the activities included in the Certification process for an entity pursuant to Appendix 5A.

“Classified National Security Information” means Required Information that has been determined to be protected from unauthorized disclosure pursuant to Executive Order No. 12958, as amended, and/or the regulations of the NRC at 10 C.F.R. §95.35; or pursuant to any comparable provision of Canadian federal or provincial law.

“Clerk” means an individual assigned by the Compliance Enforcement Authority to perform administrative tasks relating to the conduct of hearings as described in Attachment 2, Hearing Procedures, to Appendix 4C.

“Commission” means the Federal Energy Regulatory Commission or FERC.

“Complaint” means an allegation that a Registered Entity violated a Reliability Standard.

“Compliance and Certification Manager” means individual/individuals within the Regional Entity that is/are responsible for monitoring compliance of entities with applicable NERC Reliability Standards.

“Compliance Audit” means a systematic, objective review and examination of records and activities to determine whether a Registered Entity meets the Requirements of applicable Reliability Standards.

“Compliance Audit Participants” means Registered Entities scheduled to be audited and the audit team members.

“Compliance Enforcement Authority” means NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.

“Compliance Enforcement Authority’s Area of Responsibility” means the Compliance Enforcement Authority’s Region. If a Regional Entity is the Compliance Enforcement Authority, the Compliance Enforcement Authority’s Area of Responsibility is shown in Exhibit A to the delegation agreement between the Regional Entity and NERC.

“Compliance Investigation” means a comprehensive investigation, which may include an on-site visit with interviews of the appropriate personnel, to determine if a violation of a Reliability Standard has occurred.

“Compliance Monitoring and Enforcement Program” or “CMEP” means, depending on the context (1) the NERC *Uniform Compliance Monitoring and Enforcement Program* (Appendix 4C to the NERC Rules of Procedure) or the Commission-approved program of a Regional Entity, as applicable, or (2) the program, department or organization within NERC or a Regional Entity that is responsible for performing compliance monitoring and enforcement activities with respect to Registered Entities’ compliance with Reliability Standards.

“Compliant Date” means the date by which a Responsible Entity is required to be in compliance with an Applicable Requirement of a CIP Standard.

“Confidential Business and Market Information” means any information that pertains to the interests of any entity, that was developed or acquired by that entity, and that is proprietary or competitively sensitive.

“Confidential Information” means (i) Confidential Business and Market Information; (ii) Critical Energy Infrastructure Information; (iii) personnel information that identifies or could be used to identify a specific individual, or reveals personnel, financial, medical, or other personal information; (iv) work papers, including any records produced for or created in the course of an evaluation or audit; (v) investigative files, including any records produced for or created in the course of an investigation; or (vi) Cyber Security Incident Information; provided, that public information developed or acquired by an entity shall be excluded from this definition; or (vii) for purposes of Appendix 4D, any other information that is designated as Confidential Information in Section 11.0 of Appendix 4D.

“Confirmed Violation” means an Alleged Violation for which (1) the Registered Entity has accepted or not contested the Notice of Alleged Violation and Penalty or Sanction or other notification of the Alleged Violation, or (2) there has been the issuance of a final order from NERC or a Regional Entity Hearing Body finding a violation, Penalty or sanction, or (3) the period for requesting a hearing or an appeal has expired, or (4) the Registered Entity has executed a settlement agreement pursuant to Section 5.6.

“Continuing Education Hour” or “CE Hour” means based on sixty clock minutes, and includes at least fifty minutes of participation in a group or self-study learning activity that meets the criteria of the NERC Continuing Education Program.

“Continuing Education Program Provider” or “Provider” means the individual or organization offering a learning activity to participants and maintaining documentation required by Section 600 of the Rules of Procedure.

“Coordinated Functional Registration” means where two or more entities (parties) agree in writing upon a division of compliance responsibility among the parties for one or more Reliability Standard(s) applicable to a particular function, and/or for one or more Requirement(s)/sub-Requirement(s) within particular Reliability Standard(s).

“Covered Asset” means a Cyber Asset or Critical Cyber Asset that is subject to an Applicable Requirement.

“Credential” means a NERC designation that indicates the level of qualification achieved (i.e., reliability operator; balancing, interchange, and transmission operator; balancing and interchange operator; and transmission operator).

“Critical Assets” means Facilities, systems, and equipment which, if destroyed, degraded, or otherwise rendered unavailable, would affect the reliability or operability of the Bulk Electric System.\*\*

“Critical Cyber Assets” means Cyber Assets critical to the reliable operation of Critical Assets.\*\*

“Critical Energy Infrastructure Information” means specific engineering, vulnerability, or detailed design information about proposed or existing Critical Infrastructure that (i) relates details about the production, generation, transportation, transmission, or distribution of energy; (ii) could be useful to a person in planning an attack on Critical Infrastructure; and (iii) does not simply give the location of the Critical Infrastructure.++

“Critical Infrastructure” means existing and proposed systems and assets, whether physical or virtual, the incapacity or destruction of which would negatively affect security, economic security, public health or safety, or any combination of those matters.++



“Critical Infrastructure Protection Standard” or “CIP Standard” means any of NERC Reliability Standards CIP-002 through CIP-009.

“Cross-Border Regional Entity” means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.++

“Cyber Assets” means programmable electronic devices and communication networks including hardware, software, and data.\*\*

“Cyber Security Incident” means any malicious or suspicious event that disrupts, or was an attempt to disrupt, the operation of those programmable electronic devices and communications networks including hardware, software and data that are essential to the Reliable Operation of the Bulk Power System.++

“Cyber Security Incident Information” means any information related to, describing, or which could be used to plan or cause a Cyber Security Incident.

“Days”, as used in Appendix 5A with respect to the Registration and Certification processes, means calendar days.

“Deactivation,” as used in Appendix 5A with respect to the Registration processes, refers to removal of an entity from the NCR for a specific functional category. As a result of deactivation, the entity is no longer subject to any prospective compliance obligations with respect to Reliability Standards applicable to that functional category.

“Delegate” means a person to whom the Senior Manager of a Responsible Entity has delegated authority pursuant to Requirement R2.3 of CIP Standard CIP-003-1 (or any successor provision).

“Director of Compliance” means the Director of Compliance of NERC or of the Compliance Enforcement Authority, as applicable, or other individual designated by the Compliance Enforcement Authority who is responsible for the management and supervision of Compliance Staff, or his or her designee.

#“Disapproval of the Exception Request” or “Disapproval” means the determination by NERC that an Exception Request does not meet the criteria to receive the requested Exception.

#“Distribution Factor” means the portion of an Interchange Transaction, typically expressed in per unit that flows across a transmission facility (Flowgate).\*\*

“Distribution Provider” means the entity that provides and operates the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the Distribution Provider. Thus, the Distribution Provider is not defined by a specific voltage, but rather as performing the distribution function at any voltage.\*\*

“Document” means, in addition to the commonly understood meaning of the term as information written or printed on paper, any electronically stored information, including writings, drawings, graphs, charts, photographs, sound recordings, images and other data or data compilations stored in any medium from which information can be obtained, and shall be translated by the producing party into reasonably usable form.

“Effective Date” means the date, as specified in a notice disapproving a TFE Request or terminating an approved TFE, on which the disapproval or termination becomes effective.

“Electric Reliability Organization” or “ERO” means the organization that is certified by the Commission under Section 39.3 of its regulations, the purpose of which is to establish and enforce Reliability Standards for the Bulk Power System in the United States, subject to Commission review. The organization may also have received recognition by Applicable Governmental Authorities in Canada and Mexico to establish and enforce Reliability Standards for the Bulk Power Systems of the respective countries.

“Element” means any electrical device with terminals that may be connected to other electrical devices such as a generator, transformer, circuit breaker, bus section, or transmission line. An Element may be comprised of one or more components.\*\*

“Eligible Reviewer” means a person who has the required security clearances or other qualifications, or who otherwise meets the applicable criteria, to have access to Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information, as applicable to the particular information to be reviewed.

“End Date” means the last date of the period to be covered in a Compliance Audit.

“Essential Actions” or “Level 3 (Essential Actions)” is a notification issued by NERC in accordance with Section 810.3.3 of the Rules of Procedure.

“Evidentiary Hearing” means a hearing at which one or more Participants submits evidence for the record. A Testimonial Hearing is an Evidentiary Hearing, but an Evidentiary Hearing does not necessarily include the presentation of testimony by witnesses in person.

#“Exception” means either an Inclusion Exception or an Exclusion Exception.

#“Exception Procedure” means the procedure set forth in Appendix 5C.

“Exception Report” means information provided to the Compliance Enforcement Authority by a Registered Entity indicating that a violation of a Reliability Standard has occurred (e.g., a System Operating Limit has been exceeded) or enabling the Compliance Enforcement Authority to ascertain the Registered Entity’s compliance.

#“Exception Request” means a request made by a Submitting Entity in accordance with Appendix 5C for an Exception.

#“Exception Request Form” means the form adopted by each Regional Entity, in accordance with a template provided by NERC, for use by Submitting Entities in submitting Exception Requests; provided, that the Exception Request Form must include Section III.B as adopted by NERC.

“Exclusion Exception” means a determination that an Element that falls within the BES Definition should be excluded from the BES.

“Expiration Date” means the date on which an approved TFE expires.

“Facility” means a set of electrical equipment that operates as a single Bulk Electric System Element (e.g., a line, a generator, a shunt compensator, transformer, etc.)\*\*

“FERC” means the United States Federal Energy Regulatory Commission.

“Final Penalty Amount” means the final, proposed Penalty for violation of a Reliability Standard, determined in accordance with the *Sanction Guidelines*.

#“Flowgate” means 1.) A portion of the transmission system through which the Interchange Distribution Calculator calculates the power flow from Interchange Transactions. 2.) A mathematical construct, comprised of one or more monitored transmission Facilities and optionally one or more contingency Facilities, used to analyze the impact of power flows upon the Bulk Electric System.\*\*

“FOIA” means the U.S. Freedom of Information Act, 5 U.S.C. §552.

“Footprint” means the geographical or electric area served by an entity.

“Functional Entity” means an entity responsible for a function that is required to ensure the Reliable Operation of the electric grid as identified in the NERC Reliability Standards.

“Generator Operator” means the entity that operates generating Facility(ies) and performs the functions of supplying energy and Interconnected Operations Services.

“Generator Owner” means an entity that owns and maintains generating Facility(ies).

“Hearing Body” or “Regional Entity Hearing Body” means the body established or designated by the Compliance Enforcement Authority to conduct hearings and issue decisions concerning disputed compliance matters in accordance with Attachment 2, Hearing Procedures, of Appendix 4C.

“Hearing Officer” means, depending on the context, (i) an individual employed or contracted by the Compliance Enforcement Authority and designated by the Compliance Enforcement Authority to preside over hearings conducted pursuant to Attachment 2, Hearing Procedures, of Appendix 4C, or (ii) solely for hearings conducted pursuant to Appendix 4E, (A) a CCC member or (B) an individual employed or contracted by NERC, as designated and approved by the CCC

to preside over hearings conducted pursuant to the Hearing Procedures in Appendix E; the Hearing Officer shall not be a member of the Hearing Panel.

“Hearing Panel” means the five person hearing body established as set forth in the CCC Charter on a case by case basis and that is responsible for adjudicating a matter as set forth in Appendix 4E.

“Hearing Procedures” means, depending on the context, (i) Attachment 2 to the NERC or a Regional Entity CMEP, as applicable, or (ii) the hearing procedures of the NERC Compliance and Certification Committee in Appendix 4E.

#“Inclusion Exception” means a determination that an Element that falls outside the BES Definition should be included in the BES.

“Interchange” means energy transfers that cross Balancing Authority boundaries.\*\*

“Interchange Authority” means the responsible entity that authorizes the implementation of valid and balanced Interchange Schedules between Balancing Authority Areas, and ensures communications of Interchange information for reliability assessment purposes.\*\*

#“Interchange Distribution Calculator” means the mechanism used by Reliability Coordinators in the Eastern Interconnection to calculate the distribution of Interchange Transactions over specific Flowgates. It includes a database of all Interchange Transactions and a matrix of the Distribution Factors for the Eastern Interconnection.\*\*

“Interchange Schedule” means an agreed-upon Interchange Transaction size (megawatts), start and end time, beginning and ending ramp times and rate, and type required for delivery and receipt of power and energy between the Source and Sink Balancing Authorities involved in the transaction.\*\*

“Interchange Transaction” means an agreement to transfer energy from a seller to a buyer that crosses one or more Balancing Authority Area boundaries.\*\*

“Interconnected Operations Service” means a service (exclusive of basic energy and Transmission Services) that is required to support the Reliable Operation of interconnected Bulk Electric Systems.\*\*

“Interconnection” means a geographic area in which the operation of Bulk Power System components is synchronized such that the failure of one or more of such components may adversely affect the ability of the operators of other components within the system to maintain Reliable Operation of the Facilities within their control.++

“Interconnection Reliability Operating Limit” means a System Operating Limit that, if violated, could lead to instability, uncontrolled separation, or Cascading outages that adversely impact the reliability of the Bulk Electric System.\*\*

“Interpretation” means an addendum to a Reliability Standard, developed in accordance with the NERC *Standard Processes Manual* and approved by the Applicable Governmental Authority(ies), that provides additional clarity about one or more Requirements in the Reliability Standard.

“ISO/RTO” means an independent transmission system operator or regional transmission organization approved by the FERC or the Public Utility Commission of Texas.

“Joint Registration Organization” means an entity that registers in the Compliance Registry to perform reliability functions for itself and on behalf of one or more of its members or related entities for which such members or related entities would otherwise be required to register.

#“Lead Entity” means the entity that submits Exception Request information that is common to a group of Submitting Entities that are submitting Exception Requests jointly.

“Lead Mediator” means a member of a mediation team formed pursuant to Appendix 4E who is selected by the members to coordinate the mediation process and serve as the mediation team’s primary contact with the Parties.

#“Load” means an end-user device or customer that receives power from the electric system.\*\*

“Load-Serving Entity” means an entity that secures energy and Transmission Service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.\*\*

“Mapping” means the process of determining whether a Regional Entity’s Footprint is being served by Registered Entities.

“Material Change” means a change in facts that modifies Required Information in connection with an approved TFE. Examples of a Material Change could include, but are not limited to an increase in device count (but not a decrease), change in compensating measures, change in statement of basis for approval for the TFE, a change in the Expiration Date of the TFE, or a Responsible Entity achieving Strict Compliance with the Applicable Requirement.

“Material Change Report” means a report submitted by the Responsible Entity to the Regional Entity in the event there is a Material Change to the facts underlying an approved TFE pursuant to Section 4.0 of Appendix 4D.

“Mediation Settlement Agreement” means a written agreement entered into by the Parties to a mediation pursuant to Appendix 4E that resolves the dispute.

“Member” means a member of NERC pursuant to Article II of its Bylaws.

“Member Representatives Committee” or “MRC” means the body established pursuant to Article VIII of the NERC Bylaws.

#“Mexican Entity” means a Registered Entity that is organized under Mexican law.

“Mitigating Activities” means actions taken by a Registered Entity to correct and prevent recurrence of a noncompliance, whether or not the actions are embodied in a Mitigation Plan.

“Mitigation Plan” means an action plan developed by the Registered Entity to (1) correct a violation of a Reliability Standard and (2) prevent re-occurrence of the violation.

“NERC-Approved Learning Activity” means training that maintains or improves professional competence and has been approved by NERC for use in its Continuing Education Program.

“NERC Compliance Monitoring and Enforcement Program Implementation Plan” or “NERC Implementation Plan” means the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan that specifies the Reliability Standards that are subject to reporting by Registered Entities to the Compliance Enforcement Authority in order to verify compliance and identifies the appropriate monitoring procedures and reporting schedules for each such Reliability Standard.

“NERC Compliance Registry,” “Compliance Registry” or “NCR” means a list, maintained by NERC pursuant to Section 500 of the NERC Rules of Procedure and Appendix 5B, the NERC *Statement of Compliance Registry Criteria*, of the owners, operators and users of the Bulk Power System, and the entities registered as their designees, that perform one or more functions in support of reliability of the Bulk Power System and are required to comply with one or more Requirements of Reliability Standards.

“NERC Identification Number” or “NERC ID” means a number given to NERC Registered Entities that will be used to identify the entity for certain NERC activities. Corporate entities may have multiple NERC IDs to show different corporate involvement in NERC activities.

“NERC Organization Certification” or “Organization Certification” means the process undertaken by NERC and a Regional Entity to verify that a new entity is capable of responsibilities for tasks associated with a particular function such as a Balancing Authority, Transmission Operator, and/or Reliability Coordinator; such certification activities are further described in Section 500 and Appendix 5A of the NERC Rules of Procedure.

“Net Energy for Load” or “NEL” means net generation of an electric system plus energy received from others less energy delivered to others through interchange. It includes system losses but excludes energy required for the storage of energy at energy storage facilities.

“Notice of Alleged Violation and Proposed Penalty or Sanction” means a notice issued by the Compliance Enforcement Authority to a Registered Entity pursuant to Section 5.3 of Appendix 4C.

“Notice of Completion of Enforcement Action” means a notice issued by the Compliance Enforcement Authority to a Registered Entity, pursuant to Section 5.10 of Appendix 4C, stating that an enforcement action is closed.

“Notice of Confirmed Violation” means a notice issued by the Compliance Enforcement Authority to a Registered Entity confirming the violation of one or more Reliability Standards.

“Notice of Penalty” means a notice prepared by NERC and filed with FERC, following approval by NERC of a Notice or other notification of Confirmed Violation or a settlement agreement, stating the Penalty or sanction imposed or agreed to for the Confirmed Violation or as part of the settlement.

“Notice of Possible Violation” means a notice issued by the Compliance Enforcement Authority to a Registered Entity that (1) states a Possible Violation has been identified, (2) provides a brief description of the Possible Violation, including the Reliability Standard Requirement(s) and the date(s) involved, and (3) instructs the Registered Entity to retain and preserve all data and records relating to the Possible Violation.

“NRC” means the United States Nuclear Regulatory Commission.

“NRC Safeguards Information” means Required Information that is subject to restrictions on disclosure pursuant to 42 U.S.C. §2167 and the regulations of the NRC at 10 C.F.R. §73.21-73.23; or pursuant to comparable provisions of Canadian federal or provincial law.

“Open Access Transmission Tariff” means an electronic transmission tariff accepted by the U.S. Federal Energy Regulatory Commission requiring the Transmission Service Provider to furnish to all shippers with non-discriminating service comparable to that provided by Transmission Owners to themselves.\*\*

#“Owner” means the owner(s) of an Element or Elements that is or may be determined to be part of the BES as a result of either the application of the BES Definition or an Exception, or another entity, such as an operator, authorized to act on behalf of the owner of the Element or Elements in the context of an Exception Request.

“Participant” means a Respondent and any other Person who is allowed or required by the Hearing Body or by FERC to participate as an intervenor in a proceeding conducted pursuant to the Hearing Procedures, and as used in the Hearing Procedures shall include, depending on the context, the members of the Compliance Staff that participate in a proceeding or the members of the Certification Staff that participate in a proceeding pursuant to Appendix 4E.

“Party” or “Parties” means a Person or the Persons participating in a mediation pursuant to Appendix 4E.

“Penalty” means and includes all penalties and sanctions, including but not limited to a monetary or non-monetary penalty; a limitation on an activity, function, operation or other appropriate sanction; or the addition of the Registered Entity or Respondent to a reliability watch list composed of major violators. Penalties must be within the range set forth in the NERC *Sanction Guidelines* approved by FERC pursuant to 18 C.F.R. Section 39.7(g)(2), and shall bear a reasonable relation to the seriousness of a Registered Entity’s or Respondent’s violation and take

into consideration any timely efforts made by the Registered Entity or Respondent to remedy the violation.

“Periodic Data Submittals” means modeling, studies, analyses, documents, procedures, methodologies, operating data, process information or other information to demonstrate compliance with Reliability Standards and provided by Registered Entities to the Compliance Enforcement Authority on a time frame required by a Reliability Standard or an ad hoc basis.

“Person” means any individual, partnership, corporation, limited liability company, governmental body, association, joint stock company, public trust, organized group of persons, whether incorporated or not, or any other legal entity.

“Planning Authority” means the responsible entity that coordinates and integrates transmission Facilities and service plans, resource plans, and Protection Systems.\*\*

“Point of Delivery” means a location that a Transmission Service Provider specifies on its transmission system where an Interchange Transaction leaves or a Load-Serving Entity receives its energy.\*\*

“Point of Receipt” means a location that the Transmission Service Provider specifies on its transmission system where an Interchange Transaction enters or a generator delivers its output.

“Possible Violation” means the identification, by the Compliance Enforcement Authority, of a possible failure by a Registered Entity to comply with a Reliability Standard that is applicable to the Registered Entity.

“Preliminary Screen” means an initial evaluation of evidence indicating potential noncompliance with a Reliability Standard has occurred or is occurring, conducted by the Compliance Enforcement Authority for the purpose of determining whether a Possible Violation exists, and consisting of an evaluation of whether (1) the entity allegedly involved in the potential noncompliance is registered, (2) the Reliability Standard Requirement to which the evidence of potential noncompliance relates is applicable to a reliability function for which the entity is registered, and (3) if known, the potential noncompliance is not a duplicate of a Possible Violation or Alleged Violation which is currently being processed.

“Probation” means a step in the disciplinary process pursuant to Section 605 of the Rules of Procedure during which the certificate is still valid. During the probationary period, a subsequent offense of misconduct, as determined through the same process as described above, may be cause for more serious consequences.

“Protected FOIA Information” means Required Information, held by a governmental entity, that is subject to an exemption from disclosure under FOIA (5 U.S.C. §552(e)), under any similar state or local statutory provision, or under any comparable provision of Canadian federal or provincial law, which would be lost were the Required Information to be placed into the public domain.



“Protection System” means protective relays which respond to electrical quantities, communications systems necessary for correct operation of protective functions, voltage and current sensing devices providing inputs to protective relays, station dc supply associated with protective functions (including batteries, battery chargers, and non-battery-based dc supply), and control circuitry associated with protective functions through the trip coil(s) of the circuit breakers or other interrupting devices.\*\*

“Purchasing-Selling Entity” means 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.\*\*

“Reactivation” refers to re-registration pursuant to the NERC Rules of Procedure Section 500 and Appendices 5A and 5B of an entity to the NCR for a specific functional category or the revocation of, or additions to, a sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements) that has been granted to an entity. Reactivation may be initiated by NERC, a Regional Entity or an entity with respect to such entity’s own functional categories or sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements).

#“Reactive Power” means the portion of electricity that establishes and sustains the electric and magnetic fields of alternating-current equipment. Reactive Power must be supplied to most types of magnetic equipment, such as motors and transformers. It also must supply the reactive losses on transmission facilities. Reactive Power is provided by generators, synchronous condensers, or electrostatic equipment such as capacitors and directly influences electric system voltage. It is usually expressed in kilovars (kvar) or megavars (Mvar).\*\*

#“Real Power” means the portion of electricity that supplies energy to the Load.\*\*

“Receiving Entity” means NERC or a Regional Entity receiving Confidential Information from an owner, operator, or user of the Bulk Power System or from any other party.

#“Recommendation” for purposes of Appendix 5C means the report to NERC containing the evaluation prepared in accordance with section 5.2 of Appendix 5C concerning whether or to what extent an Exception Request should be approved.

“Recommendations” or “Level 2 (Recommendations)” is a notification issued by NERC in accordance with Section 810.3.2 of the Rules of Procedure.

“Region” means the geographic area, as specified in a Regional Entity’s delegation agreement with NERC, within which the Regional Entity is responsible for performing delegated functions.

“Regional Criteria” means reliability requirements developed by a Regional Entity that are necessary to implement, to augment, or to comply with Reliability Standards, but which are not Reliability Standards. Such Regional Criteria may be necessary to account for physical differences in the Bulk Power System but are not inconsistent with Reliability Standards nor do they result in lesser reliability. Such Regional Criteria are not enforceable pursuant to NERC-

delegated authorities, but may be enforced through other available mechanisms. Regional Criteria may include specific acceptable operating or planning parameters, guides, agreements, protocols or other documents.

“Regional Entity” means an entity having enforcement authority pursuant to 18 C.F.R. § 39.8.++

“Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan” or “Regional Implementation Plan” means an annual plan, submitted by on or about October 1 of each year to NERC for approval that, in accordance with NERC Rule of Procedure Section 401.6 and the NERC Compliance Monitoring and Enforcement Program Implementation Plan, identifies (1) all Reliability Standards identified by NERC to be actively monitored during each year, (2) other Reliability Standards proposed for active monitoring by the Regional Entity, (3) the methods to be used by the Regional Entity for reporting, monitoring, evaluation, and assessment of performance criteria with each Reliability Standard, and (4) the Regional Entity’s Annual Audit Plan.

“Regional Reliability Standard” means a type of Reliability Standard that is applicable only within a particular Regional Entity or group of Regional Entities. A Regional Reliability Standard may augment, add detail to, or implement another Reliability Standard or cover matters not addressed by other Reliability Standards. Regional Reliability Standards, upon adoption by NERC and approval by the Applicable Governmental Authority(ies), shall be Reliability Standards and shall be enforced within the applicable Regional Entity or Regional Entities pursuant to delegated authorities or to procedures prescribed by the Applicable Governmental Authority.

“Registered Ballot Body” means that aggregation of all entities or individuals that qualify for one of the Segments approved by the Board of Trustees, and are registered with NERC as potential ballot participants in the voting on proposed Reliability Standards.

“Registered Entity” means an owner, operator, or user of the Bulk Power System, or the entity registered as its designee for the purpose of compliance, that is included in the NERC Compliance Registry.

“Registration” or “Organization Registration” means the processes undertaken by NERC and Regional Entities to identify which entities are responsible for reliability functions within the Regional Entity’s Region.

#“Rejection of the Exception Request” or “Rejection” means the determination that an Exception Request is not an eligible Exception Request (i.e., a Request permitted by section 4.1 of Appendix 5C) or does not contain all the Required Information in accordance with section 4.5 of Appendix 5C in order to be reviewed for substance.

“Reliability Coordinator” means 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.\*\*

“Reliability Coordinator Area” means the collection of generation, transmission and loads within the boundaries of the Reliability Coordinator. Its boundary coincides with one or more Balancing Authority Areas.\*\*

“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 the term does not include any requirement to enlarge Bulk Power System Facilities or to construct new transmission capacity or generation capacity. A Reliability Standard shall not be effective in the United States until approved by the Federal Energy Regulatory Commission and shall not be effective in other jurisdictions until made or allowed to become effective by the Applicable Governmental Authority.

“Reliability Standards Development Plan” means the forward-looking plan developed by NERC on an annual basis setting forth the Reliability Standards development projects that are scheduled to be worked on during the ensuing three-year period, as specified in Section 310 of the Rules of Procedure.

“Reliable Operation” means operating the Elements of the Bulk Power System within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or Cascading failures of such system will not occur as a result of a sudden disturbance, including a Cyber Security Incident, or unanticipated failure of system Elements.++

“Remedial Action Directive” means an action (other than a Penalty or sanction) required by a Compliance Enforcement Authority that (1) is to bring a Registered Entity into compliance with a Reliability Standard or to avoid a Reliability Standard violation, and (2) is immediately necessary to protect the reliability of the Bulk Power System from an imminent or actual threat.

“Reporting Entity” means an entity required to provide data or information requested by NERC or a Regional Entity in a request for data or information pursuant to Section 1600 of the Rules of Procedure.

“Requirement” means an explicit statement in a Reliability Standard 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 with which compliance is mandatory.

“Required Date” means the date given a Registered Entity in a notice from the Compliance Enforcement Authority by which some action by the Registered Entity is required.

#“Required Information” means, as applicable, either (i) the information required to be provided in a TFE Request, as specified in Section 4.0 of Appendix 4D; or (ii) the information required to be provided in an Exception Request, as specified in section 4.0 of Appendix 5C.

“Reserve Sharing Group” means a group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply operating reserves required for each Balancing Authority’s use in recovering from contingencies within the group. Scheduling energy from an Adjacent Balancing Authority to aid recovery need not constitute reserve sharing provided the transaction is ramped in over a period the supplying party could reasonably be expected to load generation in (e.g. ten minutes). If the transaction is ramped in quicker, (e.g., between zero and ten minutes), then, for the purposes of disturbance control performance, the areas become a Reserve Sharing Group.\*\*

“Resource Planner” means 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.\*\*

“Respondent” means, depending on the context, the Registered Entity, who is the subject of the Notice of Alleged Violation, contested Mitigation Plan or contested Remedial Action Directive that is the basis for the proceeding, whichever is applicable, or the Registered Entity that is the subject of the Certification decision that is the basis for a proceeding under Appendix 4E.

“Responsible Entity” means an entity that is registered for a reliability function in the NERC Compliance Registry and is responsible for complying with an Applicable Requirement, as specified in the “Applicability” section of the CIP Standard.

“Revoked” means a NERC certificate that has been suspended for more than twelve months. While in this state, a certificate holder can not perform any task that requires an operator to be NERC-certified. The certificate holder will be required to pass an exam to be certified again. Any CE Hours accumulated prior to or during the revocation period will not be counted towards Credential Maintenance.

“Revoke for Cause” means a step in the disciplinary process pursuant to Section 605 of the Rules of Procedure during which the certificate is no longer valid and requiring successfully passing an exam to become certified. However, an exam will not be authorized until the revocation period expires. CE Hours earned before or during this revocation period will not be counted for maintaining a Credential.

#“Scope of Responsibility” means the registered functions of a Planning Authority, Reliability Coordinator, Transmission Operator, Transmission Planner or Balancing Authority and the geographical or electric region in which the Planning Authority, Reliability Coordinator, Transmission Operator, Transmission Planner or Balancing Authority operates to perform its registered functions, or with respect to a Regional Entity, its Regional Entity Region.

#“Section I Required Information” means Required Information that is to be provided in Section I of a Submitting Entity’s Exception Request.

#“Section II Required Information” means Required Information that is to be provided in Section II of a Submitting Entity’s Exception Request.

#“Section III Required Information” means Required Information that is to be provided in Section III of a Submitting Entity’s Exception Request.

“Sector” means a group of Members of NERC that are Bulk Power System owners, operators, or users or other persons and entities with substantially similar interests, including governmental entities, as pertinent to the purposes and operations of NERC and the operation of the Bulk Power System, as defined in Article II, Section 4 of the NERC Bylaws. Each Sector shall constitute a class of Members for purposes of the New Jersey Nonprofit Corporation Act.

“Segment” means one of the subsets of the Registered Ballot Body whose members meet the qualification criteria for the subset.

“Self-Certification” means an attestation by a Registered Entity that it is compliant or non-compliant with a Reliability Standard Requirement that is the subject of the Self-Certification, or that it does not own Facilities that are subject to the Reliability Standard Requirement, or that the Reliability Standard Requirement is not applicable to the Registered Entity.

“Self-Report” means a report by a Registered Entity stating that the Registered Entity believes it has, or may have, violated a Reliability Standard.

“Senior Manager” means the person assigned by the Responsible Entity, in accordance with CIP Standard CIP-003-1 Requirement R2 (or subsequent versions), to have overall responsibility for leading and managing the Responsible Entity’s implementation of, and adherence to, the CIP Standards.

#“Sink Balancing Authority” means the Balancing Authority in which the Load (sink) is located for an Interchange Transaction.\*\*

“Source Balancing Authority” means the Balancing Authority in which the generation (source) is located for an Interchange Transaction.\*\*

#“Special Protection System” means an automatic protection system designed to detect abnormal or predetermined system conditions, and take corrective actions other than and/or in addition to the isolation of faulted components to maintain system reliability. Such action may include changes in demand, generation (MW and Mvar), or system configuration to maintain system stability, acceptable voltage, or power flows. A Special Protection System does not include (a) underfrequency or undervoltage Load shedding or (b) fault conditions that must be isolated, or (c) out-of-step relaying (not designed as an integral part of a Special Protection System).\*\*

“Spot Check” means a process in which the Compliance Enforcement Authority requests a Registered Entity to provide information (1) to support the Registered Entity’s Self-Certification, Self-Report, or Periodic Data Submittal and to assess whether the Registered Entity complies

with Reliability Standards, or (2) as a random check, or (3) in response to operating problems or system events.

“Staff” or “Compliance Staff” means individuals employed or contracted by NERC or the Compliance Enforcement Authority who have the authority to make initial determinations of compliance or violation with Reliability Standards by Registered Entities and associated Penalties and Mitigation Plans.

“Strict Compliance” means compliance with the terms of an Applicable Requirement without reliance on a Technical Feasibility Exception.

#“Submitting Entity” means (i) an owner, operator, or user of the Bulk Power System or any other party that submits information to NERC or a Regional Entity that it reasonably believes contains Confidential Information or, (ii) solely for purposes of Appendix 5C, the entity that submits an Exception Request in accordance with section 4.0 of Appendix 5C.

“Suspended” means certificate status due to an insufficient number of CE Hours being submitted prior to the expiration of a certificate. While in this state, a certificate holder can not perform any task that requires an operator to be NERC-certified.

“System” means a combination of generation, transmission and distribution components.\*\*

“System Operating Limit” means the value (such as MW, Mvar, amperes, frequency or volts) that satisfies the most limiting of the prescribed operating criteria for a specified system configuration to ensure operation within acceptable reliability criteria.\*\*

“Technical Advisor” means any Staff member, third-party contractor, or industry stakeholder who satisfies NERC’s or the Compliance Enforcement Authority’s (as applicable) conflict of interest policy and is selected to assist in a proceeding by providing technical advice to the Hearing Officer and/or the Hearing Body or Hearing Panel.

“Technical Feasibility Exception” or “TFE” means an exception from Strict Compliance with the terms of an Applicable Requirement on grounds of technical feasibility or technical limitations in accordance with one or more of the criteria in section 3.0 of Appendix 4D.

#“Technical Review Panel” means a panel established pursuant to section 5.3 of Appendix 5C.

“Termination of Credential” means a step in the disciplinary process pursuant to Section 605 of the Rules of Procedure whereby a Credential is permanently Revoked.

“Testimonial Hearing” means an Evidentiary Hearing at which the witness or witnesses on behalf of one or more Participants appears in person to present testimony and be subject to cross-examination.

“TFE Request” means a request submitted by a Responsible Entity in accordance with Appendix 4D for an exception from Strict Compliance with an Applicable Requirement.

“Transmission Customer” means 1. any eligible customer (or its designated agent) that can or does execute a Transmission Service agreement or can and does receive Transmission Service. 2. Any of the following entities: Generator Owner, Load-Serving Entity, or Purchasing-Selling Entity.\*\*

“Transmission Operator” means the entity responsible for the reliability of its “local” transmission system, and that operates or directs the operations of the transmission Facilities.\*\*

“Transmission Owner” means the entity that owns and maintains transmission Facilities.\*\*

“Transmission Planner” means 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.\*\*

“Transmission Service” means services provided to the Transmission Customer by the Transmission Service Provider to move energy from a Point of Receipt to a Point of Delivery.\*\*

“Transmission Service Provider” means the entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable Transmission Service agreements.\*\*

“Variance” means an aspect or element of a Reliability Standard that applies only within a particular Regional Entity or group of Regional Entities, or to a particular entity or class of entities. A Variance allows an alternative approach to meeting the same reliability objective as the Reliability Standard, and is typically necessitated by a physical difference. A Variance is embodied within a Reliability Standard and as such, if adopted by NERC and approved by the Applicable Governmental Authority(ies), shall be enforced within the applicable Regional Entity or Regional Entities pursuant to delegated authorities or to procedures prescribed by the Applicable Governmental Authority.

“Violation Risk Factor” or “VRF” means a factor (lower, medium or high) assigned to each Requirement of a Reliability Standard to identify the potential reliability significance of noncompliance with the Requirement.

“Violation Severity Level” or “VSL” means a measure (lower, moderate, high or severe) of the degree to which compliance with a Requirement was not achieved.

“Wide Area” means the entire Reliability Coordinator Area as well as the critical flow and status information from adjacent Reliability Coordinator Areas as determined by detailed system studies to allow the calculation of Interconnected Reliability Operating Limits.\*\*

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Appendix 5A

## Organization Registration and Certification Manual

Effective Date: TBD

**RELIABILITY | ACCOUNTABILITY**



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# Table of Contents

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Section I — Executive Summary .....	1
Overview .....	1
To Whom Does This Document Apply? .....	1
When did These Processes Begin?.....	1
Where to Access and Submit Form(s)?.....	1
Service.....	2
Roles and Responsibilities.....	2
NERC.....	2
Regional Entity .....	2
Entity Submitting the Application .....	3
Section II — Introduction to Organization Registration and Organization Certification Processes.....	4
Organization Registration — Entities Required to Register.....	4
Organization Certification.....	4
Section III — Organization Registration Process .....	5
Purpose and Scope .....	5
Overview .....	5
Section IV — Organization Certification Process.....	15
Purpose and Scope .....	15
Overview .....	15
Organization Certification Process .....	15
Section V — NERC Organization Registration Appeals Process.....	20
Purpose and Scope .....	20
Overview .....	20
Organization Registration Appeals Procedure.....	20
Section VI — NERC Organization Certification Appeals Process .....	23
Purpose and Scope .....	23
Overview .....	23
Organization Certification Appeals Procedure .....	23
Definitions .....	26

# Section I — Executive Summary

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## Overview

The purpose of this document is twofold: (1) to define the process utilized in the Organization Registration Program for identifying which functional entities must register as owners, operators, and users of the Bulk Power System (BPS) for compliance with Reliability Standards; and (2) to define the process utilized in the Organization Certification Program for certifying the following entities: Reliability Coordinator (RC), Balancing Authority (BA), and Transmission Operator (TOP). The North American Electric Reliability Corporation (NERC) Compliance and Certification Committee (CCC) is responsible for approving and forwarding these processes to the NERC Board of Trustees (Board) for its approval. Where a proposal for revisions to these processes comes to the Board from sources other than the CCC, the Board will seek the concurrence of the CCC before taking action on the proposal.

## To Whom Does This Document Apply?

All industry participants responsible for or intending to be responsible for, the following functions must register with NERC through the Organization Registration process. The entities are defined in the NERC *Statement of Compliance Registry Criteria*, set forth in **Appendix 5B** to the NERC Rules of Procedure (ROP), with responsibilities designated by the individual Reliability Standards or by a sub-set list of the otherwise applicable Reliability Standards. Such sub-set list will specify the Reliability Standards and may specify Requirements/sub-Requirements by NERC, in which case the entity will be responsible for compliance with only such sub-set list, in accordance with **Appendix 5B** to the NERC ROP.

	Entities that Must Register	Entities that Need to be Certified
Reliability Coordinator (RC)	√	√
Transmission Operator (TOP)	√	√
Balancing Authority (BA)	√	√
Planning Authority (PA)	√	
Transmission Planner (TP)	√	
Transmission Service Provider (TSP)	√	
Transmission Owner (TO)	√	
Resource Planner (RP)	√	
Distribution Provider (DP)	√	
Generator Owner (GO)	√	
Generator Operator (GOP)	√	
Reserve Sharing Group (RSG)	√	

## When did These Processes Begin?

The initial Registration process began in January of 2006. Registration of new entities is an ongoing process. If a Registered Entity's information changes, these changes must be submitted to the applicable Regional Entity(s).

Certification is ongoing for new entities in accordance with Section IV of this manual.

## Where to Access and Submit Form(s)?

Registration and Certification forms are provided on each Regional Entity's website. Completed forms are to be sent electronically to the Compliance and Certification Manager of the applicable Regional Entity(s). It is desirable

that entities operate within a single Regional Entity Region; however, if an entity operates in more than one Region, separate Registration applications must be completed and submitted to each of the Regional Entities.

## Service

Unless otherwise provided, service may be made by personal delivery, email, deposit in the United States mail properly addressed with first class postage prepaid, registered mail properly addressed with postage prepaid or deposit with a private express courier service properly addressed with charges prepaid or payment arrangements made.

## Roles and Responsibilities

The following is a high-level overview of the roles and responsibilities in the Registration and Certification processes:

### NERC

1. Oversight of entity processes performed by the Regional Entities, including:
  - a. Governance per the Regional Entity’s delegation agreement with NERC.
  - b. Coordination of process execution when an entity is registering and/or certifying with multiple Regional Entities.
2. Manage each entity’s NERC Compliance Registry identification number (NERC ID) including:
  - a. Sending a Registration or Certification letter that contains the NERC ID to the applicable Regional Entity(ies) for review and approval. If the Regional Entity(ies) agrees with all the information provided, it will notify NERC to issue the NERC ID to the Registered Entity and will send a copy of the notification being provided to the Regional Entity(ies).
  - b. Ensuring each Registered Entity has only one NERC ID for all Regional Entities in which registered.
3. Make modeling changes based on Registration information.
4. Maintain accurate Registration and Certification records including granting Certification certificates for the Registered Entity(ies) responsible for compliance (including Joint Registration Organization (JRO)/Coordinated Functional Registration (CFR)).
5. Maintain published up-to-date list of Registered Entities (i.e. the NERC Compliance Registry (NCR)) on the NERC website. NERC maintains the NCR, which identifies each Registered Entity and the applicable functional categories for which it is registered.
6. Lead panel reviews in accordance with **Appendix 5A, Organization Registration and Organization Certification Manual**, Section III.D and **Appendix 5B, Statement of Compliance Registry Criteria**.

### Regional Entity

1. Performs data collection and Mapping of BPS Facilities and those Facilities that have a material impact on the BPS within its Regional Entity defined reliability Region boundaries.
2. Approves or disapproves entity Registration applications.
3. Reviews entity Certification applications for completeness.
4. Notifies NERC of entities registered with the Regional Entity.
5. Approves or denies Certification Team (CT) recommendations and notifies the entity and NERC of the decision.

6. Provides leadership to the CT throughout the Certification process.

### **Entity Submitting the Application**

1. Completes and submits Registration and/or Certification application.
2. Submits updates to Registration and/or Certification information as necessary and/or requested.
3. Responds to Regional Entity and/or NERC questions pertaining to Registration and/or Certification.
4. Provides documentation or other evidence requested or required to verify compliance with Certification requirements.

## Section II — Introduction to Organization Registration and Organization Certification Processes

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The processes utilized to implement the Organization Registration and Organization Certification Programs are administered by each Regional Entity. Pursuant to its delegation agreement with NERC, each Regional Entity is responsible for registering and certifying industry participants within its Regional Entity reliability Region boundaries. Each Regional Entity must use the following NERC processes.

### Organization Registration — Entities Required to Register

All industry participants responsible for one or more of the functions below must register for each function through the Organization Registration Program. These entities are defined in the NERC *Statement of Compliance Registry Criteria*.

- RC
- TOP
- BA
- PA
- TP
- TSP
- TO
- RP
- DP
- GO
- GOP
- RSG

The Registration procedure is in Section III of this manual.

### Organization Certification

All Registered Entities registered in the NCR for the RC, TOP, and/or BA functions shall be certified. Certification requires the Registered Entity to start operation within 12 months of being NERC certified. This Certification process is described in Section IV of this manual.

## Section III — Organization Registration Process

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### Purpose and Scope

The purpose and scope of this process is to provide guidance on how a user, owner, and/or operator of the BPS should be registered in the NCR.

### Overview

Section 39.2 of the Commission's regulations, and Title 18 of the C.F.R. § 39.2, requires each owner, operator, and user of the BPS to be registered with NERC and to comply with approved Reliability Standards.

Owners, operators, and users of the BPS will be registered by function(s) and are:

1. Responsible for compliance with all applicable Requirements/sub-Requirements within Reliability Standards approved by Applicable Governmental Authorities, for the applicable functions for which the Registered Entity is registered, except to the extent that an entity is granted a sub-set list of applicable Reliability Standards, which specifies the Reliability Standards and may specify Requirements/sub-Requirements by NERC, in which case the entity will be responsible for compliance with only such sub-set list; and,
2. Subject to the compliance monitoring and enforcement requirements of Section 400 of the ROP.

See Figure 1A Organization Registration Process Overview.

#### A. Organization Registration Process

1. Applicable entities shall begin the Registration process by submitting a completed Registration application to the Regional Entity(ies) of the reliability Region(s) where the entity intends to perform its function(s) (Registration forms are provided on each Regional Entity's website).
  - a. At any time, an entity may recommend in writing, with supporting documentation, to the Regional Entity(ies) that an entity be added to or removed from the Compliance Registry.
  - b. The Registration process for an entity may also be initiated by a Regional Entity, NERC, or Applicable Governmental Authority.
  - c. With respect to: (i) entities to be registered for the first time; (ii) currently-registered entities or (iii) previously-registered entities, for which registration status changes are sought, including availability and composition of a sub-set list of applicable Reliability Standards (which specifies the Reliability Standards and may specify Requirements/sub-Requirements), the registration process steps in Section III of **Appendix 5A** apply.
  - d. At any time, an entity whose registration is at issue may request expedited treatment and waiver of applicable timelines. NERC, in its sole discretion, shall determine if such a request will be granted and alternative timelines. NERC's decision is not a final decision that is subject to appeal.
2. NERC shall coordinate Registration of entities that are required to register with multiple Regional Entities in order to ensure consistency of the Registration process.
3. For entities that are required to be certified, the applicable Regional Entity(ies) shall ensure that the Registration information provided is accurate for updating the NCR per items 4 through 12 below and notifies the entity to initiate the Certification process per Section IV of this manual.
4. Entities that have a NERC ID shall use it on the form.

- a. If an entity does not have a NERC ID, NERC shall assign one.
- b. An entity responsible for more than one function will use a single NERC ID.
5. Regional Entities shall evaluate the submitted information and determine if the information is complete/correct. If the information is not complete/correct, the entity will be notified to complete/correct or clarify the Registration information.
6. A single entity must register for all functions that it performs itself. In addition, that entity may register as a JRO on behalf of one or more of its members or related entities for one or more functions for which such members or related entities would otherwise be required to register and, thereby, accept on behalf of such members or related entities all compliance responsibility for all Requirements/sub-Requirements of Reliability Standards applicable to that function or those functions including reporting requirements.(ROP Section 507)
7. Multiple entities may each register using a CFR for one or more Reliability Standard(s) and/or for one or more Requirements/sub-Requirements within particular Reliability Standard(s) applicable to a specific function.(ROP Section 508)
8. In completing the Regional Entity responsibilities for the Registration process, the following are key items the Regional Entity must verify:
  - a. That Regional Entity registrations meet the geographical and electrical Registration boundaries requirements of the ROP Section 501(1.4).
  - b. The Registration submission includes all data requested by NERC that is necessary for accurately identifying and contacting the Registered Entity.
9. The Regional Entity shall forward all Registration information to NERC for inclusion of an entity on the NCR:
  - a. If the Registration determination involves (i) the materiality test set forth in the notes in **Appendix 5B, Statement of Compliance Registry Criteria**; (ii) a sub-set list of Reliability Standards (which specifies Requirements and may specify sub-Requirements);<sup>1</sup> or (iii) a dispute by an entity whose registration status is at issue regarding the Regional Entity's application of **Appendix 5B, Statement of Compliance Registry Criteria**, a NERC-led review panel will be convened in accordance with **Appendix 5A, Organization Registration and Organization Certification Manual, Section III.D**.
  - b. Within five business Days of a Registration determination by NERC or the NERC-led review panel, as applicable, NERC will forward the proposed additions or changes to the NCR to the Regional Entity for review and comment.
  - c. The Regional Entity has five business Days to respond to the proposed changes.
  - d. If NERC does not receive any comments, the NCR will be revised. If NERC does receive comments, NERC will work with the Regional Entity to the extent changes are needed to the NCR and will revise the NCR accordingly.
10. NERC updates the NCR and notifies the applicable Registered Entity(ies) within five business Days of the update.

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<sup>1</sup> If NERC has established clearly defined criteria for eligibility for a sub-set list of applicable Reliability Standards and has identified the sub-set list that may apply to similarly situated entities, such criteria shall govern the applicability of such sub-set list and such a matter shall not proceed to the NERC-led review panel, unless there is a dispute by the entity whose sub-set list treatment is at issue. (See, e.g., UFLS-Only DPs.)

11. The Registered Entity may appeal the final registration determination by NERC in accordance with the ROP Section 500 and Section V of **Appendix 5A**.
12. The NCR shall be dynamic and will be revised as necessary to take account of changing circumstances such as corrections, revisions, and or deletions. Per the Regional Entity’s delegation agreement, the Regional Entity will take any recommendation received under Section 1.a, and other applicable information, under advisement as it determines whether an entity should be on the NCR.
  - a. Each Registered Entity identified in the NCR shall notify its corresponding Regional Entity and/or NERC of any corrections, revisions, deletions, changes in ownership, corporate structure, or similar matters that affect the Registered Entity’s responsibilities with respect to the Reliability Standards. Failure to notify will not relieve the Registered Entity from any responsibility to comply with the Reliability Standards or shield it from any Penalties or sanctions associated with failing to comply with the Reliability Standards. (ROP Section 400).
  - b. Each Regional Entity has an independent obligation, even in the absence of a notification by a Registered Entity, to review and submit updates to the NCR to NERC, consistent with the procedures in this Section III, with appropriate notification to the affected entities, to the extent the Regional Entity is aware of, or possesses information that the NCR should be updated. These updates include, but are not limited to, conditions on which the sub-set list are no longer applicable, or where a new and emerging risk to reliability is identified that changes the basis upon which the entity was deactivated, deregistered, or upon which a sub-set list of requirements was made applicable, in addition to deactivation<sup>2</sup> of entities that no longer meet the applicable registration thresholds. This does not excuse the Registered Entity from its obligation to provide such required notifications.
13. Entities registered or subject to registration as a DP that qualify as Underfrequency Load Shedding (UFLS)-Only DPs shall submit Registration information to the Regional Entity. The UFLS-Only DP shall be subject only to the sub-set list of Reliability Standards identified in **Appendix 5B**. Within 50 Days of the entity’s submission of the Registration information to the Regional Entity, the Regional Entity shall issue a decision as to whether UFLS-Only DP treatment is appropriate. If the Regional Entity concludes that it is, then the Regional Entity shall forward the information to NERC and NERC will forward the proposed additions or changes to the NCR to the Regional Entity for review and comment. The Regional Entity has five business Days to respond to the proposed changes. If NERC does not receive any comments, the NCR will be revised. If NERC receives comments, NERC will work with the Regional Entity to the extent changes are needed to the NCR and will revise the NCR accordingly. NERC updates the NCR and notifies the applicable Registered Entity(ies) within five business Days of the update. If the entity whose registration is at issue does not agree with the Regional Entity’s decision regarding UFLS-Only DP treatment, the entity may, within 30 Days of issuance of the decision, seek review by the NERC-led review panel in **Appendix 5A, Organization Registration and Organization Certification Manual, Section III.D**. If the entity whose registration is at issue does not agree with the determination of the NERC-led review panel, the entity may file an appeal with the NERC Board Compliance Committee (BOTCC) in accordance with the provisions set forth in Section V of this **Appendix 5A**.
13. The Registered Entity may file a registration appeal with the NERC BOTCC in accordance with the provisions set forth in Section V of **Appendix 5A** if it does not agree with the determination of the NERC-led review panel.
14. NERC may extend the timelines for good cause shown. Requests should be sent to the Director of Compliance.<sup>3</sup> NERC shall notify the Registered Entity and the Regional Entity of such time extensions.

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<sup>2</sup> See Figure 1B: Deactivation Process Overview

<sup>3</sup> References to the term Director of Compliance in the NERC ROP should be read to include an equivalent position.



**B. Deactivation Process**

1. The term Deactivation refers to removal of an entity from the NCR for a specific functional category.
2. As a result of Deactivation, the entity is no longer subject to any prospective compliance obligations with respect to Reliability Standards applicable to that functional category.
3. If all functional categories have been deactivated for a given entity, such entity would be deregistered and removed from the NCR. However, the entity's compliance history will be retained. In its letter notifying the entity of its Deactivation or deregistration, as applicable, NERC will notify the entity of the required retention period, in accordance with the NERC ROP.
4. A Registered Entity may submit a request for Deactivation and supporting information to the Regional Entity at any time. Such information shall include:
  - a. Entity name and NCR ID number;
  - b. Functions for which Deactivation is requested; and
  - c. The basis on which Deactivation is requested, including supporting documentation, which may be limited to an attestation, if appropriate.
5. The Regional Entity shall request any additional information from the Registered Entity within 10 Days of receipt of the request for Deactivation.
6. The Registered Entity shall provide the additional information within 20 Days of its request for Deactivation.
7. The Regional Entity will issue a decision within 50 Days of the date of receipt of all requested information from the Registered Entity.
8. If the Regional Entity agrees with the request for Deactivation, it shall forward its Deactivation determination to NERC within five business Days of issuance of the decision.
9. If NERC accepts the Deactivation determination and the Registered Entity agrees with the determination, NERC will forward within five business Days of receipt of the Deactivation determination from the Regional Entity, the proposed additions or changes to the NCR to the Regional Entity for review and comment.
  - a. The Regional Entity has five business Days to respond to the proposed changes.
  - b. If NERC does not receive any comments, the NCR will be revised. If NERC receives comments, NERC will work with the Regional Entity to the extent changes are needed to the NCR and will revise the NCR accordingly.
10. If the Regional Entity or NERC does not agree with the request for Deactivation, the Registered Entity may seek review by the NERC-led review panel in **Appendix 5A, Organization Registration and Organization Certification Manual**, Section III.D.
11. If the Deactivation determination involves (i) the materiality test set forth in the notes in **Appendix 5B, Statement of Compliance Registry Criteria**; (ii) a determination that a sub-set list of Reliability Standards (which will specify Reliability Standards and may specify Requirements/sub-Requirements) should apply as an alternative to Deactivation;<sup>4</sup> or (iii) the Registered Entity disagrees with the Regional Entity determination, the determination will be submitted to the NERC-led review panel process in **Appendix**

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<sup>4</sup> If NERC has established clearly defined criteria for eligibility for a sub-set list of applicable Reliability Standards and has identified the sub-set list that may apply to similarly situated entities, such criteria shall govern the applicability of such sub-set list and such a matter shall not proceed to the NERC-led review panel, unless there is a dispute by the entity whose sub-set list treatment is at issue. (See, e.g., UFLS-Only DPs.)

**5A, Organization Registration and Organization Certification Manual**, Section III.D within 30 Days after issuance of the determination.

12. If the NERC-led review panel approves the request for Deactivation, NERC will forward within five business Days of the panel decision, the proposed additions or changes to the NCR to the Regional Entity for review and comment.
  - a. The Regional Entity has five business Days to respond to the proposed changes.
  - b. If NERC does not receive any comments, the NCR will be revised. If NERC receives comments, NERC will work with the Regional Entity to the extent changes are needed to the NCR and will revise the NCR accordingly.
13. The Registered Entity may file a registration appeal with the NERC BOTCC in accordance with the provisions set forth in Section V of **Appendix 5A** if it does not agree with the determination of the NERC-led review panel.
14. NERC may extend the timelines for good cause shown. Requests should be sent to the Director of Compliance. NERC shall notify the Registered Entity and the Regional Entity of such time extensions.

### C. Reactivation Process

1. NERC maintains the NCR, which identifies each Registered Entity and the applicable functional categories for which it is registered.
2. The term Reactivation refers to re-registration pursuant to the NERC ROP Section 500 and **Appendices 5A and 5B** of an entity to the NCR for a specific functional category or the revocation of, or additions to, a sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements) that has been granted to an entity. Reactivation may be initiated by NERC, a Regional Entity or an entity with respect to such entity's own functional categories or sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements).
3. Reactivation shall be governed by the procedures in the NERC ROP Section 500 and Section III.A and, as applicable, Section III.D of this **Appendix 5A**.
4. As a result of Reactivation, and consistent with the implementation plan to be developed pursuant to this paragraph, the entity shall prospectively comply with all Reliability Standards applicable to that functional category, or with the sub-set list specified in the Reactivation determination, unless otherwise notified. Within 30 days of a final Reactivation determination, the entity shall submit a proposed implementation plan to the Regional Entity detailing the schedule for complying with any Reliability Standards applicable to the Reactivation. The Regional Entity and Registered Entity shall confer to agree upon such schedule. If the Regional Entity and Registered Entity are unable to agree on the implementation plan, the Regional Entity shall notify the NERC Director of Compliance of the disagreement, and shall provide statements of the Regional Entity's and the Registered Entity's positions, and NERC shall specify a reasonable implementation schedule.
5. The entity's prior compliance history will be retained and shall apply with respect to the Reactivation. In its letter notifying the entity of its Reactivation, NERC will notify the entity of its registration in accordance with the NERC ROP.
6. The Registered Entity may file a registration appeal with the NERC BOTCC in accordance with the provisions set forth in Section V of **Appendix 5A** if it does not agree with the determination of the NERC-led review panel.
7. NERC may extend the timelines for good cause shown. Requests should be sent to the Director of Compliance. NERC shall notify the Registered Entity and the Regional Entity of such time extensions.

#### D. NERC-led Review Panel

1. NERC shall establish a NERC-led, centralized review panel, comprised of a NERC lead with Regional Entity participants, to vet requests for Deactivation of, or decisions not to register, an entity that meets Sections I through IV of the Registry Criteria or requests to add an entity that does not meet (i.e., falls below) Sections I through IV of the Registry Criteria, as well as disputes regarding the application of Sections I through IV of the Registration Criteria and requests for a sub-set list of applicable Reliability Standards (which may specify the Requirements/sub-Requirements).
  - a. The NERC-led review panel will be comprised of a standing pool of individuals with relevant expertise from NERC and each of the Regional Entities. Individuals with relevant expertise shall be appointed by the Regional Entity senior executive (CEO, President, General Manager, etc.) and individuals with relevant expertise shall be appointed by the NERC senior executive (CEO, President, General Manager, etc.). NERC shall select the panel members for a given matter from the standing pool.
  - b. Panel members for a given matter shall comply with Subsection 7 of Section 403 of the NERC ROP, shall not be employed by the Regional Entity whose determination is being reviewed or have otherwise participated in the review of the registration matter, and shall have the required technical background to evaluate registration matters.
2. With respect to review of the application of the criteria contained in the Statement of Compliance Registry Criteria Sections I through IV, the burden of proof is on NERC and the Regional Entity to demonstrate that an entity meets the Registry Criteria for registration.
3. The burden of proof with respect to the materiality test, set forth in **Appendix 5B, *Statement of Compliance Registry Criteria***, is on the entity making the request, i.e., the entity asking to be excluded from the NCR (despite satisfying the threshold criteria)<sup>5</sup> and the Regional Entity seeking to include an entity in the NCR (that does not satisfy the threshold criteria).
4. The burden of proof with respect to a determination as to whether an entity's compliance obligations should be limited to only a specified sub-set of otherwise applicable Reliability Standards is on the entity requesting such treatment, provided, however, that where NERC has established clearly defined criteria for eligibility for a sub-set of applicable Reliability Standards (which may specify Requirements/sub-Requirements) and has identified the sub-set list that may apply to similarly situated entities (e.g., UFLS-Only DPs), the burden of proof to demonstrate that an entity does not meet the criteria for such a sub-set list is on the Regional Entity and NERC.
5. The entity who bears the burden of proof with respect to application of the materiality test, or a sub-set list of applicable Reliability Standards (which may specify Requirements/sub-Requirements) must submit to NERC, in writing, details of the issues and identification of the Responding Entity,<sup>6</sup> and the applicable Regional Entity(ies), RC, BA, PA and TOP that have (or will have upon registration of the entity) the entity whose registration status is at issue within their respective Scope of Responsibility. NERC will send a

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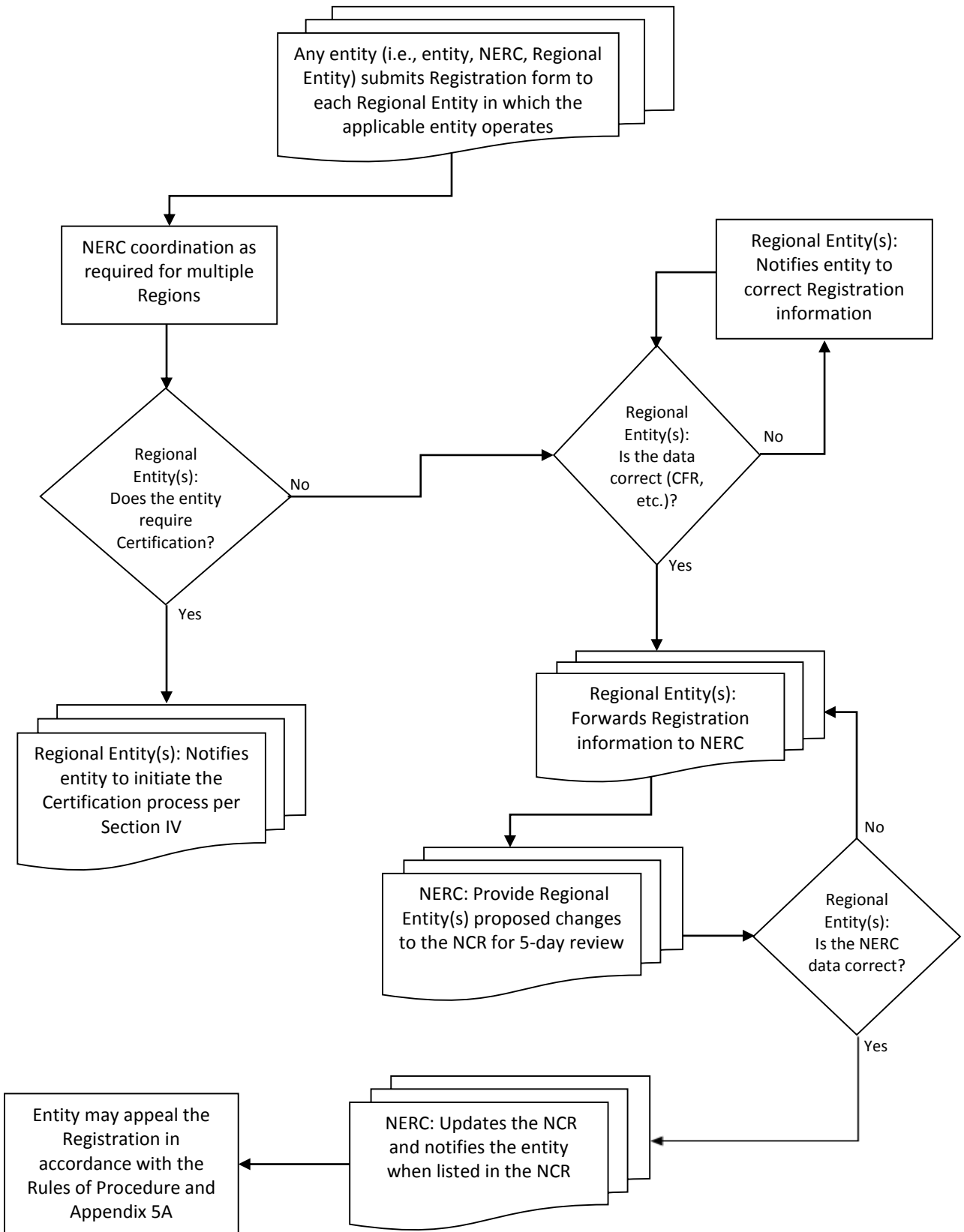
<sup>5</sup> By way of example, the Registered Entity whose Deactivation request was denied by the Regional Entity bears the burden of proof (i.e., on materiality) and both requests panel review and makes the submissions required, under 6(a) and (c), unless the issue involves the Regional Entity's application of the threshold criteria. If the issue involves the Regional Entity's application of the threshold criteria, then the Regional Entity bears the burden of proof and makes the submissions required by sections 6(a) and (c), although it is the Registered Entity who makes the request for panel review.

<sup>6</sup> By way of example, if a Registered Entity is seeking to be deactivated based on the materiality test and therefore bears the burden of proof, then the Responding Entity is the Regional Entity. If a Regional Entity bears the burden of proof in a materiality test case, then the entity whose registration status is at issue is the Responding Entity.

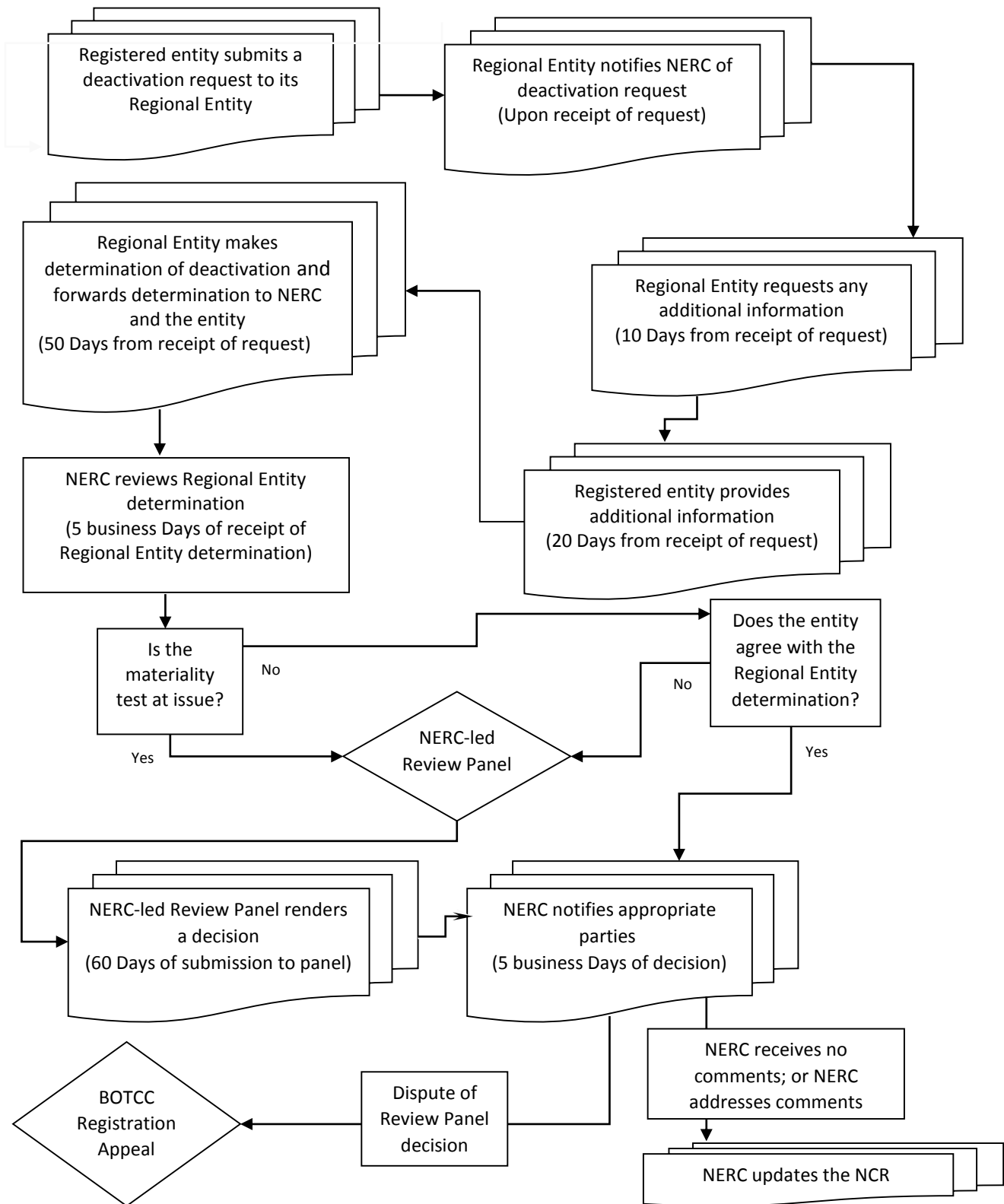
notification to the Regional Entity(ies), the entity whose registration status or sub-set list treatment is at issue, and the referenced RC, BA, PA and TOP acknowledging receipt of the notification of panel review.

- a. To ensure there is no confusion with respect to the rights and responsibilities of a Registered Entity during the panel review process, the notification will confirm whether the Registered Entity will remain on the NCR and will be responsible for compliance with approved Reliability Standards applicable to the function under review.
6. The panel review process timelines with respect to application of the materiality test, or sub-set list treatment of applicable Reliability Standards (which may specify Requirements/sub-Requirements) are as follows:
- a. Within 10 Days of the date of the NERC-led review panel notification, the entity with the burden of proof will provide any additional data supporting its request to NERC (who will forward to the NERC-led review panel), the Responding Entity, the applicable Regional Entity(ies), and the RC, BA, PA and TOP that has (or will have upon registration of the entity) the entity whose registration status at issue within their respective Scope of Responsibility.
  - b. The Responding Entity will provide a copy of its assessment directly to all parties, as well as to NERC, within 20 Days of the date of the NERC panel review notification. If the RC, BA, PA and TOP provide an assessment, they must provide a copy to all parties, as well as NERC, within 20 Days of the date of the NERC panel review notification.
  - c. The entity with the burden of proof may submit a response to the Responding Entity assessment, and any assessment submitted by the RC, BA, PA and TOP, with copies to all parties and NERC, within 30 Days of the date of the NERC panel review notification.
  - d. The standard of proof in any proceeding under these procedures shall be by a preponderance of the evidence.
  - e. The NERC-led review panel will render its decision within 60 Days of the final submission to the panel.
7. With respect to threshold disputes regarding application of Sections I through IV of **Appendix 5B, Statement of Compliance Registry Criteria**, the entity whose registration status is at issue must submit to NERC, in writing, details of the issues and identification of the applicable Regional Entity(ies), RC, BA, PA and TOP that have (or will have upon registration of the entity) the entity whose registration status is at issue within their respective Scope of Responsibility, NERC will send a notification to the Regional Entity(ies), the entity whose registration status is at issue, and the referenced RC, BA, PA and TOP acknowledging receipt of the notification of panel review.
- a. To ensure there is no confusion with respect to the rights and responsibilities of a Registered Entity during the panel review process, the notification will confirm whether the Registered Entity will remain on the NCR and will be responsible for compliance with approved Reliability Standards applicable to the function under review.
8. The panel review process timelines for threshold disputes regarding application off Sections I through IV of **Appendix 5B, Statement of Compliance Registry Criteria** are as follows:
- a. The entity whose registration status is at issue will provide NERC (who will forward to the NERC-led review panel), the applicable Regional Entity(ies), and the RC, BA, PA and TOP that has (or will have upon registration of the entity) the entity whose registration status at issue within their respective Scope of Responsibility, any additional data supporting its request within 10 Days of the date of the NERC panel review notification. In such a case, the Regional Entity has the burden of proof on application of the threshold criteria.
  - b. The Regional Entity will provide a copy of its assessment directly to all parties, as well as to NERC, within 20 Days of the date of the NERC panel review notification. If the RC, BA, PA and TOP provide

- an assessment, they must provide a copy to all parties, as well as NERC, within 20 Days of the date of the NERC panel review notification.
- c. The entity whose registration status is at issue may submit a response to the Regional Entity assessment, and any assessment submitted by the RC, BA, PA and TOP, with copies to all parties and NERC, within 30 Days of the date of the NERC panel review notification.
  - d. The standard of proof in any proceeding under these procedures shall be by a preponderance of the evidence.
  - e. The NERC-led review panel will render its decision within 60 Days of the final submission to the panel.
9. In reaching a decision, the NERC-led review panel will apply the materiality test and other criteria and notes, as applicable, set forth in **Appendix 5B, *Statement of Compliance Registry Criteria***. The NERC-led review panel may also include a review of individual and aggregate system-wide risks to, and considerations of, reliability of the BPS, as well as the BES Definition, as applicable.
  10. NERC may extend the timelines for good cause shown. Requests should be sent to the Director of Compliance. NERC shall notify the entity whose registration status or sub-set list treatment is at issue and the Regional Entity of such time extensions, as well as the RC, BA, PA and TOP, of such time extensions.
  11. Once a decision is made, it will be issued to the entity whose registration status or sub-set list treatment is at issue, the Regional Entity and the referenced RC, BA, PA and TOP. The decision (including its basis) will be posted on the NERC website, with confidential information redacted in accordance with Section 1500 of the NERC ROP.
  12. NERC will forward within five business Days the proposed additions or changes to the NCR to the Regional Entity for review and comment.
    - a. The Regional Entity has 5 business Days to respond to the proposed changes.
    - b. If NERC does not receive any comments, the NCR will be revised. If NERC receives comments, NERC will work with the Regional Entity to the extent changes are needed to the NCR and will revise the NCR accordingly.
  13. The BOTCC will resolve appeals of registration disputes in accordance with NERC ROP Section 500 and **Appendix 5A, *Organization Registration and Organization Certification Manual***, Section V.



**Figure 1A: Organization Registration Process Overview**



**Figure 1B: Deactivation Process Overview**



## Section IV — Organization Certification Process

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### Purpose and Scope

The purpose and scope of this process is to provide guidance for completing the Certification of a new entity that will become NERC certified and registered as an RC, TOP, or BA.

### Overview

See Figure 2 *Organization Certification Process Overview* for an overview of the Certification process.

### Organization Certification Process

1. Certification:
  - a. An entity in a single Regional Entity reliability Region shall initiate the Certification process by completing a Certification application (Certification applications are provided on each Regional Entity’s website) and sending it to the Regional Entity which will manage the Certification process.
  - b. An entity in multiple Regional Entity reliability Regions shall initiate the Certification process by completing a Certification application (Certification applications are provided on each Regional Entity’s website) and sending it to the Regional Entities in those reliability Regions. Each Regional Entity will inform NERC of the request. The Regional Entities will determine which Regional Entity will provide the leadership to manage the Certification process.
  - c. Provisional Certification Process - All RCs, BAs, and/or TOPs that were already registered and operating on June 18, 2007 become “NERC Certified” upon completion of (1) a NERC readiness evaluation (on site activities completed by the evaluation team); and (2) a CMEP Compliance Audit (on site activities completed by the Compliance Audit team) after June 18, 2007. Recertification on a periodic basis of these Registered Entities will not be required. Demonstration of ongoing satisfactory performance of applicable RC, BA, and TOP functional Requirements shall be accomplished by completion of a CMEP Compliance Audit every three years per the requirements of the NERC ROP.
2. For an entity that is not required to be certified, the Regional Entity(ies) shall reject the application and notify the entity that Certification is not required.
3. If the application is not complete or accurate, the Regional Entity will notify the entity to revise the application as needed. When the application is deemed complete and accurate, it will be accepted. The entity and the Regional Entity shall agree to a timeline including specific milestones for the Certification process.
4. The decision to certify changes to an already operating and certified Registered Entity is a collaborative decision between the affected Regional Entity(s) and NERC. NERC has the final authority regarding this decision. Items to consider for this decision include one or more of the following:
  - a. Changes to a Registered Entity’s Footprint or operational challenges (i.e., TLRs) due to the changes
  - b. Organizational restructuring that could impact the BPS reliability
  - c. Relocation of the control center
  - d. Changes to Registered Entity ownership requiring major operating procedure changes
  - e. Significant changes to JRO/CFR assignments or agreements changes
  - f. Addition or removal of member JRO/CFR utilities or entities



- g. Complete replacement of a Supervisory, Control and Data Acquisition (SCADA)/Energy Management System (EMS) system
5. The Certification process shall be completed within nine months of the date of acceptance of the application unless agreed to by all parties involved in the process and approved by NERC.
6. The Regional Entity(ies) shall notify NERC that the Certification process has begun to enable NERC to carry out its roles and responsibilities.
7. The Regional Entity will send a questionnaire with a submission deadline and a statement of expectations to all entities participating in the Certification process. These questionnaires and other related documents are located on the NERC website. The Regional Entity shall distribute questionnaires and other related documents to the following entities, as required:
  - a. Entity seeking Certification.
  - b. Participating BAs, RCs, and TOPs in Footprints in which the entity intends to operate or with which the entity intends to interconnect transmission Facilities.
  - c. Participating TOs, TSPs, PAs, GOs, GOPs, TPs, DPs, and/or other applicable entities.
8. The Regional Entity shall assemble a CT that will be responsible for performing the activities included in the Certification process.
  - a. The CT members shall adhere to NERC’s confidentiality agreements for any data or information made available to the CT member through the Certification process. Team members shall not be employees of or have a direct financial interest in the entity or any of its affiliates.
  - b. The Regional Entity, with concurrence of NERC, may increase or decrease the distribution of the questionnaires and other related documents based upon the complexity of the Certification.
  - c. If the entity objects to any member of the CT, the entity must make that known, in writing, to the Regional Entity listing the reasons for the objection. The Regional Entity will either replace the team member or respond with written justification for keeping the member on the team.
  - d. CT composition
    - i. The BA CT shall consist of representatives from an existing BA, the entity’s proposed RC, TOP, each affected Regional Entity, and NERC.
    - ii. The RC CT shall consist of representatives from an existing RC, a BA and a TOP in the proposed RC Area, each affected Regional Entity, and NERC.
    - iii. The TOP CT shall consist of representatives from an existing TOP, the entity’s proposed RC, each affected Regional Entity, and NERC.
    - iv. Additional CT members with expertise in the any of the NERC Compliance Registry functional areas can be added as necessary.
    - v. Additional CT members from NERC or Regional Entity staff may be added as necessary.
    - vi. Entities such as government representatives or other stakeholders may be observers in the Certification process.
9. Each CT member must complete the NERC auditor training prior to participation.
10. The CT will review the entity’s submitted documentation and address any issues prior to the site visit.
11. The CT shall inform the entity before the on-site visit of any documentation or clarification that is necessary to support the questionnaires.

12. The entity shall identify to the CT prior to the on-site visit all Reliability Standards or Requirements/sub-Requirements which have been delegated to another entity.
  - a. The CT will review the entity(ies) ability to perform those delegated Requirements/sub-Requirements or Reliability Standards.
13. The CT shall conduct at least one on-site visit to the entity's Facilities. At a minimum, the team will:
  - a. Review with the entity the data collected through the questionnaires, and such data that is available only onsite;
  - b. Interview the operations and management personnel;
  - c. Inspect the Facilities and equipment associated with the applicable Reliability Standards referenced in the questionnaire;
  - d. Request demonstration of all tools identified in the Certification process;
  - e. Review documents and data including agreements, processes, and procedures identified in the Certification process;
  - f. Verify operating personnel NERC Certification documents and proposed work schedules; and,
  - g. Review any additional documentation resulting from inquiries arising during the site-visit.
14. The entity, in conjunction with the CT, shall attempt to resolve any deficiencies prior to issuance of the draft report.
15. The draft report is provided to the entity for review for 14 Days and any resulting comments will be assessed by the CT for possible inclusion in the report.
16. The Regional Entity(ies) may grant a time extension, not to exceed 180 Days, to the entity to allow the entity to resolve any open Certification issues.
17. The CT shall provide a Certification recommendation and identification of audit deficiencies in the final written report. All members of the CT shall have an equal voice in the Certification recommendation. This allows for a minority opinion if the review team cannot reach a consensus. The final written Certification report is distributed to NERC, the entity, and the other affected Regional Entities, as applicable.
18. The following is the format for the final report:
  - Title page
  - Table of Contents
  - Introduction – A brief discussion on the Regional Entity(ies) involved, the entity being certified, a description of the function the entity(ies) are being certified for, and a brief timeline of the Certification project.
  - CT – Provide the CT makeup.
  - Objective and Scope – Discussion on entity application (who, what, when, & how).
  - Overall Conclusion – Recommendation being made by the CT.
  - CT Findings – Any item(s) needing to be closed prior to operation that do not hinder the CT from making a recommendation.
  - Positive Observations.
  - Company History – Discussion on the applicant's company history.

- Company Details— Specific details regarding why the entity is being certified and its relationship with other entities (BAs, RCs, and TOPs etc.).
- Documentation List – Provide a list of critical documentation reviewed by the CT used to make the CT’s conclusion and the documentation retention requirements.
- Attachments – Describe those attachments that are for public viewing and those that are separated from the report due to confidentiality issues such as Critical Infrastructure documentation.

19. Certification recommendation and approval.

- a. If the entity intends to operate in a single Regional Entity’s reliability Region, the CT shall make a Certification recommendation to that Regional Entity. The Regional Entity shall approve or disapprove the recommendation. The Regional Entity shall notify the entity and NERC of the Certification decision.
- b. If the entity intends to operate in multiple Regional Entities, the CT shall make a Certification recommendation to all applicable Regional Entities in a single report. Certification recommendation by the Regional Entities must be unanimous. The Regional Entities shall notify the entity and NERC of the Certification decision.
- c. NERC shall approve or disapprove all final Certification recommendations and notify the entity of the decision.

20. The entity may appeal the decision in accordance with the NERC ROP and Section VI of this manual.

21. If the entity is approved for Certification, NERC shall provide the entity a Certification letter and a NERC certificate indicating that that entity is NERC certified as a BA, RC, and/or TOP as applicable.

- a. For those CFR entities that agree upon a division of compliance responsibilities for one or more Reliability Standards or Requirements/sub-Requirements, NERC shall provide all entities responsible for BA, RC and/or TOP Requirements/sub-Requirements and approved for Certification as BA, RC and/or TOP a NERC certificate indicating that those entities are NERC certified as a BA, RC, and/or TOP.
- b. NERC shall update the Compliance Registry prior to the entity(s) going operational.

22. After the entity has been awarded Certification, the Regional Entity(ies) shall notify all applicable entities as to the date that the entity may begin its operation as a certified entity. The entity must commence operation within 12 months of Certification. Failure to begin operation within the 12-month period shall require the entity to reapply for Certification.

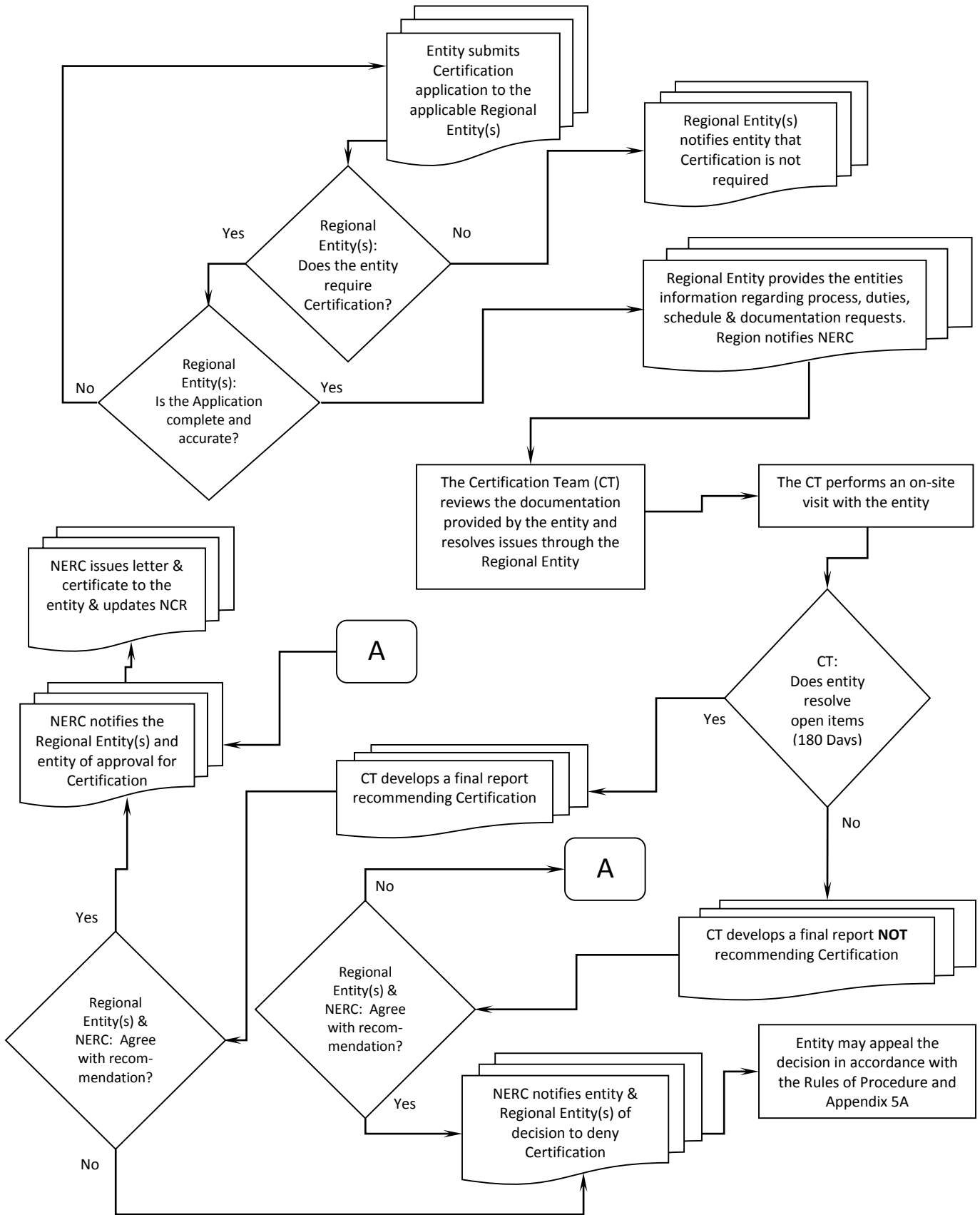


Figure 2: Organization Certification Process Overview

## Section V — NERC Organization Registration Appeals Process

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### Purpose and Scope

This section describes the process that any organization must use to seek review of its listing and functional assignment on the NCR.

### Overview

NERC has established documented procedures to ensure a fair and impartial appeals process. No one with a direct interest in a dispute may participate in the appeals process except as a party or witness. See Figure 3, *Organization Registration Appeals Process Overview*.

### Organization Registration Appeals Procedure

1. Any Registered Entity included on the NCR may challenge final decisions regarding its listing, functional assignments, and determinations regarding the applicability of a sub-set of Reliability Standards (which specifies the specific Reliability Standards and may specify Requirements/sub-Requirements).
2. All registration appeals must be filed in writing to NERC, via registered mail. Appeals are sent to:  
  
Compliance Operations  
3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
Main: (404) 446-2560  
Facsimile: (404) 446-2595
3. Each party in the appeals process shall pay its own expenses for each step in the process.
4. A stipulation of invoking the appeals process is that the Regional Entity or Registered Entity requesting the appeal agrees that NERC (its Members, Board, committees, subcommittees, and staff), any person assisting in the appeals process, and any company employing a person assisting in the appeals process, shall not be liable for, and shall be held harmless against the consequences of or any action or inaction or of any agreement reached in resolution of the dispute or any failure to reach agreement as a result of the appeals proceeding. This “hold harmless” clause does not extend to matters constituting gross negligence, intentional misconduct, or a breach of confidentiality.
5. Parties retain the right to seek further review of a decision in whatever regulatory agency or court that may have jurisdiction.
6. All appeals must be received within 21 Days of receipt of the NERC determination that is being appealed. The appeal must state why the Registered Entity believes it should not be registered or should be deactivated based on the NERC ROP and the *NERC Statement of Compliance Registry Criteria* or why its compliance obligations should be limited only to a sub-set list of otherwise applicable Reliability Standards (which specifies the Reliability Standards and may specify Requirements/sub-Requirements). A copy of the appeal must be concurrently served on the Regional Entity.

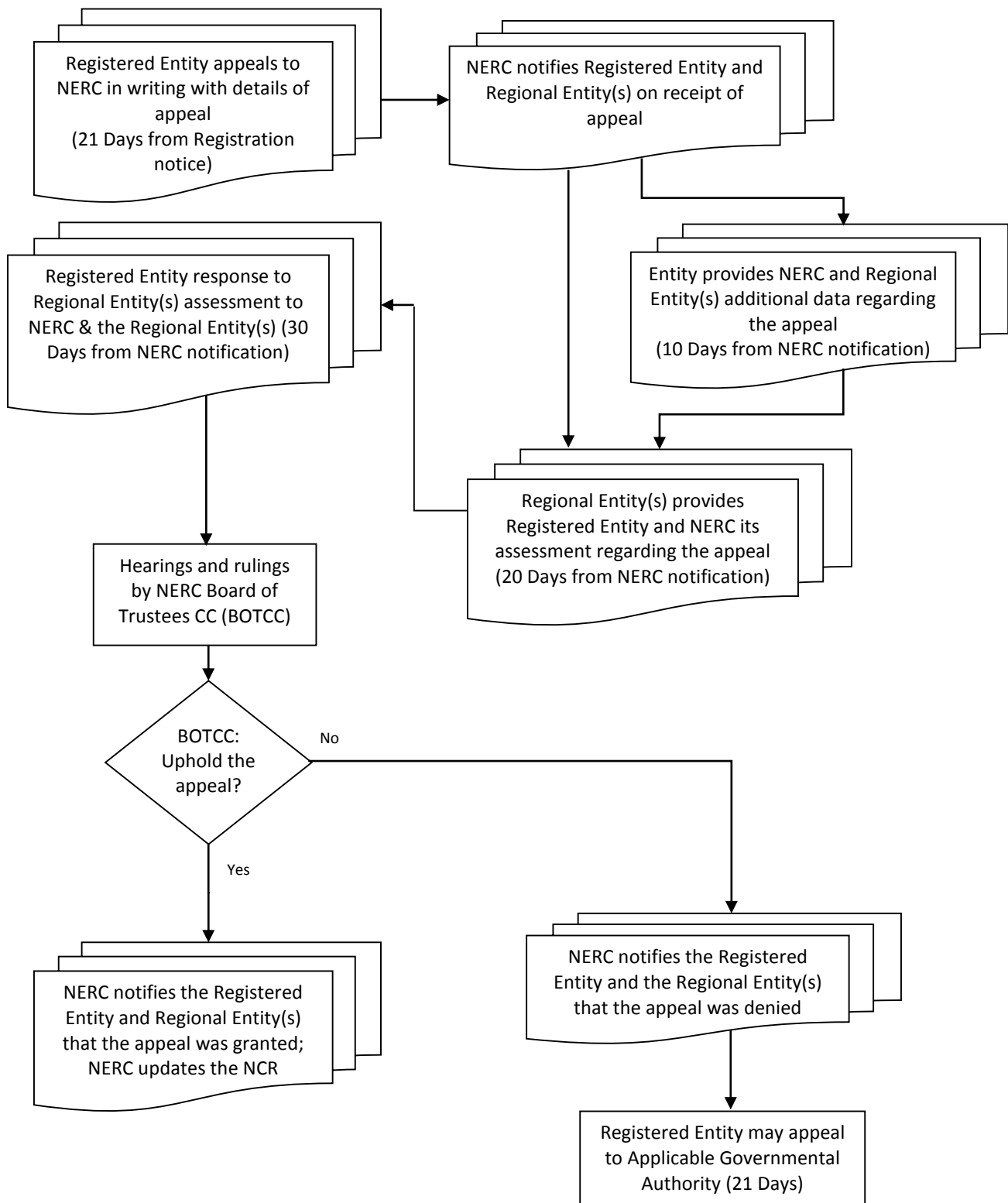
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## Section V — NERC Organization Registration Appeals Process

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7. After receipt of the appeal, the Registered Entity has a 30 day period to work with the Regional Entity to resolve the appeal, if possible. If the appeal is resolved, the Regional Entity will notify NERC with the details of the resolution and NERC will close the appeal.
8. At any time through this appeals process, a Registered Entity may agree with the decision and/or agree to close the appeal. NERC shall notify the involved parties and the NERC BOTCC that the appeal is resolved and update the NCR as applicable.
9. NERC will notify the Registered Entity and the applicable Regional Entity(ies) regarding the appeal with the following expectations:
  - a. The Registered Entity will provide NERC and the applicable Regional Entity(ies) any additional data supporting its appeal within 10 Days of the date of the NERC appeal notification.
  - b. The applicable Regional Entity(ies) will provide a copy of its assessment directly to the Registered Entity, as well as to NERC, within 20 Days of the date of the NERC appeal notification.
  - c. The Registered Entity may submit a response to the Regional Entity(ies) assessment, with copies to the Regional Entity(ies) and NERC, within 30 Days of the date of the NERC appeal notification.
  - d. To ensure there is no confusion with respect to the rights and responsibilities of the Registered Entity during the appeal process, the notification will confirm whether the Registered Entity will remain on the NERC Compliance Registry and will be responsible for compliance with approved Reliability Standards applicable to the function under appeal during the appeal.
  - e. NERC may extend the timelines for good cause shown. Requests should be sent to the Director of Compliance. NERC shall notify the Registered Entity and the Regional Entity of such time extensions.
10. Hearing and Ruling by the BOTCC
  - a. The BOTCC will resolve Registration disputes.
  - b. The BOTCC may request additional data from NERC, the relevant Regional Entity(ies) or the Registered Entity, and prescribe the timeframe for the submitting the requested data.
  - c. The BOTCC will provide a written decision regarding any appeals, along with the basis for its decision.
  - d. If the BOTCC upholds the appeal, NERC will:
    - Notify the Registered Entity and Regional Entity(ies) that the appeal was granted.
    - Update the NCR.
  - e. If the BOTCC does not uphold the appeal, NERC will:
    - Notify the Registered Entity and the Regional Entity(ies) that the appeal was denied.
    - The Registered Entity may appeal to Federal Energy Regulatory Commission (FERC) or another Applicable Governmental Authority within 21 Days of the notification of the decision.
  - f. A record of the appeals process shall be maintained by NERC. Confidentiality of the record of the appeal will be based on the NERC ROP Section 1500.

**Section V — NERC Organization Registration Appeals Process**



**Figure 3: Organization Registration Appeals Process Overview**

## Section VI — NERC Organization Certification Appeals Process

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### Purpose and Scope

This section describes the process for an organization to appeal the Certification decision that was determined in the Certification process.

### Overview

The NERC Organization Certification Program provides a key means to fulfill NERC's mission. In conducting this program, NERC has established documented procedures to ensure a fair and impartial appeals process. No one with a direct interest in a dispute may participate in the appeals process except as a party or witness. See Figure 4 *Organization Certification Appeals Process Overview*.

### Organization Certification Appeals Procedure

1. Appeal for an Organization Certification Finding.
2. Any entity can appeal an organization Certification decision issued as a result of the Certification process.
3. Requirements and Conditions for Appeals.
  - a. For all appeals under the NERC Organization Certification Program, the appeals process begins when an entity notifies the NERC Vice President and Director of Compliance, in writing, that it wishes to use the NERC appeals process.
    - The Director of Compliance is the main contact for all parties in all steps of the appeals process.
    - If an appeal is not filed within 21 Days of the date that the Certification report or finding is issued, or the final Regional Entity appeals process ruling is made, the finding shall be considered final and un-appealable.
  - b. Each party in the appeals process shall pay its own expenses for each step in the process.
  - c. A stipulation of invoking the appeals process is that the Regional Entity or entity requesting the appeal agrees that NERC (its Members, Board, committees, subcommittees, and staff), any person assisting in the appeals process, and any company employing a person assisting in the appeals process, shall not be liable, and shall be held harmless against the consequences of or any action or inaction or of any agreement reached in resolution of the dispute or any failure to reach agreement as a result of the appeals proceeding. This "hold harmless" clause does not extend to matters constituting gross negligence, intentional misconduct, or a breach of confidentiality.
  - d. Parties retain the right to seek further review of a decision in whatever regulatory agency or court that may have jurisdiction.
4. At any time through this appeals process, an entity may withdraw its appeal.
5. Hearing and Ruling by the Compliance and Certification Committee.
  - a. Within 28 Days of receiving notice from the NERC Director of Compliance, the CCC will conduct a hearing where all the parties or representatives of the disputing parties will present the issue in question, in accordance with CCC procedure CCCPP-005, *Hearing Procedures for Use in Appeals of Certification Matters*, which is incorporated in **Appendix 4E** of the ROP.
  - b. If the appeal is upheld, NERC notifies the entity and Regional Entity(s), updates the NCR, and issues any appropriate letter and certificate to the entity.
  - c. If the appeal is denied, NERC notifies the entity and Regional Entity(s).



6. Hearings and Ruling by the BOTCC.
  - a. The BOTCC will be asked to resolve a dispute related to the NERC Organization Certification Program if any party to the appeal contests the CCC final order.
  - b. The BOTCC may request additional data from NERC, Regional Entity(s) or the entity and prescribe the timeframe for the submitting the requested data.
  - c. At the next regularly scheduled BOTCC meeting, or at a special meeting if the Board determines it is necessary, the Chairman of the CCC will present a summary of the dispute and the actions taken to the BOTCC.
    - Each party will have an opportunity to state its case.
    - The BOTCC will then rule on the dispute.
  - d. If the BOTCC upholds the appeal, NERC will:
    - Notify the entity and the Regional Entity(ies) that the appeal was upheld.
    - Update the NCR.
    - Issue a Certification letter and a certificate to the entity as applicable.
  - e. If the BOTCC does not uphold the appeal, NERC will notify the entity and the Regional Entity(ies) that the appeal was denied.
    - The entity may appeal to Applicable Governmental Authorities within 21 Days of the issuance of the decision.
  - f. A record of the appeals process shall be maintained by NERC and available upon request. Confidentiality of the record of the appeal will be based on the NERC ROP Section 1500.

Section VI – NERC Organization Certification Appeals Process

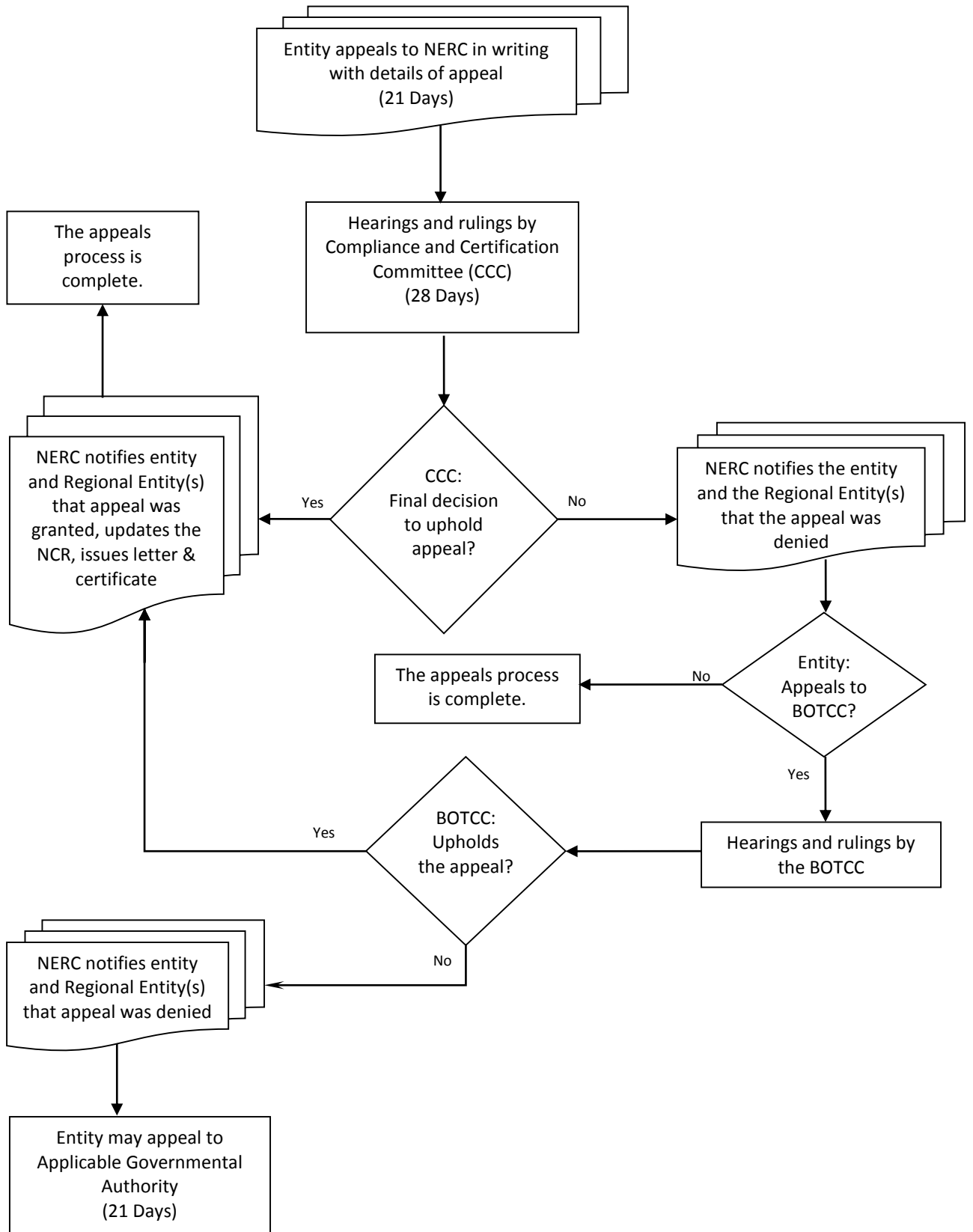


Figure 4: Organization Certification Appeals Process Overview

## Definitions

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Capitalized terms used in this Appendix shall have the definitions set forth in Appendix 2 of the ROP. For convenience of reference, definitions used in this Appendix are also set forth below:

<b>NERC Organization Certification</b>	The process undertaken by NERC and a Regional Entity to verify that a new entity is capable of responsibilities for tasks associated with a particular function such as a Balancing Authority, Transmission Operator, and/or Reliability Coordinator.
<b>Compliance and Certification Manager</b>	The individual/individuals within the Regional Entity that is/are responsible for monitoring compliance of entities with applicable NERC Reliability Standards.
<b>Days</b>	Days as used in the Registration and Certification processes are defined as calendar days.
<b>Footprint</b>	The geographical or electric area served by an entity.
<b>Functional Entity</b>	An entity responsible for a function that is required to ensure the Reliable Operation of the electric grid as identified in the NERC Reliability Standards.
<b>Mapping</b>	The process of determining whether a Regional Entity's Footprint is being served by Registered Entities.
<b>NERC Identification Number (NERC ID)</b>	A number given to NERC Registered Entities that will be used to identify the entity for certain NERC activities. Corporate entities may have multiple NERC IDs to show different corporate involvement in NERC activities.
<b>Regional Entity</b>	An entity having enforcement authority pursuant to 18 C.F.R. § 39.8.
<b>Registration</b>	Processes undertaken by NERC and Regional Entities to identify which entities are responsible for reliability functions within the Regional Entity's Region.
<b>Coordinated Functional Registration (CFR)</b>	Where two or more entities (parties) agree in writing upon a division of compliance responsibility among the parties for one or more Reliability Standard(s) applicable to a particular function, and/or for one or more Requirement(s)/sub-Requirement(s) within particular Reliability Standard(s).

## Appendix 5B

# Statement of Compliance Registry Criteria

Revision 5.2

Effective: DATE

## Statement of Compliance Registry Criteria (Revision 5.2)

### Summary

This document describes how the North American Electric Reliability Corporation (NERC) will identify organizations that may be candidates for Registration and assign them to the Compliance Registry.

NERC and the Regional Entities<sup>1</sup> have the obligation to identify and register all entities that meet the criteria for inclusion in the Compliance Registry, as further explained in the balance of this document.

Organizations will be responsible to register and to comply with approved Reliability Standards to the extent that they are owners, operators, and users of the Bulk Power System (BPS), perform a function listed in the functional types identified in Section II of this document, and are material to the Reliable Operation of the interconnected BPS as defined by the criteria and notes set forth in this document. NERC will apply the following principles to the Compliance Registry:

- In order to carry out its responsibilities related to enforcement of Reliability Standards, NERC must identify the owners, operators, and users of the BPS who have a material impact<sup>2</sup> on the BPS through a Compliance Registry. NERC and the Regional Entities will make their best efforts to identify all owners, users and operators who have a material impact on the BPS in order to develop a complete and current Compliance Registry list. The Compliance Registry will be updated as required and maintained on an on-going basis.
- Organizations listed in the Compliance Registry are responsible and will be monitored for compliance with applicable mandatory Reliability Standards. They will be subject to NERC's and the Regional Entities' Compliance Monitoring and Enforcement Programs.
- NERC and Regional Entities will not monitor nor hold those not in the Compliance Registry responsible for compliance with the Reliability Standards. An entity which is not initially placed on the Compliance Registry, but which is identified subsequently as having a material impact, will be added to the Compliance Registry. Such entity will not be subject to a sanction or Penalty by NERC or the Regional Entity for actions or inactions prior to being placed on the Compliance Registry, but may be required to comply with a Remedial Action Directive or Mitigation Plan in order to become compliant with applicable Reliability Standards. After such entity has been placed on the Compliance Registry, it shall be responsible for complying with Reliability Standards and may be subject to sanctions or Penalties as well as any Remedial Action Directives and Mitigation Plans required by the Regional Entities or NERC for future violations, including any failure to follow a Remedial Action Directive or Mitigation Plan to become compliant with Reliability Standards.
- Required compliance by a given organization with the Reliability Standards will begin the later of (i) inclusion of that organization in the Compliance Registry and (ii) approval by the Applicable Governmental Authority of mandatory Reliability Standards applicable to the registered entity.

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<sup>1</sup> The term "Regional Entities" includes Cross-Border Regional Entities, that have footprints in the U.S., Canada and Mexico, as applicable. Applicable Governmental Authorities in Canadian jurisdictions may have adopted their own Rules of Procedure and Compliance Registry requirements. Registered Entities may be subject to the Compliance Monitoring and Enforcement Programs (CMEP) in their respective jurisdictions, in accordance with applicable laws and regulations.

<sup>2</sup> The criteria for determining whether an entity will be placed on the Compliance Registry are set forth in the balance of this document. At any time a person may recommend in writing, with supporting reasons, to the Director of Compliance (or an equivalent position) that an organization be added to or removed from the Compliance Registry, pursuant to NERC Rules of Procedure Section 501.1.3.5.

Entities responsible for funding NERC and the Regional Entities have been identified in the budget documents filed with FERC.<sup>3</sup> Presence on or absence from the Compliance Registry has no bearing on an entity's independent responsibility for funding NERC and the Regional Entities.

### **Background**

In 2005, NERC and the Regional Entities conducted a voluntary organization registration program limited to Balancing Authorities, Planning Authorities, regional reliability organizations, Reliability Coordinators, Transmission Operators, and Transmission Planners. The list of the entities that were registered constitutes what NERC considered at that time as its Compliance Registry.

NERC initiated a broader program to identify additional organizations potentially eligible to be included in the Compliance Registry and to confirm the information of organizations currently on file, taking into account the following considerations:

- As of July 20, 2006, NERC was certified as the Electric Reliability Organization (ERO) created for the U.S. by the Energy Policy Act of 2005 (EPAAct) and FERC Order No. 672. NERC has received similar recognition by Canadian authorities in their respective jurisdictions.
- FERC Order No. 672 directs that owners, operators and users of the BPS in the U.S. shall be registered with the ERO and the appropriate Regional Entities.
- As the ERO, NERC has filed its current Reliability Standards with FERC and with Canadian authorities. As accepted and approved by FERC and appropriate Canadian authorities, the Reliability Standards are no longer voluntary, and organizations that do not fully comply with them may face Penalties or other sanctions, in accordance with applicable laws, regulations and orders of Applicable Governmental Authorities.
- NERC's Reliability Standards include compliance Requirements for additional reliability function types beyond the six types registered by earlier registration programs.
- Based on selection as the ERO, NERC's Organization Registration program<sup>4</sup> is the means by which NERC and the Regional Entities plan, manage and execute Reliability Standard compliance oversight of owners, operators, and users of the BPS.
- Organizations listed in the Compliance Registry are subject to NERC's and the Regional Entities' Compliance Monitoring and Enforcement Programs.

### **Statement of Issue**

As the ERO, NERC intends to comprehensively and thoroughly protect the reliability of the grid. To support this goal NERC will include in its Compliance Registry each entity that NERC concludes can materially impact the reliability of the BPS.

NERC wishes to identify those entities that may need to be listed in its Compliance Registry. Identifying these organizations is necessary and prudent for the purpose of determining resource needs, both at the

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<sup>3</sup> Budget documents are submitted to Applicable Governmental Authorities in Canada for information.

<sup>4</sup> See NERC ERO Application; Exhibit C; Section 500 – Organization Registration and Certification.

NERC and Regional Entity level, and for communicating with these entities regarding their potential responsibilities and obligations. NERC and the Regional Entities believe that candidate entities can be identified at any time, as and when needed. The Compliance Registry is available on NERC's website.

### **Resolution**

The potential costs and effort of registering every organization potentially within the scope of "owner, operator, and user of the BPS," while ignoring their impact upon reliability, would be disproportionate to the improvement in reliability that would reasonably be anticipated from doing so.

NERC and the Regional Entities have identified two principles they believe are key to the entity selection process. These are:

1. There needs to be consistency between Regions and across the continent with respect to which entities are registered; and
2. Any entity reasonably deemed material to the reliability of the BPS will be registered, irrespective of other considerations.

To address the second principle the Regional Entities, working with NERC, will identify and register any entity they deem material to the reliability of the BPS.

In order to promote consistency, NERC and the Regional Entities use the following criteria as the basis for determining whether particular entities should be identified as candidates for Registration. All organizations meeting or exceeding the criteria will be identified as candidates.

The following four groups of criteria (Sections I-IV) plus the statements in Section V will provide guidance regarding an entity's Registration status:

- Section I determines if the entity is an owner, operator, or user of the BPS and, hence, a candidate for organization Registration.
- Section II uses NERC's current functional type definitions to provide an initial determination of the functional types for which the entities identified in Section I should be considered for Registration.
- Section III lists the criteria regarding smaller entities; these criteria can be used to forego the Registration of entities that were selected to be considered for Registration pursuant to Sections I and II and, if circumstances change, for later removing entities from the Compliance Registry that no longer meet the relevant criteria.
- Section IV — additional criteria for joint Registration. Joint Registration criteria may be used by joint action agencies, generation and transmission cooperatives and other entities which agree upon a clear division of compliance responsibility for Reliability Standards by written agreement. Rules pertaining to joint Registration and Joint Registration Organizations, as well as Coordinated Functional Registrations, are now found in Sections 501, 507 and 508 of the NERC Rules of Procedure.

- I. Entities that use, own or operate Elements of the Bulk Electric System (BES) as established by NERC's approved definition of BES below are (i) owners, operators, and users of the BPS and (ii) candidates for Registration:

*“Bulk Electric System” or “BES” means unless modified by the lists shown below, all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher. This does not include facilities used in the local distribution of electric energy.*

***Inclusions:***

- ***I1*** - Transformers with the primary terminal and at least one secondary terminal operated at 100 kV or higher unless excluded by application of Exclusion E1 or E3.
- ***I2*** - Generating resource(s) including the generator terminals through the high-side of the step-up transformer(s) connected at a voltage of 100 kV or above with:
  - a) Gross individual nameplate rating greater than 20 MVA. Or,
  - b) Gross plant/facility aggregate nameplate rating greater than 75 MVA.
- ***I3*** - Blackstart Resources identified in the Transmission Operator's restoration plan.
- ***I4*** - Dispersed power producing resources that aggregate to a total capacity greater than 75 MVA (gross nameplate rating), and that are connected through a system designed primarily for delivering such capacity to a common point of connection at a voltage of 100 kV or above. Thus, the facilities designated as BES are:
  - a) The individual resources, and
  - b) The system designed primarily for delivering capacity from the point where those resources aggregate to a greater than 75 MVA to a common point of connection at a voltage of 100 kV or above.
- ***I5*** - Static or dynamic devices (excluding generators) dedicated to supplying or absorbing Reactive Power that are connected at 100 kV or higher, or through a dedicated transformer with a high-side voltage of 100 kV or higher, or through a transformer that is designated in Inclusion I1 unless excluded by application of Exclusion E4.

***Exclusions:***

- ***E1*** - Radial systems: A group of contiguous transmission Elements that emanates from a single point of connection of 100 kV or higher and:
  - a) Only serves Load. Or,
  - b) Only includes generation resources, not identified in Inclusions I2, I3, or I4, with an aggregate capacity less than or equal to 75 MVA (gross nameplate rating). Or,
  - c) Where the radial system serves Load and includes generation resources, not identified in Inclusions I2, I3 or I4, with an aggregate capacity of non-retail generation less than or equal to 75 MVA (gross nameplate rating).



*Note 1 – A normally open switching device between radial systems, as depicted on prints or one-line diagrams for example, does not affect this exclusion.*

*Note 2 – The presence of a contiguous loop operated at a voltage level of 50 kV or less, between configurations being considered as radial systems, does not affect this exclusion.*

- **E2** - *A generating unit or multiple generating units on the customer’s side of the retail meter that serve all or part of the retail Load with electric energy if: (i) the net capacity provided to the BES does not exceed 75 MVA, and (ii) standby, back-up, and maintenance power services are provided to the generating unit or multiple generating units or to the retail Load by a Balancing Authority, or provided pursuant to a binding obligation with a Generator Owner or Generator Operator, or under terms approved by the applicable regulatory authority.*
- **E3** - *Local networks (LN): A group of contiguous transmission Elements operated at less than 300 kV that distribute power to Load rather than transfer bulk power across the interconnected system. LN’s emanate from multiple points of connection at 100 kV or higher to improve the level of service to retail customers and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:*
  - a) *Limits on connected generation: The LN and its underlying Elements do not include generation resources identified in Inclusions I2, I3, or I4 and do not have an aggregate capacity of non-retail generation greater than 75 MVA (gross nameplate rating);*
  - b) *Real Power flows only into the LN and the LN does not transfer energy originating outside the LN for delivery through the LN; and*
  - c) *Not part of a Flowgate or transfer path: The LN does not contain any part of a permanent Flowgate in the Eastern Interconnection, a major transfer path within the Western Interconnection, or a comparable monitored Facility in the ERCOT or Quebec Interconnections, and is not a monitored Facility included in an Interconnection Reliability Operating Limit (IROL).*
- **E4** - *Reactive Power devices installed for the sole benefit of a retail customer(s).*

*Note - Elements may be included or excluded on a case-by-case basis through the Rules of Procedure exception process.*

II. Entities identified in Section I above will be categorized as Registration candidates who may be subject to Registration under one or more appropriate Functional Entity types based on a comparison of the functions the entity normally performs against the following function type definitions:<sup>5</sup>

Function Type	Acronym	Definition/Discussion
Balancing Authority	BA	The responsible entity that integrates resource plans ahead of time, maintains Load-interchange-generation balance within a

<sup>5</sup> Exclusion: An entity will not be registered based on these criteria if responsibilities for compliance with approved NERC Reliability Standards or associated Requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, including bilateral agreements and Sections 501, 507 and 508 of the NERC Rules of Procedure.

Function Type	Acronym	Definition/Discussion
		Balancing Authority Area, and supports Interconnection frequency in real-time.
Distribution Provider	DP	<p>Provides and operates the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the Distribution Provider. Thus, the Distribution Provider is not defined by a specific voltage, but rather as performing the distribution function at any voltage.</p> <p>Note: As provided in Section III.b.1 and Note 5 below, a Distribution Provider entity shall be an Underfrequency Load Shedding (UFLS)-Only Distribution Provider if it is the responsible entity that owns, controls or operates UFLS Protection System(s) needed to implement a required UFLS program designed for the protection of the BES, but does not meet any of the other registration criteria for a Distribution Provider.</p>
Generator Operator	GOP	The entity that operates generating Facility(ies)and performs the functions of supplying energy and Interconnected Operations Services.
Generator Owner	GO	Entity that owns and maintains generating Facility(ies).
Planning Authority/ Planning Coordinator	PA/PC	The responsible entity that coordinates and integrates transmission Facilities and service plans, resource plans, and Protection Systems.
Reliability Coordinator	RC	The entity that is the highest level of authority who is responsible for the Reliable Operation of the BES, has the Wide Area view of the BES, 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.
Reserve Sharing Group	RSG	A group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply operating reserves required for each Balancing Authority’s use in recovering from contingencies within the group. Scheduling

Function Type	Acronym	Definition/Discussion
		energy from an Adjacent Balancing Authority to aid recovery need not constitute reserve sharing provided the transaction is ramped in over a period the supplying party could reasonably be expected to load generation in (e.g., ten minutes). If the transaction is ramped in quicker, (e.g., between zero and ten minutes), then, for the purposes of disturbance control performance, the areas become a Reserve Sharing Group.
Resource Planner	RP	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.
Transmission Owner	TO	The entity that owns and maintains transmission Facilities.
Transmission Operator	TOP	The entity responsible for the reliability of its local transmission system and operates or directs the operations of the transmission Facilities.
Transmission Planner	TP	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.
Transmission Service Provider	TSP	The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable Transmission Service agreements.

III. Except as provided in Section V and the Notes to the Criteria below, entities identified in Section II above as being subject to Registration as a Distribution Provider should be included in the Compliance Registry for these functions only if they meet any of the criteria listed below:

III(a) Distribution Provider:

- III.a.1 Distribution Provider system serving >75 MW of peak Load that is directly connected to the BES;<sup>6</sup> or
- III.a.2 Distribution Provider is the responsible entity that owns, controls, or operates Facilities that are part of any of the following Protection Systems or programs designed, installed, and operated for the protection of the BES:<sup>7</sup>

<sup>6</sup> Ownership, control or operation of UFLS Protection System(s) needed to implement a required UFLS Program designed for the protection of the BES does not affect an entity’s eligibility for registration pursuant to III.a.1.

<sup>7</sup> As used in Section III.a.2, “protection of the Bulk Electric System” means protection to prevent instability, Cascading, or uncontrolled separation of the BES and not for local voltage issues (UVLS) or local line loading management (Special Protection System) that are demonstrated to be contained within a local area.

- a required Undervoltage Load Shedding (UVLS) program and/or
- a required Special Protection System or Remedial Action Scheme and/or
- a required transmission Protection System; or

III.a.3 Distribution Provider that is responsible for providing services related to Nuclear Plant Interface Requirements (NPIRs) pursuant to an executed agreement; or

III.a.4 Distribution Provider with field switching personnel identified as performing unique tasks associated with the Transmission Operator’s restoration plan that are outside of their normal tasks.

III(b) Distribution Provider with UFLS-Only assets (referred to as “UFLS-Only Distribution Provider”)

III.b.1 UFLS-Only Distribution Provider does not meet any of the other registration criteria in Sections III(a)(1)-(4) for a Distribution Provider; and

III.b.2 UFLS-Only Distribution Provider is the responsible entity that owns, controls, or operates UFLS Protection System(s) needed to implement a required UFLS Program designed for the protection of the BES.

*The Reliability Standards applicable to UFLS-Only Distribution Providers are: (1) PRC-006-1, PRC-006-2 and (2) any regional Reliability Standard whose purpose is to develop or establish a UFLS Program [PRC-006-NPCC-1 and PRC-006-SERC-01]. Reliability Standards PRC-005-2, PRC-005-3, and PRC-008-0 are not applicable to UFLS-Only Distribution Providers. Reliability Standards that apply to Distribution Providers will not apply to UFLS-Only Distribution Providers, unless explicitly stated in the applicability section.*

IV. Joint Registration Organization, Coordinated Functional Registration and applicable Member Registration.

Pursuant to FERC’s directive in paragraph 107 of Order No. 693, NERC’s rules pertaining to joint Registrations and Joint Registration Organizations, as well as Coordinated Functional Registrations, are now found in Section 501, 507 and 508 of the NERC Rules of Procedure.

V. If NERC or a Regional Entity encounters an organization that is not listed in the Compliance Registry, but which should be subject to the Reliability Standards, NERC or the Regional Entity is obligated and will initiate actions to add that organization to the Compliance Registry, subject to that organization’s right to challenge as provided in Section 500 of NERC’s Rules of Procedure and as described in Note 3 below.

### Notes to the Registry Criteria in Sections I-V

1. The above are general criteria only. The Regional Entity considering Registration of an organization not meeting (e.g., smaller in size than) the criteria may propose Registration of that organization if the Regional Entity believes and can reasonably demonstrate<sup>8</sup> that the organization is a BES owner, or operates, or uses BES assets, and is material to the reliability of the BES. Similarly, the Regional Entity may exclude an organization that meets the criteria described above as a candidate for

<sup>8</sup> The reasonableness of any such demonstration will be subject to review and remand by NERC itself, or by any Applicable Governmental Authority, as applicable.

Registration if it believes and can reasonably demonstrate to NERC that the BES owner, operator, or user does not have a material impact on the reliability of the BES. Such decisions must be made in accordance with Section V of Appendix 5A to the NERC Rules of Procedure. In order to ensure a consistent approach to assessing materiality, a non-exclusive set of factors (“materiality test”) for consideration is identified below; however, only a sub-set of these factors may be applicable to particular functional registration categories:

- a. Is the entity specifically identified in the emergency operation plans and/or restoration plans of an associated Reliability Coordinator, Balancing Authority, Generator Operator or Transmission Operator?
  - b. Will intentional or inadvertent removal of an Element owned or operated by the entity, or a common mode failure of two Elements as identified in the Reliability Standards (for example, loss of two Elements as a result of a breaker failure), lead to a reliability issue on another entity’s system (such as a neighboring entity’s Element exceeding an applicable rating, or loss of non-consequential load due to a single contingency). Conversely, will such contingencies on a neighboring entity’s system result in Reliability Standards issues on the system of the entity in question?
  - c. Can the normal operation, misoperation or malicious use of the entity’s cyber assets cause a detrimental impact (e.g., by limiting the operational alternatives) on the operational reliability of an associated Balancing Authority, Generator Operator or Transmission Operator?
  - d. Can the normal operation, Misoperation or malicious use of the entity’s Protection Systems (including UFLS, UVLS, Special Protection System, Remedial Action Schemes and other Protection Systems protecting BES Facilities) cause an adverse impact on the operational reliability of any associated Balancing Authority, Generator Operator or Transmission Operator, or the automatic load shedding programs of a PC or TP (UFLS, UVLS)?
2. An organization not identified using the criteria, but wishing to be registered, may request that it be registered. For further information refer to: NERC Rules of Procedure, Section 500 – Organization Registration and Certification; Part 1.3.
  3. An organization may challenge its Registration within the Compliance Registry. NERC or the Regional Entity will provide the organization with all information necessary to timely challenge that determination including notice of the deadline for contesting the determination and the relevant procedures to be followed as described in the NERC Rules of Procedure; Section 500 – Organization Registration and Certification.
  4. If an entity is part of a class of entities excluded based on any of the criteria above as individually being unlikely to have a material impact on the reliability of the BES, but that in aggregate have been demonstrated to have such an impact it may be registered for applicable Reliability Standards and Requirements irrespective of other considerations, in accordance with laws, regulations and orders of an Applicable Governmental Authority.
  5. NERC may limit the compliance obligations of a given entity registered for a particular function or similarly situated class of entities, as warranted based on the particular facts and circumstances, to a sub-set list of Reliability Standards (which may specify Requirements/sub-Requirements).

## **Exhibit B**

Proposed NERC Rules of Procedure – Redlined version:

Sections 100 through 1700

Appendix 2 Definitions Used in the Rules of Procedure

Appendix 5A Organization Registration and Certification Manual

Appendix 5B Statement of Compliance Registry Criteria

# Rules of Procedure

Effective: ~~July 1, 2014~~DATE  
(as noted below)

Sections 509 and 1703 and the highlighted text in Section 1701 will become effective on July 1, 2014 in accordance with the Bulk Electric System Order (Order No. 773) and the June 13, 2013 Order Granting Extension of Time.

The highlighted terms “Real and Reactive Power” in Section 302.2 and “Loads” in Sections 501.1.4.4, 804, and 1102.2 will become effective as defined terms on July 1, 2014 in accordance with the Bulk Electric System Order (Order No. 773) and the June 13, 2013 Order Granting Extension of Time. See Appendix 2 of the Rules of Procedure.

**TABLE OF CONTENTS**

**SECTION 100 — APPLICABILITY OF RULES OF PROCEDURE..... 1**

**SECTION 200 — DEFINITIONS OF TERMS ..... 2**

**SECTION 300 — RELIABILITY STANDARDS DEVELOPMENT ..... 3**

301. General ..... 3

302. Essential Attributes for Technically Excellent Reliability Standards..... 3

303. Relationship between Reliability Standards and Competition ..... 5

304. Essential Principles for the Development of Reliability Standards ..... 6

305. Registered Ballot Body..... 6

306. Standards Committee..... 8

307. Standards Process Management ..... 8

308. Steps in the Development of Reliability Standards ..... 9

309. Filing of Reliability Standards for Approval by Applicable Governmental Authorities..... 9

310. Annual Reliability Standards Development Plan ..... 10

311. Regional Entity Standards Development Procedures ..... 11

312. Regional Reliability Standards ..... 13

313. Other Regional Criteria, Guides, Procedures, Agreements, Etc..... 16

314. Conflicts with Statutes, Regulations, and Orders ..... 16

315. Revisions to NERC Standard Processes Manual..... 17

316. Accreditation ..... 17

317. Five-Year Review of Reliability Standards..... 17

318. Coordination with the North American Energy Standards Board ..... 17

319. Archived Standards Information ..... 17

320. Procedure for Developing and Approving Violation Risk Factors and Violation Severity Levels ..... 18

321. Special Rule to Address Certain Regulatory Directives..... 18

**SECTION 400 — COMPLIANCE ENFORCEMENT ..... 22**

401. Scope of the NERC Compliance Monitoring and Enforcement Program ..... 22

402. NERC Oversight of the Regional Entity Compliance Monitoring and Enforcement Programs 25

403. Required Attributes of Regional Entity Compliance Monitoring and Enforcement Programs . 29

404. NERC Monitoring of Compliance for Regional Entities or Bulk Power Owners, Operator, or Users ..... 35

405. Monitoring of Reliability Standards and Other Requirements Applicable to NERC..... 36

406. Independent Audits of the NERC Compliance Monitoring and Enforcement Program ..... 37

407. Penalties, Sanctions, and Remedial Action Directives ..... 37

408. Review of NERC Decisions ..... 38

409. Appeals from Final Decisions of Regional Entity Hearing Bodies ..... 39

410. Hold Harmless ..... 40

411. Requests for Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Reliability Standards..... 40

412. Certification of Questions from Regional Entity Hearing Bodies for Decision by the NERC Board of Trustees Compliance Committee..... 41

413. Review and Processing of Regional Entity Hearing Body Final Decisions that Are Not Appealed..... 41

414. Appeals of Decisions of Regional Entity Hearing Bodies Granting or Denying Motions to Intervene in Regional Entity Hearing Body Proceedings..... 42

**SECTION 500 — ORGANIZATION REGISTRATION AND CERTIFICATION ..... 44**



501.	Scope of the Organization Registration and Organization Certification Programs .....	44
502.	Organization Registration and Organization Certification Program Requirements .....	<a href="#">484847</a>
503.	Regional Entity Implementation of Organization Registration and Organization Certification Program Requirements .....	49
504.	Appeals .....	<a href="#">515150</a>
505.	Program Maintenance.....	51
506.	Independent Audit of NERC Organization Registration and Organization Certification Program .....	51
507.	Provisions Relating to Joint Registration Organizations (JRO) .....	<a href="#">525251</a>
508.	Provisions Relating to Coordinated Functional Registration (CFR) Entities .....	<a href="#">535352</a>
509.	Exceptions to the Definition of the Bulk Electric System.....	54

**SECTION 600 — PERSONNEL CERTIFICATION .....** **55**

601.	Scope of Personnel Certification .....	55
602.	Structure of ERO Personnel Certification Program.....	55
603.	Examination and Maintenance of NERC System Operator Certification Credentials.....	56
604.	Dispute Resolution Process.....	57
605.	Disciplinary Action.....	58
606.	Candidate Testing Mechanisms.....	60
607.	Public Information About the Personnel Certification Program .....	61
608.	Responsibilities to Applicants for Certification or Re-Certification .....	61
609.	Responsibilities to the Public and to Employers of Certified Practitioners.....	62

**SECTION 700 — RELIABILITY READINESS EVALUATION AND IMPROVEMENT AND FORMATION OF SECTOR FORUMS.....** **63**

701.	Confidentiality Requirements for Readiness Evaluations and Evaluation Team Members .....	63
702.	Formation of Sector Forum .....	63

**SECTION 800 — RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS.....** **64**

801.	Objectives of the Reliability Assessment and Performance Analysis Program .....	64
802.	Scope of the Reliability Assessment Program.....	64
803.	Reliability Assessment Reports .....	65
804.	Reliability Assessment Data and Information Requirements .....	66
805.	Reliability Assessment Process .....	67
806.	Scope of the Reliability Performance and Analysis Program.....	69
807.	Analysis of Major Events .....	69
808.	Analysis of Off-Normal Occurrences, Bulk Power System Performance, and Bulk Power System Vulnerabilities.....	70
809.	Reliability Benchmarking.....	71
810.	Information Exchange and Issuance of NERC Advisories, Recommendations and Essential Actions.....	71
811.	Equipment Performance Data.....	72

**SECTION 900 — TRAINING AND EDUCATION .....** **73**

901.	Scope of the Training and Education Program.....	73
902.	Continuing Education Program .....	73

**SECTION 1000 — SITUATION AWARENESS AND INFRASTRUCTURE SECURITY.....** **75**

1001.	Situation Awareness .....	75
1002.	Reliability Support Services .....	75
1003.	Infrastructure Security Program .....	76

<b>SECTION 1100 — ANNUAL NERC BUSINESS PLANS AND BUDGETS.....</b>	<b>79</b>
1101. Scope of Business Plans and Budgets .....	79
1102. NERC Funding and Cost Allocation .....	79
1103. NERC Budget Development .....	79
1104. Submittal of Regional Entity Budgets to NERC .....	80
1105. Submittal of NERC and Regional Entity Budgets to Governmental Authorities for Approval	80
1106. NERC and Regional Entity Billing and Collections.....	81
1107. Penalty Applications.....	82
1108. Special Assessments .....	83
<b>SECTION 1200 — REGIONAL DELEGATION AGREEMENTS .....</b>	<b>84</b>
1201. Pro Forma Regional Delegation Agreement.....	84
1202. Regional Entity Essential Requirements .....	84
1203. Negotiation of Regional Delegation Agreements.....	84
1204. Conformance to Rules and Terms of Regional Delegation Agreements.....	84
1205. Sub-delegation.....	84
1206. Nonconformance to Rules or Terms of Regional Delegation Agreement.....	84
1207. Regional Entity Audits .....	85
1208. Process for Considering Registered Entity Requests to Transfer to Another Regional Entity..	85
<b>SECTION 1300 — COMMITTEES .....</b>	<b>88</b>
1301. Establishing Standing Committees.....	88
1302. Committee Membership .....	88
1303. Procedures for Appointing Committee Members.....	88
1304. Procedures for Conduct of Committee Business .....	88
1305. Committee Subgroups .....	89
<b>SECTION 1400 — AMENDMENTS TO THE NERC RULES OF PROCEDURE .....</b>	<b>90</b>
1401. Proposals for Amendment or Repeal of Rules of Procedure .....	90
1402. Approval of Amendment or Repeal of Rules of Procedure.....	90
<b>SECTION 1500 — CONFIDENTIAL INFORMATION.....</b>	<b>91</b>
1501. Definitions .....	91
1502. Protection of Confidential Information .....	91
1503. Requests for Information.....	92
1504. Employees, Contractors and Agents.....	94
1505. Provision of Information to FERC and Other Governmental Authorities.....	94
1506. Permitted Disclosures .....	94
1507. Remedies for Improper Disclosure.....	94
<b>SECTION 1600 — REQUESTS FOR DATA OR INFORMATION .....</b>	<b>96</b>
1601. Scope of a NERC or Regional Entity Request for Data or Information.....	96
1602. Procedure for Authorizing a NERC Request for Data or Information .....	96
1603. Owners, Operators, and Users to Comply .....	97
1604. Requests by Regional Entity for Data or Information .....	97
1605. Confidentiality .....	98
1606. Expedited Procedures for Requesting Time-Sensitive Data or Information .....	98
<b>SECTION 1700 — CHALLENGES TO DETERMINATIONS.....</b>	<b>100</b>
1701. Scope of Authority.....	100
1702. Challenges to Determinations by Planning Coordinators Under Reliability Standard	

**Rules of Procedure of the North American Electric Reliability Corporation**

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1703. PRC-023.....100  
Challenges to NERC Determinations of BES Exception Requests Under Section 509.....102

## **SECTION 100 — APPLICABILITY OF RULES OF PROCEDURE**

NERC and NERC Members shall comply with these Rules of Procedure. Each Regional Entity shall comply with these Rules of Procedure as applicable to functions delegated to the Regional Entity by NERC or as required by an Applicable Governmental Authority or as otherwise provided.

Each Bulk Power System owner, operator, and user shall comply with all Rules of Procedure of NERC that are made applicable to such entities by approval pursuant to applicable legislation or regulation, or pursuant to agreement.

Any entity that is unable to comply or that is not in compliance with a NERC Rule of Procedure shall immediately notify NERC in writing, stating the Rule of Procedure of concern and the reason for not being able to comply with the Rule of Procedure.

NERC shall evaluate each case and inform the entity of the results of the evaluation. If NERC determines that a Rule of Procedure has been violated, or cannot practically be complied with, NERC shall notify the Applicable Governmental Authorities and take such other actions as NERC deems appropriate to address the situation.

NERC shall comply with each approved Reliability Standard that identifies NERC or the Electric Reliability Organization as a responsible entity. Regional Entities shall comply with each approved Reliability Standard that identifies Regional Entities as responsible entities. A violation by NERC or a Regional Entity of such a Reliability Standard shall constitute a violation of these Rules of Procedure.

## **SECTION 200 — DEFINITIONS OF TERMS**

Definitions of terms used in the NERC Rules of Procedure are set forth in **Appendix 2, *Definitions Used in the Rules of Procedure.***

## SECTION 300 — RELIABILITY STANDARDS DEVELOPMENT

### 301. General

NERC shall develop and maintain Reliability Standards that apply to Bulk Power System owners, operators, and users and that enable NERC and Regional Entities to measure the reliability performance of Bulk Power System owners, operators, and users; and to hold them accountable for Reliable Operation of the Bulk Power Systems. The Reliability Standards shall be technically excellent, timely, just, reasonable, not unduly discriminatory or preferential, in the public interest, and consistent with other applicable standards of governmental authorities.

### 302. Essential Attributes for Technically Excellent Reliability Standards

1. **Applicability** — Each Reliability Standard shall clearly identify the functional classes of entities responsible for complying with the Reliability Standard, with any specific additions or exceptions noted. Such functional classes<sup>1</sup> include: Reliability Coordinators, Balancing Authorities, Transmission Operators, Transmission Owners, Generator Operators, Generator Owners, ~~Interchange Authorities~~, Transmission Service Providers, market operators, Planning Authorities, Transmission Planners, Resource Planners, ~~Load-Serving Entities~~, ~~Purchasing-Selling Entities~~, and Distribution Providers. Each Reliability Standard shall also identify the geographic applicability of the Reliability Standard, such as the entire North American Bulk Power System, an Interconnection, or within a Region. A Reliability Standard may also identify any limitations on the applicability of the Reliability Standard based on electric Facility characteristics.
2. **Reliability Objectives** — Each Reliability Standard shall have a clear statement of purpose that shall describe how the Reliability Standard contributes to the reliability of the Bulk Power System. The following general objectives for the Bulk Power System provide a foundation for determining the specific objective(s) of each Reliability Standard:
  - 2.1 **Reliability Planning and Operating Performance**— Bulk Power Systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions.
  - 2.2 **Frequency and Voltage Performance**— The frequency and voltage of Bulk Power Systems shall be controlled within defined limits through the balancing of Real and Reactive Power supply and demand.

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<sup>1</sup> These functional classes of entities are derived from NERC's Reliability Functional Model. When a Reliability Standard identifies a class of entities to which it applies, that class must be defined in the Glossary of Terms Used in NERC Reliability Standards.

- 2.3 **Reliability Information** — Information necessary for the planning and operation of reliable Bulk Power Systems shall be made available to those entities responsible for planning and operating Bulk Power Systems.
  - 2.4 **Emergency Preparation** — Plans for emergency operation and system restoration of Bulk Power Systems shall be developed, coordinated, maintained, and implemented.
  - 2.5 **Communications and Control** — Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of Bulk Power Systems.
  - 2.6 **Personnel** — Personnel responsible for planning and operating Bulk Power Systems shall be trained and qualified, and shall have the responsibility and authority to implement actions.
  - 2.7 **Wide-Area View** — The reliability of the Bulk Power Systems shall be assessed, monitored, and maintained on a Wide-Area basis.
  - 2.8 **Security** — Bulk Power Systems shall be protected from malicious physical or cyber attacks.
3. **Performance Requirement or Outcome**— Each Reliability Standard shall state one or more performance Requirements, which if achieved by the applicable entities, will provide for a reliable Bulk Power System, consistent with good utility practices and the public interest. Each Requirement is not a “lowest common denominator” compromise, but instead achieves an objective that is the best approach for Bulk Power System reliability, taking account of the costs and benefits of implementing the proposal.
  4. **Measurability** — Each performance Requirement shall be stated so as to be objectively measurable by a third party with knowledge or expertise in the area addressed by that Requirement. Each performance Requirement shall have one or more associated measures used to objectively evaluate compliance with the Requirement. If performance can be practically measured quantitatively, metrics shall be provided to determine satisfactory performance.
  5. **Technical Basis in Engineering and Operations**— Each Reliability Standard shall be based upon sound engineering and operating judgment, analysis, or experience, as determined by expert practitioners in that particular field.
  6. **Completeness** — Reliability Standards shall be complete and self-contained. The Reliability Standards shall not depend on external information to determine the required level of performance.

7. **Consequences for Noncompliance** — In combination with guidelines for Penalties and sanctions, as well as other ERO and Regional Entity compliance documents, the consequences of violating a Reliability Standard are clearly presented to the entities responsible for complying with the Reliability Standards.
8. **Clear Language** — Each Reliability Standard shall be stated using clear and unambiguous language. Responsible entities, using reasonable judgment and in keeping with good utility practices, are able to arrive at a consistent interpretation of the required performance.
9. **Practicality** — Each Reliability Standard shall establish Requirements that can be practically implemented by the assigned responsible entities within the specified effective date and thereafter.
10. **Consistent Terminology** — To the extent possible, Reliability Standards shall use a set of standard terms and definitions that are approved through the NERC Reliability Standards development process.

### **303. Relationship between Reliability Standards and Competition**

To ensure Reliability Standards are developed with due consideration of impacts on competition, to ensure Reliability Standards are not unduly discriminatory or preferential, and recognizing that reliability is an essential requirement of a robust North American economy, each Reliability Standard shall meet all of these market-related objectives:

1. **Competition** — A Reliability Standard shall not give any market participant an unfair competitive advantage.
2. **Market Structures** — A Reliability Standard shall neither mandate nor prohibit any specific market structure.
3. **Market Solutions** — A Reliability Standard shall not preclude market solutions to achieving compliance with that Reliability Standard.
4. **Commercially Sensitive Information** — A Reliability Standard shall not require the public disclosure of commercially sensitive information or other Confidential Information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with Reliability Standards.
5. **Adequacy** — NERC shall not set Reliability Standards defining an adequate amount of, or requiring expansion of, Bulk Power System resources or delivery capability.



### **304. Essential Principles for the Development of Reliability Standards**

NERC shall develop Reliability Standards in accordance with the NERC *Standard Processes Manual*, which is incorporated into these Rules of Procedure as **Appendix 3A**. Appeals in connection with the development of a Reliability Standard shall also be conducted in accordance with the NERC *Standard Processes Manual*. Any amendments or revisions to the *Standard Processes Manual* shall be consistent with the following essential principles:

1. **Openness** — Participation shall be open to all Persons and who are directly and materially affected by the reliability of the North American Bulk Power System. There shall be no undue financial barriers to participation. Participation shall not be conditional upon membership in NERC or any other organization, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements.
2. **Transparency** — The process shall be transparent to the public.
3. **Consensus-building** — The process shall build and document consensus for each Reliability Standard, both with regard to the need and justification for the Reliability Standard and the content of the Reliability Standard.
4. **Fair Balance of Interests** — The process shall fairly balance interests of all stakeholders and shall not be dominated by any two Segments as defined in **Appendix 3D**, *Development of the Registered Ballot Body*, of these Rules of Procedure, and no single Segment, individual or organization shall be able to defeat a matter.
5. **Due Process** — Development of Reliability Standards shall provide reasonable notice and opportunity for any Person with a direct and material interest to express views on a proposed Reliability Standard and the basis for those views, and to have that position considered in the development of the Reliability Standards.
6. **Timeliness** — Development of Reliability Standards shall be timely and responsive to new and changing priorities for reliability of the Bulk Power System.

### **305. Registered Ballot Body**

NERC Reliability Standards shall be approved by a Registered Ballot Body prior to submittal to the Board and then to Applicable Governmental Authorities for their approval, where authorized by applicable legislation or agreement. This Section 305 sets forth the rules pertaining to the composition of, and eligibility to participate in, the Registered Ballot Body.

1. **Eligibility to Vote on Reliability Standards** — Any person or entity may join the Registered Ballot Body to vote on Reliability Standards, whether or not such person or entity is a Member of NERC.
2. **Inclusive Participation** — 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 eligibility criteria for a Segment is entitled to belong to and vote in each Segment for which it qualifies, subject to limitations defined in Sections 305.3 and 305.5.
3. **General Criteria for Registered Ballot Body Membership** — The general criteria for membership in the Segments are:
  - 3.1 **Multiple Segments** — A corporation or other organization with integrated operations or with affiliates that qualifies to belong to more than one Segment (e.g., Transmission Owners and Load-Serving Entities) may join once in each Segment for which it qualifies, provided that each Segment constitutes a separate membership and the organization is represented in each Segment by a different representative. Affiliated entities are collectively limited to one membership in each Segment for which they are qualified.
  - 3.2 **Withdrawing from a Segment or Changing Segments** — After its initial registration in a Segment, each registered participant may elect to withdraw from a Segment or apply to change Segments at any time.
  - 3.3 **Review of Segment Criteria** — The Board shall review the qualification guidelines and rules for joining Segments at least every three years to ensure that the process continues to be fair, open, balanced, and inclusive. Public input will be solicited in the review of these guidelines.
4. **Proxies for Voting on Reliability Standards** — Any registered participant may designate an agent or proxy to vote on its behalf. There are no limits on how many proxies an agent may hold. However, for the proxy to be valid, NERC must have in its possession written documentation signed by the representative of the registered participant that the voting right by proxy has been transferred from the registered participant to the agent.
5. **Segments** — The specific criteria for membership in each Registered Ballot Body Segment are defined in the *Development of the Registered Ballot Body in Appendix 3D*.
6. **Review of Segment Entries** — NERC shall review all applications for joining the Registered Ballot Body, and shall make a determination of whether the applicant's self-selection of a Segment satisfies at least one of the guidelines to

belong to that Segment. The entity shall then become eligible to participate as a voting member of that Segment. The Standards Committee shall resolve disputes regarding eligibility for membership in a Segment, with the applicant having the right of appeal to the Board.

### **306. Standards Committee**

The Standards Committee shall provide oversight of the Reliability Standards development process to ensure stakeholder interests are fairly represented. The Standards Committee shall not under any circumstance change the substance of a draft or approved Reliability Standard.

1. **Membership** — The Standards Committee is a representative committee comprising representatives of two members of each of the Segments in the Registered Ballot Body and two officers elected to represent the interests of the industry as a whole.
2. **Elections** — Standards Committee members are elected for staggered (one per Segment per year) two-year terms by the respective Segments in accordance with the *Procedure for the Election of Members of the NERC Standards Committee*, which is incorporated into these Rules of Procedure as **Appendix 3B**. Segments may use their own election procedure if such a procedure is ratified by two-thirds of the members of a Segment and approved by the Board.
3. **Canadian Representation**  
  
The Standards Committee will include Canadian representation as provided in **Appendix 3B**, *Procedure for the Election of Members of the NERC Standards Committee*.
4. **Open Meetings** — All meetings of the Standards Committee shall be open and publicly noticed on the NERC website.

### **307. Standards Process Management**

NERC shall assign a standards process manager to administer the development of continent-wide Reliability Standards and a regional standards manager to administer the development of Regional Reliability Standards. The standards process manager shall be responsible for ensuring that the development and revision of Reliability Standards are in accordance with the *NERC Standard Processes Manual*. The standards process manager and the regional standards manager shall work to achieve the highest degree of integrity and consistency of quality and completeness of the Reliability Standards. The regional standards manager shall coordinate with any Regional Entities that develop Regional Reliability Standards to ensure those Regional Reliability Standards are effectively integrated with the NERC Reliability Standards.

**308. Steps in the Development of Reliability Standards**

1. **Procedure** — NERC shall develop Reliability Standards through the process set forth in the *NERC Standard Processes Manual (Appendix 3A)*. The *Standard Processes Manual* includes provisions for developing Reliability Standards that can be completed using expedited processes, including a process to develop Reliability Standards to address national security situations that involve confidential issues.
2. **Board Adoption** — Reliability Standards or revisions to Reliability Standards approved by the ballot pool in accordance with the *Standard Processes Manual* shall be submitted for adoption by the Board. No Reliability Standard or revision to a Reliability Standard shall be effective unless adopted by the Board.
3. **Governmental Approval** — After Board adoption, a Reliability Standard or revision to a Reliability Standard shall be submitted to all Applicable Governmental Authorities in accordance with Section 309. No Reliability Standard or revision to a Reliability Standard shall be effective within a geographic area over which an Applicable Governmental Authority has jurisdiction unless it is approved by such Applicable Governmental Authority or is otherwise made effective pursuant to the laws applicable to such Applicable Governmental Authority.

**309. Filing of Reliability Standards for Approval by Applicable Governmental Authorities**

1. **Filing of Reliability Standards for Approval** — Where authorized by applicable legislation or agreement, NERC shall file with the Applicable Governmental Authorities each Reliability Standard, modification to a Reliability Standard, or withdrawal of a Reliability Standard that is adopted by the Board. Each filing shall be in the format required by the Applicable Governmental Authority and shall include: a concise statement of the basis and purpose of the Reliability Standard; the text of the Reliability Standard; the implementation plan for the Reliability Standard; a demonstration that the Reliability Standard meets the essential attributes of Reliability Standards as stated in Section 302; the drafting team roster; the ballot pool and final ballot results; and a discussion of public comments received during the development of the Reliability Standard and the consideration of those comments.
2. **Remanded Reliability Standards and Directives to Develop Standards** — If an Applicable Governmental Authority remands a Reliability Standard to NERC or directs NERC to develop a Reliability Standard, NERC shall within five (5) business days notify all other Applicable Governmental Authorities, and shall within thirty (30) calendar days report to all Applicable Governmental Authorities

a plan and timetable for modification or development of the Reliability Standard. Reliability Standards that are remanded or directed by an Applicable Governmental Authority shall be modified or developed using the *Standard Processes Manual*. NERC shall, during the development of a modification for the remanded Reliability Standard or directed Reliability Standard, consult with other Applicable Governmental Authorities to coordinate any impacts of the proposed Reliability Standards in those other jurisdictions. The expedited standards development process may be applied if necessary to meet a timetable for action required by the Applicable Governmental Authorities, respecting to the extent possible the provisions in the Reliability Standards development process for reasonable notice and opportunity for public comment, due process, openness, and a balance of interest in developing Reliability Standards. If the Board of Trustees determines that the process did not result in a Reliability Standard that addresses a specific matter that is identified in a directive issued by an Applicable Governmental Authority, then Rule 321 of these Rules of Procedure shall apply.

3. **Directives to Develop Reliability Standards under Extraordinary Circumstances** — An Applicable Governmental Authority may, on its own initiative, determine that extraordinary circumstances exist requiring expedited development of a Reliability Standard. In such a case, the Applicable Governmental Authority may direct the development of a Reliability Standard within a certain deadline. NERC staff shall prepare the Standards Authorization Request. The proposed Reliability Standard will then proceed through the Reliability Standards development process, using the expedited action process described in the *Standard Processes Manual* as necessary to meet the specified deadline. The timeline will be developed to respect, to the extent possible, the provisions in the Reliability Standards development process for reasonable notice and opportunity for public comment, due process, openness, and a balance of interests in developing Reliability Standards. If the Board of Trustees determines that the process did not result in a Reliability Standard that addresses a specific matter that is identified in a directive issued by an Applicable Governmental Authority, then Rule 321 of these Rules of Procedure shall apply, with appropriate modification of the timeline.

### **310. Annual Reliability Standards Development Plan**

NERC shall develop and provide an annual Reliability Standards Development Plan for development of Reliability Standards to the Applicable Governmental Authorities. NERC shall consider the comments and priorities of the Applicable Governmental Authorities in developing and updating the annual Reliability Standards Development Plan. Each annual Reliability Standards Development Plan shall include a progress report comparing results achieved to the prior year's Reliability Standards Development Plan.

### **311. Regional Entity Standards Development Procedures**

1. **NERC Approval of Regional Entity Reliability Standards Development Procedure** — To enable a Regional Entity to develop Regional Reliability Standards that are to be recognized and made part of NERC Reliability Standards, a Regional Entity may request NERC to approve a Regional Reliability Standards development procedure.
2. **Public Notice and Comment on Regional Reliability Standards Development Procedure** — Upon receipt of such a request, NERC shall publicly notice and request comment on the proposed Regional Reliability Standards development procedure, allowing a minimum of 45 days for comment. The Regional Entity shall have an opportunity to resolve any objections identified in the comments and may choose to withdraw the request, revise the Regional Reliability Standards development procedure and request another posting for comment, or submit the Regional Reliability Standards development procedure, along with its consideration of any objections received, for approval by NERC.
3. **Evaluation of Regional Reliability Standards Development Procedure** — NERC shall evaluate whether a Regional Reliability Standards development procedure meets the criteria listed below and shall consider stakeholder comments, any unresolved stakeholder objections, and the consideration of comments provided by the Regional Entity, in making that determination. If NERC determines the Regional Reliability Standards development procedure meets these requirements, the Regional Reliability Standards development procedure shall be submitted to the Board for approval. The Board shall consider the recommended action, stakeholder comments, any unresolved stakeholder comments, and the Regional Entity consideration of comments in determining whether to approve the Regional Reliability Standards development procedure.
  - 3.1 **Evaluation Criteria** — The Regional Reliability Standards development procedure shall be:
    - 3.1.1 **Open** — The Regional Reliability Standards development procedure shall provide that any person or entity who is directly and materially affected by the reliability of the Bulk Power Systems within the Regional Entity shall be able to participate in the development and approval of Reliability Standards. There shall be no undue financial barriers to participation. Participation shall not be conditional upon membership in the Regional Entity, a Regional Entity or any organization, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements.
    - 3.1.2 **Inclusive** — The Regional Reliability Standards development procedure shall provide that any Person with a direct and material



interest has a right to participate by expressing an opinion and its basis, having that position considered, and appealing through an established appeals process if adversely affected.

- 3.1.3 **Balanced** — The Regional Reliability Standards development procedure shall have a balance of interests and shall not permit any two interest categories to dominate a matter or any single interest category to defeat a matter.
  - 3.1.4 **Due Process** — The Regional Reliability Standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the Regional Reliability Standards development procedure shall include public notice of the intent to develop a Regional Reliability Standard, a public comment period on the proposed Regional Reliability Standard, due consideration of those public comments, and a ballot of interested stakeholders.
  - 3.1.5 **Transparent** — All actions material to the development of Regional Reliability Standards shall be transparent. All Regional Reliability Standards development meetings shall be open and publicly noticed on the Regional Entity’s website.
  - 3.1.6 **Accreditation of Regional Standards Development Procedure** — A Regional Entity’s Regional Reliability Standards development procedure that is accredited by the American National Standards Institute shall be deemed to meet the criteria listed in this Section 311.3.1, although such accreditation is not a prerequisite for approval by NERC.
  - 3.1.7 **Use of NERC Procedure** — A Regional Entity may adopt the NERC *Standard Processes Manual* as the Regional Reliability Standards development procedure, in which case the Regional Entity’s Regional Reliability Standards development procedure shall be deemed to meet the criteria listed in this Section 311.3.1.
4. **Revisions of Regional Reliability Standards Development Procedures** — Any revision to a Regional Reliability Standards development procedure shall be subject to the same approval requirements set forth in Sections 311.1 through 311.3.
  5. **Duration of Regional Reliability Standards Development Procedures** — The Regional Reliability Standards development procedure shall remain in effect until such time as it is replaced with a new version approved by NERC or it is withdrawn by the Regional Entity. The Regional Entity may, at its discretion, withdraw its Regional Reliability Standards development procedure at any time.

### **312. Regional Reliability Standards**

1. **Basis for Regional Reliability Standards** — Regional Entities may propose Regional Reliability Standards that set more stringent reliability requirements than the NERC Reliability Standard or cover matters not covered by an existing NERC Reliability Standard. Such Regional Reliability Standards shall in all cases be submitted to NERC for adoption and, if adopted, made part of the NERC Reliability Standards and shall be enforceable in accordance with the delegation agreement between NERC and the Regional Entity or other instrument granting authority over enforcement to the Regional Entity. No entities other than NERC and the Regional Entity shall be permitted to develop Regional Reliability Standards that are enforceable under statutory authority delegated to NERC and the Regional Entity.
2. **Regional Reliability Standards That are Directed by a NERC Reliability Standard** — Although it is the intent of NERC to promote uniform Reliability Standards across North America, in some cases it may not be feasible to achieve a reliability objective with a Reliability Standard that is uniformly applicable across North America. In such cases, NERC may direct Regional Entities to develop Regional Reliability Standards necessary to implement a NERC Reliability Standard. Such Regional Reliability Standards that are developed pursuant to a direction by NERC shall be made part of the NERC Reliability Standards.
3. **Procedure for Developing an Interconnection-wide Regional Standard** — A Regional Entity organized on an Interconnection-wide basis may propose a Regional Reliability Standard for approval as a NERC Reliability Standard to be made mandatory for all applicable Bulk Power System owners, operators, and users within that Interconnection.
  - 3.1 **Presumption of Validity** — An Interconnection-wide Regional 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 such other applicable standards of governmental authorities, shall be adopted as a NERC Reliability Standard. NERC shall rebuttably presume that a Regional Reliability Standard developed, in accordance with a Regional Reliability Standards development process 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, and consistent with such other applicable standards of governmental authorities.
  - 3.2 **Notice and Comment Procedure for Interconnection-wide Regional Reliability Standard** — NERC shall publicly notice and request comment on the proposed Interconnection-wide Regional Reliability Standard, allowing a minimum of 45 days for comment. NERC may publicly notice and post for comment the proposed Regional Reliability



Standard concurrent with similar steps in the Regional Entity's Regional Reliability Standards development process. The Regional Entity shall have an opportunity to resolve any objections identified in the comments and may choose to comment on or withdraw the request, revise the proposed Regional Reliability Standard and request another posting for comment, or submit the proposed Regional Reliability Standard along with its consideration of any objections received, for approval by NERC.

- 3.3 **Adoption of Interconnection-wide Regional Reliability Standard by NERC** — NERC shall evaluate and recommend whether a proposed Interconnection-wide Regional Reliability Standard has been developed in accordance with all applicable procedural requirements and whether the Regional Entity has considered and resolved stakeholder objections that could serve as a basis for rebutting the presumption of validity of the Regional Reliability Standard. The Regional Entity, having been notified of the results of the evaluation and recommendation concerning the proposed Regional Reliability Standard, shall have the option of presenting the proposed Regional Reliability Standard to the Board for adoption as a NERC Reliability Standard. The Board shall consider the Regional Entity's request, NERC's recommendation for action on the Regional Reliability Standard, any unresolved stakeholder comments, and the Regional Entity's consideration of comments, in determining whether to adopt the Regional Reliability Standard as a NERC Reliability Standard.
- 3.4 **Applicable Governmental Authority Approval** — An Interconnection-wide Regional Reliability Standard that has been adopted by the Board shall be filed with the Applicable Governmental Authorities for approval, where authorized by applicable legislation or agreement, and shall become effective when approved by such Applicable Governmental Authorities or on a date set by the Applicable Governmental Authorities.
- 3.5 **Enforcement of Interconnection-wide Regional Reliability Standard** — An Interconnection-wide Regional Reliability Standard that has been adopted by the Board and by the Applicable Governmental Authorities or is otherwise made effective within Canada as mandatory within a particular Region shall be applicable and enforced as a NERC Reliability Standard within the Region.
4. **Procedure for Developing Non-Interconnection-Wide Regional Reliability Standards** — Regional Entities that are not organized on an Interconnection-wide basis may propose Regional Reliability Standards to apply within their respective Regions. Such Regional Reliability Standards may be developed through the NERC Reliability Standards development procedure, or alternatively, through a Regional Reliability Standards development procedure that has been approved by NERC.

- 4.1 **No Presumption of Validity** — Regional Reliability Standards that are not proposed to be applied on an Interconnection-wide basis are not presumed to be valid but may be demonstrated by the proponent to be valid.
- 4.2 **Notice and Comment Procedure for Non-Interconnection-wide Regional Reliability Standards** — NERC shall publicly notice and request comment on the proposed Regional Reliability Standard, allowing a minimum of 45 days for comment. NERC may publicly notice and post for comment the proposed Regional Reliability Standard concurrent with similar steps in the Regional Entity’s Regional Reliability Standards development process. The Regional Entity shall have an opportunity to comment on or resolve any objections identified in the comments and may choose to withdraw the request, revise the proposed Regional Reliability Standard and request another posting for comment, or submit the proposed Regional Reliability Standard along with its consideration of any objections received, for adoption by NERC.
- 4.3 **NERC Adoption of Non-Interconnection-wide Regional Reliability Standards** — NERC shall evaluate and recommend whether a proposed non-Interconnection-wide Regional Reliability Standard has been developed in accordance with all applicable procedural requirements and whether the Regional Entity has considered and resolved stakeholder objections. The Regional Entity, having been notified of the results of the evaluation and recommendation concerning proposed Regional Reliability Standard, shall have the option of presenting the proposed Regional Reliability Standard to the Board for adoption as a NERC Reliability Standard. The Board shall consider the Regional Entity’s request, the recommendation for action on the Regional Reliability Standard, any unresolved stakeholder comments, and the Regional Entity’s consideration of comments, in determining whether to adopt the Regional Reliability Standard as a NERC Reliability Standard.
- 4.4 **Applicable Governmental Authority Approval** — A non-Interconnection-wide Regional Reliability Standard that has been adopted by the Board shall be filed with the Applicable Governmental Authorities for approval, where authorized by applicable legislation or agreement, and shall become effective when approved by such Applicable Governmental Authorities or on a date set by the Applicable Governmental Authorities.
- 4.5 **Enforcement of Non-Interconnection-wide Regional Reliability Standards** — A non-Interconnection-wide Regional Reliability Standard that has been adopted by the Board and by the Applicable Governmental Authorities or is otherwise made effective within Canada as mandatory

within a particular Region shall be applicable and enforced as a NERC Reliability Standard within the Region.

5. **Appeals** — A Regional Entity shall have the right to appeal NERC’s decision not to adopt a proposed Regional Reliability Standard or Variance to the Commission or other Applicable Governmental Authority.

**313. Other Regional Criteria, Guides, Procedures, Agreements, Etc.**

1. **Regional Criteria** — Regional Entities may develop Regional Criteria that are necessary to implement, to augment, or to comply with NERC Reliability Standards, but which are not Reliability Standards. Regional Criteria may also address issues not within the scope of Reliability Standards, such as resource adequacy. Regional Criteria may include specific acceptable operating or planning parameters, guides, agreements, protocols or other documents used to enhance the reliability of the Bulk Power System in the Region. These documents typically provide benefits by promoting more consistent implementation of the NERC Reliability Standards within the Region. These documents are not NERC Reliability Standards, Regional Reliability Standards, or regional Variances, and therefore are not enforceable under authority delegated by NERC pursuant to delegation agreements and do not require NERC approval.
2. **Catalog of Regional Criteria** — NERC shall maintain a current catalog of Regional Criteria. Regional Entities shall provide a catalog listing of Regional Criteria to NERC and shall notify NERC of changes to the listing. Regional Entities shall provide any listed document to NERC upon written request.

**314. Conflicts with Statutes, Regulations, and Orders**

**Notice of Potential Conflict** — If a Bulk Power System owner, operator, or user determines that a NERC or Regional Reliability Standard may conflict with a function, rule, order, tariff, rate schedule, legislative requirement or agreement that has been accepted, approved, or ordered by a governmental authority affecting that entity, the entity shall expeditiously notify the governmental authority, NERC, and the relevant Regional Entity of the conflict.

1. **Determination of Conflict** — NERC, upon request of the governmental authority, may advise the governmental authority regarding the conflict and propose a resolution of the conflict, including revision of the Reliability Standard if appropriate.
2. **Regulatory Precedence** — Unless otherwise ordered by a governmental authority, the affected Bulk Power System owner, operator, or user shall continue to follow the function, rule, order, tariff, rate schedule, legislative requirement, or agreement accepted, approved, or ordered by the governmental authority until the

governmental authority finds that a conflict exists and orders a remedy and such remedy is affected.

**315. Revisions to NERC Standard Processes Manual**

Any person or entity may submit a written request to modify NERC *Standard Processes Manual*. Consideration of the request and development of the revision shall follow the process defined in the NERC *Standard Processes Manual*. Upon approval by the Board, the revision shall be submitted to the Applicable Governmental Authorities for approval. Changes shall become effective only upon approval by the Applicable Governmental Authorities or on a date designated by the Applicable Governmental Authorities or as otherwise applicable in a particular jurisdiction.

**316. Accreditation**

NERC shall seek and maintain accreditation of the NERC Reliability Standards development process by the American National Standards Institute.

**317. Five-Year Review of Reliability Standards**

NERC shall complete a review of each NERC Reliability Standard at least once every five years, or such longer period as is permitted by the American National Standards Institute, from the effective date of the Reliability Standard or the latest revision to the Reliability Standard, whichever is later. The review process shall be conducted in accordance with the NERC *Standard Processes Manual*. The standards process manager shall be responsible for administration of the five-year review of Reliability Standards. As a result of this review, the NERC Reliability Standard shall be reaffirmed, revised, or withdrawn. If the review indicates a need to revise or withdraw the Reliability Standard, a request for revision or withdrawal shall be prepared, submitted and addressed in accordance with the NERC *Standard Processes Manual*.

**318. Coordination with the North American Energy Standards Board**

NERC shall maintain a close working relationship with the North American Energy Standards Board and ISO/RTO Council to ensure effective coordination of wholesale electric business practice standards and market protocols with the NERC Reliability Standards.

**319. Archived Standards Information**

NERC shall maintain a historical record of Reliability Standards information that is no longer maintained on-line. For example, Reliability Standards that have been retired may be removed from the on-line system. Archived information shall be retained indefinitely

as practical, but in no case less than six years or one complete Reliability Standards review cycle from the date on which the Reliability Standard was no longer in effect. Archived records of Reliability Standards information shall be available electronically within 30 days following the receipt by the NERC standards information manager of a written request.

**320. Procedure for Developing and Approving Violation Risk Factors and Violation Severity Levels**

1. **Development of Violation Risk Factors and Violation Severity Levels** — NERC shall follow the process for developing Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs) as set forth in the *Standard Processes Manual, Appendix 3A* to these Rules of Procedure.
2. **Remands of Directed Revision of VRFs and VSLs by Applicable Governmental Authorities** — If an Applicable Governmental Authority remands or directs a revision to a Board-approved VRF or VSL assignment, the NERC director of standards, after consulting with the standard drafting team, Standards Committee, and the NERC director of compliance operations, will recommend to the Board one of the following actions: (1) filing a request for clarification; (2) filing for rehearing or for review of the Applicable Governmental Authority decision; or (3) approval of the directed revisions to the VRF or VSL. If and to the extent time is available prior to the deadline for the Board’s decision, an opportunity for interested parties to comment on the action taken will be provided.
3. **Alternative Procedure for Developing and Approving Violation Risk Factors and Violation Severity Levels** — In the event the Reliability Standards development process fails to produce Violation Risk Factors or Violation Severity Levels for a particular Reliability Standard in a timely manner, the Board of Trustees may approve Violation Risk Factors or Violation Severity Levels for that Reliability Standard after notice and opportunity for comment. In approving VRFs and VSLs, the Board shall consider the inputs of the Member Representatives Committee, affected stakeholders and NERC staff.

**321. Special Rule to Address Certain Regulatory Directives**

In circumstances where this Rule 321 applies, the Board of Trustees shall have the authority to take one or more of the actions set out below. The Board of Trustees shall have the authority to choose which one or more of the actions are appropriate to the circumstances and need not take these actions in sequential steps.

1. The Standards Committee shall have the responsibility to ensure that standards drafting teams address specific matters that are identified in directives issued by Applicable Governmental Authorities. If the Board of Trustees is presented with a proposed Reliability Standard that fails to address such directives, the Board of Trustees has the authority to remand, with instructions (including establishing a

timetable for action), the proposed Reliability Standard to the Standards Committee.

2. Upon a written finding by the Board of Trustees that a ballot pool has failed to approve a proposed Reliability Standard that contains a provision to address a specific matter identified in a directive issued by an Applicable Governmental Authority, the Board of Trustees has the authority to remand the proposed Reliability Standard to the Standards Committee, with instructions to (i) convene a public technical conference to discuss the issues surrounding the regulatory directive, including whether or not the proposed Reliability Standard is just, reasonable, not unduly discriminatory or preferential, in the public interest, helpful to reliability, practical, technically sound, technically feasible, and cost-justified; (ii) working with NERC staff, prepare a memorandum discussing the issues, an analysis of the alternatives considered and other appropriate matters; and (iii) re-ballot the proposed Reliability Standard one additional time, with such adjustments in the schedule as are necessary to meet the deadline contained in paragraph 2.1 of this Rule.
  - 2.1 Such a re-ballot shall be completed within forty-five (45) days of the remand. The Standards Committee memorandum shall be included in the materials made available to the ballot pool in connection with the re-ballot.
  - 2.2 In any such re-ballot, negative votes without comments related to the proposal shall be counted for purposes of establishing a quorum, but only affirmative votes and negative votes with comments related to the proposal shall be counted for purposes of determining the number of votes cast and whether the proposed Reliability Standard has been approved.
3. If the re-balloted proposed Reliability Standard achieves at least an affirmative two-thirds majority vote of the weighted Segment votes cast, with a quorum established, then the proposed Reliability Standard shall be deemed approved by the ballot pool and shall be considered by the Board of Trustees for approval.
4. If the re-balloted proposed Reliability Standard fails to achieve at least an affirmative two-thirds majority vote of the weighted Segment votes cast, but does achieve at least a sixty percent affirmative majority of the weighted Segment votes cast, with a quorum established, then the Board of Trustees has the authority to consider the proposed Reliability Standard for approval under the following procedures:
  - 4.1 The Board of Trustees shall issue notice of its intent to consider the proposed Reliability Standard and shall solicit written public comment particularly focused on the technical aspects of the provisions of the proposed Reliability Standard that address the specific matter identified in the regulatory directive, including whether or not the proposed Reliability Standard is just, reasonable, not unduly discriminatory or preferential, in



the public interest, helpful to reliability, practical, technically sound, technically feasible, and cost-justified.

- 4.2 The Board of Trustees may, in its discretion, convene a public technical conference to receive additional input on the matter.
- 4.3 After considering the developmental record, the comments received during balloting and the additional input received under paragraphs 4.1 and 4.2 of this Rule, the Board of Trustees has authority to act on the proposed Reliability Standard.
  - 4.3.1 If the Board of Trustees finds that the proposed Reliability Standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest, considering (among other things) whether it is helpful to reliability, practical, technically sound, technically feasible, and cost-justified, then it has authority to approve the proposed Reliability Standard and direct that it be filed with Applicable Governmental Authorities with a request that it be made effective.
  - 4.3.2 If the Board of Trustees is unable to find that the proposed Reliability Standard is just, reasonable, not unduly discriminatory or preferential, and in the public interest, considering (among other things) whether it is helpful to reliability, practical, technically sound, technically feasible, and cost-justified, then it has authority to treat the proposed Reliability Standard as a draft Reliability Standard and direct that the draft Reliability Standard and complete developmental record, including the additional input received under paragraphs 4.1 and 4.2 of this Rule, be filed with the Applicable Governmental Authorities as a compliance filing in response to the order giving rise to the regulatory directive, along with a recommendation that the Reliability Standard not be made effective and an explanation of the basis for the recommendation.
5. Upon a written finding by the Board of Trustees that standard drafting team has failed to develop, or a ballot pool has failed to approve, a proposed Reliability Standard that contains a provision to address a specific matter identified in a directive issued by an Applicable Governmental Authority, the Board of Trustees has the authority to direct the Standards Committee (with the assistance of stakeholders and NERC staff) to prepare a draft Reliability Standard that addresses the regulatory directive, taking account of the entire developmental record pertaining to the matter. If the Standards Committee fails to prepare such draft Reliability Standard, the Board of Trustees may direct NERC management to prepare such draft Reliability Standard.

- 5.1 The Board of Trustees may, in its discretion, convene a public technical conference to receive input on the matter. The draft Reliability Standard shall be posted for a 45-day public comment period.
- 5.2 If, after considering the entire developmental record (including the comments received under paragraph 5.1 of this Rule), the Board of Trustees finds that the draft Reliability Standard, with such modifications as the Board of Trustees determines are appropriate in light of the comments received, is just, reasonable, not unduly discriminatory or preferential, and in the public interest, considering (among other things) whether it is practical, technically sound, technically feasible, cost-justified and serves the best interests of reliability of the Bulk Power System, then the Board of Trustees has the authority to approve the draft Reliability Standard and direct that the proposed Reliability Standard be filed with Applicable Governmental Authorities with a request that the proposed Reliability Standard be made effective.
- 5.3 If, after considering the entire developmental record (including the comments received under paragraph 5.1 of this Rule), the Board of Trustees is unable to find that the draft Reliability Standard, even with modifications, is just, reasonable, not unduly discriminatory or preferential, and in the public interest, considering (among other things) whether it is practical, technically sound, technically feasible, cost-justified and serves the best interests of reliability of the Bulk Power System, then the Board of Trustees has the authority to direct that the draft Reliability Standard and complete developmental record be filed as a compliance filing in response to the regulatory directive with the Applicable Governmental Authority issuing the regulatory directive, with a recommendation that the draft Reliability Standard not be made effective.
- 5.4 The filing of the Reliability Standard under either paragraph 5.2 or paragraph 5.3 of this Rule shall include an explanation of the basis for the decision by the Board of Trustees.
- 5.5 A Reliability Standard approved under paragraph 5 of this Rule shall not be eligible for submission as an American National Standard.
6. NERC shall on or before March 31<sup>st</sup> of each year file a report with Applicable Governmental Authorities on the status and timetable for addressing each outstanding directive to address a specific matter received from an Applicable Governmental Authority.



## SECTION 400 — COMPLIANCE ENFORCEMENT

### 401. Scope of the NERC Compliance Monitoring and Enforcement Program

1. **Components of the NERC Compliance Monitoring and Enforcement Program** — NERC shall develop and implement a NERC Compliance Monitoring and Enforcement Program to promote the reliability of the Bulk Power System by enforcing compliance with approved Reliability Standards in those regions of North America in which NERC and/or a Regional Entity (pursuant to a delegation agreement with NERC that has been approved by the Applicable Governmental Authority) has been given enforcement authority. There are four distinct parts of the NERC Compliance Monitoring and Enforcement Program: (1) NERC's oversight of the Regional Entity Compliance Monitoring and Enforcement Programs (Section 402), (2) the definition of the required Regional Entity Compliance Monitoring and Enforcement Program attributes (Section 403), (3) NERC's monitoring of Regional Entity compliance with Reliability Standards (Section 404), and (4) the monitoring of compliance with Reliability Standards that are applicable to NERC (Sections 405–406).
2. **Who Must Comply** — Where required by applicable legislation, regulation, rule or agreement, all Bulk Power System owners, operators, and users, Regional Entities, and NERC, are required to comply with all approved NERC Reliability Standards at all times. Regional Reliability Standards and Variances approved by NERC and the Applicable Governmental Authority shall be considered NERC Reliability Standards and shall apply to all Bulk Power System owners, operators, or users responsible for meeting those Reliability Standards within the Regional Entity boundaries, whether or not the Bulk Power System owner, operator, or user is a member of the Regional Entity.
3. **Data Access** — All Bulk Power System owners, operators, and users shall provide to NERC and the applicable Regional Entity such information as is necessary to monitor compliance with the Reliability Standards. NERC and the applicable Regional Entity will define the data retention and reporting requirements in the Reliability Standards and compliance reporting procedures.
4. **Role of Regional Entities in the Compliance Monitoring and Enforcement Program** — Each Regional Entity that has been delegated authority through a delegation agreement or other legal instrument approved by the Applicable Governmental Authority shall, in accordance with the terms of the approved delegation agreement, administer a Regional Entity Compliance Monitoring and Enforcement program to meet the NERC Compliance Monitoring and Enforcement Program goals and the requirements in this Section 400.
5. **Program Continuity** — NERC will ensure continuity of compliance monitoring and enforcement within the geographic boundaries of a Regional Entity in the event that NERC does not have a delegation agreement, or the Regional Entity withdraws from the agreement or does not operate its Compliance Monitoring and Enforcement Program in accordance with the delegation agreement or other applicable requirements.

- 5.1 Should NERC not have a delegation agreement with a Regional Entity covering a geographic area, or a Regional Entity withdraws from an existing delegation agreement or the delegation agreement is otherwise terminated, NERC will directly administer the Compliance Monitoring and Enforcement Program applicable to owners, operators and users of the Bulk Power System within that geographic area.
  1. This monitoring and enforcement will be accomplished by NERC and Compliance Staff from another approved Regional Entity.
  2. If an existing delegation agreement with a Regional Entity is terminating, the Regional Entity shall promptly provide to NERC all relevant compliance information regarding Registered Entities, contacts, prior compliance information and actions, Mitigation Plans, and Remedial Action Directives for the period in which the Regional Entity was responsible for administering the Compliance Monitoring and Enforcement Program.
  3. NERC will levy and collect all Penalties directly and will utilize any Penalty monies collected to offset the expenses of administering the Compliance Monitoring and Enforcement Program for the geographic area.
- 5.2 Should a Regional Entity seek to withdraw from its delegation agreement, NERC will seek agreement from another Regional Entity to amend its delegation agreement with NERC to extend that Regional Entity's boundaries for compliance monitoring and enforcement. In the event no Regional Entity is willing to accept this responsibility, NERC will administer the Compliance Monitoring and Enforcement Program within the geographical boundaries of the Regional Entity seeking to withdraw from the delegation agreement, in accordance with Section 401.5.1.
6. **Actively Monitored Requirements** — NERC, with input from the Regional entities, stakeholders, and regulators, shall annually select a subset of the NERC Reliability Standards and Requirements to be actively monitored and audited in the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan. Compliance is required, and NERC and the Regional Entities have authority to monitor compliance, with all NERC Reliability Standards whether or not they are included in the subset of Reliability Standards and Requirements designated to be actively monitored and audited in the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan.
7. **Penalties, Sanctions, and Remedial Action Directives** — NERC and Regional Entities will apply Penalties, sanctions, and Remedial Action Directives that bear a reasonable relation to the seriousness of a violation and take into consideration timely remedial efforts as defined in the NERC *Sanction Guidelines*, which is incorporated into these rules as **Appendix 4B**.
8. **Multiple Enforcement Actions** – A Registered Entity shall not be subject to an enforcement action by NERC and a Regional Entity, or by more than one

Regional Entity (unless the Registered Entity is registered in more than one Region in which the violation occurred), for the same violation.

9. **Records** — NERC shall maintain a record of each compliance submission, including Self-Reported, Possible, Alleged, and Confirmed Violations of approved Reliability Standards; associated Penalties, sanctions, Remedial Action Directives and settlements; and the status of mitigation actions.
10. **Confidential Information** — NERC will treat all Possible and Alleged Violations of Reliability Standards and matters related to a Compliance Monitoring and Enforcement Program process, including the status of any Compliance Investigation or other Compliance Monitoring and Enforcement Program process, as confidential in accordance with Section 1500.

The types of information that will be considered confidential and will not (subject to statutory and regulatory requirements) be disclosed in any public information reported by NERC are identified in Section 1500. Information that would jeopardize Bulk Power System reliability, including information relating to a Cyber Security Incident, will be identified and protected from public disclosure as Critical Energy Infrastructure Information in accordance with Section 1500.

The Regional Entity and NERC shall give Bulk Power System owners, operators, and users a reasonable opportunity to demonstrate that information concerning a violation is confidential before such report is disclosed to the public.

11. **Public Posting** — When the affected Bulk Power System owner, operator, or user either agrees with a Possible or Alleged Violation(s) of a Reliability Standard(s) or a report of a Compliance Audit or Compliance Investigation, or enters into a settlement agreement concerning a Possible or Alleged Violation(s), or the time for submitting an appeal is passed, or all appeals processes are complete, NERC shall, subject to the confidentiality requirements of these Rules of Procedure, publicly post each Confirmed Violation, Penalty or sanction, settlement agreement, and final Compliance Audit or Compliance Investigation report, on its website.

11.1 Each Bulk Power System owner, operator, or user may provide NERC with a statement to accompany the Confirmed Violation or report to be posted publicly. The statement must be on company letterhead and include a signature, as well as the name and title of the person submitting the information.

11.2 In accordance with Section 1500, information deemed by a Bulk Power System owner, operator, or user, Regional Entity, or NERC as Critical Energy Infrastructure Information (*NERC Security Guidelines for the Electricity Sector — Protecting Potentially Sensitive Information* may be used as a guide) or other Confidential Information shall be redacted in accordance with Section 1500 and not be released publicly.

11.3 Subject to redaction of Critical Energy Infrastructure Information or other Confidential Information, for each Confirmed Violation or settlement relating to a Possible Violation or an Alleged Violation, the public posting shall include the name of any relevant entity, the nature, time period, and circumstances of such Possible, Alleged or Confirmed Violation, any Mitigation Plan or other Mitigating Activities to be implemented by the Registered Entity in connection with the Confirmed Violation or settlement, and sufficient facts to assist owners, operators and users of the Bulk Power System to evaluate whether they have engaged in or are engaging in similar activities.

12. **Violation Information Review** — NERC Compliance Staff shall periodically review and analyze all reports of Possible, Alleged and Confirmed Violations to identify trends and other pertinent reliability issues.

**402. NERC Oversight of the Regional Entity Compliance Monitoring and Enforcement Programs**

1. **NERC Monitoring Program** — NERC shall have a program to monitor the Compliance Monitoring and Enforcement Program of each Regional Entity that has been delegated authority. The objective of this monitoring program shall be to ensure that the Regional Entity carries out its Compliance Monitoring and Enforcement Program in accordance with these Rules of Procedure and the terms of the delegation agreement, and to ensure consistency and fairness of the Regional Entity's Compliance Monitoring and Enforcement Program. Oversight and monitoring by NERC shall be accomplished through an annual Compliance Monitoring and Enforcement Program review, program audits, and regular evaluations of Regional Entity Compliance Monitoring and Enforcement Program performance as described below.

1.1 **NERC Review of Annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plans** — NERC shall require each Regional Entity to submit for review and approval an annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan. NERC shall review each annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan and shall accept the plan if it meets NERC requirements and the requirements of the delegation agreement.

1.2 **Regional Entity Compliance Monitoring and Enforcement Program Evaluation** — NERC shall annually evaluate the goals, tools, and procedures of each Regional Entity Compliance Monitoring and Enforcement Program to determine the effectiveness of each Regional Entity Compliance Monitoring and Enforcement Program, using criteria developed by the NERC Compliance and Certification Committee.

1.3 **Regional Entity Compliance Monitoring and Enforcement Program Audit** — At least once every five years, NERC shall conduct an audit to evaluate how each Regional Entity Compliance Monitoring and

Enforcement Program implements the NERC Compliance Monitoring and Enforcement Program. The evaluation shall be based on these Rules of Procedure, including Appendix 4C, the delegation agreement, directives in effect pursuant to the delegation agreement, approved annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plans, required Compliance Monitoring and Enforcement Program attributes, and the NERC Compliance Monitoring and Enforcement Program procedures. These evaluations shall be provided to the Applicable Governmental Authorities to demonstrate the effectiveness of each Regional Entity. In addition, audits of Cross-Border Regional Entities shall cover applicable requirements imposed on the Regional Entity by statute, regulation, or order of, or agreement with, provincial governmental and/or regulatory authorities for which NERC has auditing responsibilities over the Regional Entity's compliance with such requirements within Canada or Mexico. Participation of a representative of an Applicable Governmental Authority shall be subject to the limitations of sections 3.1.6 and 8.0 of Appendix 4C of these Rules of Procedure regarding disclosures of non-public compliance information related to other jurisdictions. NERC shall maintain an audit procedure containing the requirements, steps, and timelines to conduct an audit of each Regional Entity Compliance Monitoring and Enforcement Program. The current procedure is contained in the NERC Audit of Regional Entity Compliance Programs, which is incorporated into these rules as **Appendix 4A**.

1.3.1. NERC shall establish a program to audit bulk power system owners, operators, and users operating within a regional entity to verify the findings of previous compliance audits conducted by the regional entity to evaluate how well the regional entity compliance enforcement program is meeting its delegated authority and responsibility.

1.4 Applicable Governmental Authorities will be allowed to participate as an observer in any audit conducted by NERC of a Regional Entity's Compliance Monitoring and Enforcement Program. A representative of the Regional Entity being audited will be allowed to participate in the audit as an observer.

2. **Consistency Among Regional Compliance Monitoring and Enforcement Programs** — To provide for a consistent Compliance Monitoring and Enforcement Program for all Bulk Power System owners, operators, and users required to comply with approved Reliability Standards, NERC shall maintain a single, uniform Compliance Monitoring and Enforcement Program, which is incorporated into these rules of procedure as **Appendix 4C**. Any differences in Regional Entity Compliance Monitoring and Enforcement Program methods, including determination of violations and Penalty assessment, shall be justified on a case-by-case basis and fully documented in each Regional Entity delegation agreement.

- 2.1 NERC shall ensure that each of the Regional Entity Compliance Monitoring and Enforcement Programs meets these Rules of Procedure, including **Appendix 4C**, and follows the terms of the delegation agreement and the approved annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan.
- 2.2 NERC shall maintain a single, uniform Compliance Monitoring and Enforcement Program in **Appendix 4C** containing the procedures to ensure the consistency and fairness of the processes used to determine Regional Entity Compliance Monitoring and Enforcement Program findings of compliance and noncompliance, and the application of Penalties and sanctions.
- 2.3 NERC shall periodically conduct Regional Entity compliance manager forums. These forums shall use the results of Regional Entity Compliance Monitoring and Enforcement Program audits and findings of NERC Compliance Staff to identify and refine Regional Entity Compliance Monitoring and Enforcement Program differences into a set of best practices over time.
3. **Information Collection and Reporting** — NERC and the Regional Entities shall implement data management procedures that address data reporting requirements, data integrity, data retention, data security, and data confidentiality.
4. **Violation Disclosure** — NERC shall disclose all Confirmed Violations and maintain as confidential Possible Violations and Alleged Violations, according to the reporting and disclosure process in **Appendix 4C**.
5. **Authority to Determine Noncompliance, Levy Penalties and Sanctions, and Issue Remedial Action Directives** — NERC and Regional Entity Compliance Staff shall have the authority and responsibility to make initial determinations of compliance or noncompliance, and where authorized by the Applicable Governmental Authorities or where otherwise authorized, to determine Penalties and sanctions for noncompliance with a Reliability Standard, and issue Remedial Action Directives. Regional Entity boards or a compliance panel reporting directly to the Regional Entity board will be vested with the authority for the overall Regional Entity Compliance Monitoring and Enforcement Program and have the authority to impose Penalties and sanctions on behalf of NERC, where authorized by applicable legislation or agreement. Remedial Action Directives may be issued by NERC or a Regional Entity that is aware of a Bulk Power System owner, operator, or user that is, or is about to engage in an act or practice that would result, in noncompliance with a Reliability Standard, where such Remedial Action Directive is immediately necessary to protect the reliability of the Bulk Power System from an imminent or actual threat. If, after receiving such a Remedial Action Directive, the Bulk Power System owner, operator, or user does not take appropriate action to avert a violation of a Reliability Standard,



NERC may petition the Applicable Governmental Authority to issue a compliance order.

6. **Due Process** — NERC shall establish and maintain a fair, independent, and nondiscriminatory appeals process. The appeals process is set forth in Sections 408-410. The process shall allow Bulk Power System owners, operators, and users to appeal the Regional Entity's findings of noncompliance and to appeal Penalties, sanctions, and Remedial Action Directives that are levied by the Regional Entity. Appeals beyond the NERC process will be heard by the Applicable Governmental Authority.

The appeals process will also allow for appeals to NERC of any findings of noncompliance issued by NERC to a Regional Entity for Reliability Standards and Requirements where the Regional Entity is monitored for compliance to a Reliability Standard. No monetary Penalties will be levied in these matters; however sanctions, remedial actions, and directives to comply may be applied by NERC.

7. **Conflict Disclosure** — NERC shall disclose to the appropriate governmental authorities any potential conflicts between a market rule and the enforcement of a Regional Reliability Standard.

8. **Confidentiality** — To maintain the integrity of the NERC Compliance Monitoring and Enforcement Program, NERC and Regional Entity staff, Compliance Audit team members, and committee members shall maintain the confidentiality of information obtained and shared during compliance monitoring and enforcement processes including Compliance Investigations, Compliance Audits, Spot Checks, drafting of reports, appeals, and closed meetings.

- 8.1 NERC and the Regional Entity shall have in place appropriate codes of conduct and confidentiality agreements for staff and other Compliance Monitoring and Enforcement Program participants.

- 8.2 Individuals not bound by NERC or Regional Entity codes of conduct who serve on compliance-related committees or Compliance Audit teams shall sign a NERC confidentiality agreement prior to participating on the committee or Compliance Audit team.

- 8.3 Information deemed by a Bulk Power System owner, operator, or user, Regional Entity, or NERC as Critical Energy Infrastructure Information shall not be distributed outside of a committee or team, nor released publicly. Other information subject to confidentiality is identified in Section 1500.

- 8.4 In the event that a staff, committee, or Compliance Audit team member violates any of the confidentiality rules set forth above, the staff, committee, or Compliance Audit team member and any member organization with which the individual is associated may be subject to

appropriate action by the Regional Entity or NERC, including prohibiting participation in future Compliance Monitoring and Enforcement Program activities.

9. **Auditor Training** — NERC shall develop and provide training in auditing skills to all people who participate in NERC and Regional Entity Compliance Audits. Training for NERC and Regional Entity personnel and others who serve as Compliance Audit team leaders shall be more comprehensive than training given to industry subject matter experts and Regional Entity members. Training for Regional Entity members may be delegated to the Regional Entity.

#### **403. Required Attributes of Regional Entity Compliance Monitoring and Enforcement Programs**

Each Regional Entity Compliance Monitoring and Enforcement Program shall promote excellence in the enforcement of Reliability Standards. To accomplish this goal, each Regional Entity Compliance Monitoring and Enforcement Program shall (i) conform to and comply with the NERC uniform Compliance Monitoring and Enforcement Program, **Appendix 4C** to these Rules of Procedure, except to the extent of any deviations that are stated in the Regional Entity's delegation agreement, and (ii) meet all of the attributes set forth in this Section 403.

##### **Program Structure**

1. **Independence** — Each Regional Entity's governance of its Compliance Monitoring and Enforcement Program shall exhibit independence, meaning the Compliance Monitoring and Enforcement Program shall be organized so that its compliance monitoring and enforcement activities are carried out separately from other activities of the Regional Entity. The Compliance Monitoring and Enforcement Program shall not be unduly influenced by the Bulk Power System owners, operators, and users being monitored or other Regional Entity activities that are required to meet the Reliability Standards. Regional Entities must include rules providing that no two industry sectors may control any decision and no single segment may veto any matter related to compliance.
2. **Exercising Authority** — Each Regional Entity Compliance Monitoring and Enforcement Program shall exercise the responsibility and authority in carrying out the delegated functions of the NERC Compliance Monitoring and Enforcement Program in accordance with delegation agreements and **Appendix 4C**. These functions include but are not limited to: data gathering, data reporting, Compliance Investigations, Compliance Audit activities, evaluating compliance and noncompliance, imposing Penalties and sanctions, and approving and tracking mitigation actions.
3. **Delegation of Authority** — To maintain independence, fairness, and consistency in the NERC Compliance Monitoring and Enforcement Program, a Regional Entity shall not sub-delegate its Compliance Monitoring and Enforcement Program duties to entities or persons other than the Regional Entity Compliance Staff, unless (i) required by statute or regulation in the applicable jurisdiction, or



(ii) by agreement with express approval of NERC and of FERC or other Applicable Governmental Authority, to another Regional Entity.

4. **Hearings of Contested Findings or Sanctions** — The Regional Entity board or compliance panel reporting directly to the Regional Entity board (with appropriate recusal procedures) will be vested with the authority for conducting compliance hearings in which any Bulk Power System owner, operator, or user provided a Notice of Alleged Violation may present facts and other information to contest a Notice of Alleged Violation or any proposed Penalty, sanction, any Remedial Action Directive, or any Mitigation Plan component. Compliance hearings shall be conducted in accordance with the Hearing Procedures set forth in Attachment 2 to **Appendix 4C**. If a stakeholder body serves as the Hearing Body, no two industry sectors may control any decision and no single segment may veto any matter related to compliance after recusals.

### **Program Resources**

5. **Regional Entity Compliance Staff** — Each Regional Entity shall have sufficient resources to meet delegated compliance monitoring and enforcement responsibilities, including the necessary professional staff to manage and implement the Regional Entity Compliance Monitoring and Enforcement Program.
6. **Regional Entity Compliance Staff Independence** — The Regional Entity Compliance Staff shall be capable of and required to make all determinations of compliance and noncompliance and determine Penalties, sanctions, and Remedial Action Directives and to review and accept Mitigation Plans and other Mitigating Activities.
  - 6.1 Regional Entity Compliance Staff shall not have a conflict of interest, real or perceived, in the outcome of compliance monitoring and enforcement processes, reports, or sanctions. The Regional Entity shall have in effect a conflict of interest policy.
  - 6.2 Regional Entity Compliance Staff shall have the authority and responsibility to carry out compliance monitoring and enforcement processes (with the input of industry subject matter experts), make determinations of compliance or noncompliance, and levy Penalties and sanctions without interference or undue influence from Regional Entity members and their representative or other industry entities.
  - 6.3 Regional Entity Compliance Staff may call upon independent technical subject matter experts who have no conflict of interest in the outcome of the compliance monitoring and enforcement process to provide technical advice or recommendations in the determination of compliance or noncompliance.
  - 6.4 Regional Entity Compliance Staff shall abide by the confidentiality requirements contained in Section 1500 and **Appendix 4C** of these Rules of Procedure, the NERC delegation agreement and other confidentiality

agreements required by the NERC Compliance Monitoring and Enforcement Program.

- 6.5 Contracting with independent consultants or others working for the Regional Entity Compliance Monitoring and Enforcement Program shall be permitted provided the individual has not received compensation from a Bulk Power System owner, operator, or user being monitored for a period of at least the preceding six months and owns no financial interest in any Bulk Power System owner, operator, or user being monitored for compliance to the Reliability Standard, regardless of where the Bulk Power System owner, operator, or user operates. Any such individuals for the purpose of these Rules of Procedure shall be considered as augmenting Regional Entity Compliance Staff.

**7. Use of Industry Subject Matter Experts and Regional Entity Members —** Industry experts and Regional Entity members may be called upon to provide their technical expertise in Compliance Monitoring and Enforcement Program activities.

- 7.1 The Regional Entity shall have procedures defining the allowable involvement of industry subject matter experts and Regional Entity members. The procedures shall address applicable antitrust laws and conflicts of interest.
- 7.2 Industry subject matter experts and Regional Entity members shall have no conflict of interest or financial interests in the outcome of their activities.
- 7.3 Regional Entity members and industry subject matter experts, as part of teams or Regional Entity committees, may provide input to the Regional Entity Compliance Staff so long as the authority and responsibility for (i) evaluating and determining compliance or noncompliance and (ii) levying Penalties, sanctions, or Remedial Action Directives shall not be delegated to any person or entity other than the Compliance Staff of the Regional Entity. Industry subject matter experts, Regional Entity members, or Regional Entity committees shall not make determinations of noncompliance or levy Penalties, sanctions, or Remedial Action Directives. Any committee involved shall be organized so that no two industry sectors may control any decision and no single segment may veto any matter related to compliance.
- 7.4 Industry subject matter experts and Regional Entity members shall sign a confidentiality agreement appropriate for the activity being performed.
- 7.5 All industry subject matter experts and Regional Entity members participating in Compliance Audits and Compliance Investigations shall successfully complete auditor training provided by NERC or the Regional Entity prior to performing these activities

## **Program Design**

8. **Regional Entity Compliance Monitoring and Enforcement Program Content** — All approved Reliability Standards shall be included in the Regional Entity Compliance Monitoring and Enforcement Program for all Bulk Power System owners, operators, and users within the defined boundaries of the Regional Entity. Compliance to approved Regional Reliability Standards is applicable only within the Region of the Regional Entity that submitted those particular Regional Reliability Standards for approval. NERC will identify the minimum set of Reliability Standards and Requirements to be actively monitored by the Regional Entity in a given year.
9. **Antitrust Provisions** — Each Regional Entity's Compliance Monitoring and Enforcement Program shall be structured and administered to abide by U.S. antitrust law and Canadian competition law.
10. **Information Submittal** — All Bulk Power System owners, operators, and users within the Regional Entity responsible for complying with Reliability Standards shall submit timely and accurate information when requested by the Regional Entity or NERC. NERC and the Regional Entities shall preserve any mark of confidentiality on information submitted pursuant to Section 1502.1.
  - 10.1 Each Regional Entity has the authority to collect the necessary information to determine compliance and shall develop processes for gathering data from the Bulk Power System owners, operators, and users the Regional Entity monitors.
  - 10.2 The Regional Entity or NERC has the authority to request information from Bulk Power System owners, operators, and users pursuant to Section 401.3 or this Section 403.10 without invoking a specific compliance monitoring and enforcement process in **Appendix 4C**, for purposes of determining whether to pursue one such process in a particular case and/or validating in the enforcement phase of a matter the conclusions reached through the compliance monitoring and enforcement process(es).
  - 10.3 When required or requested, the Regional Entities shall report information to NERC promptly and in accordance with **Appendix 4C** and other NERC procedures.
  - 10.4 Regional Entities shall notify NERC of all Possible, Alleged and Confirmed Violations of NERC Reliability Standards by Registered Entities over which the Regional Entity has compliance monitoring and enforcement authority, in accordance with **Appendix 4C**.
  - 10.5 A Bulk Power System owner, operator, or user found in noncompliance with a Reliability Standard shall submit a Mitigation Plan with a timeline addressing how the noncompliance will be corrected, unless an enforcement process is used that does not require a Mitigation Plan. The

Regional Entity Compliance Staff shall review and accept the Mitigation Plan in accordance with **Appendix 4C**.

10.6 An officer of a Bulk Power System owner, operator, or user shall certify as accurate all compliance data Self-Reported to the Regional Entity Compliance Monitoring and Enforcement Program.

10.7 Regional Entities shall develop and implement procedures to verify the compliance information submitted by Bulk Power System owners, operators, and users.

11. **Compliance Audits of Bulk Power System Owners, Operators, and Users** — Each Regional Entity will maintain and implement a program of proactive Compliance Audits of Bulk Power System owners, operators, and users responsible for complying with Reliability Standards, in accordance with **Appendix 4C**. A Compliance Audit is a process in which a detailed review of the activities of a Bulk Power System owner, operator, or user is performed to determine if that Bulk Power System owner, operator, or user is complying with approved Reliability Standards.

11.1 For an entity registered as a Balancing Authority, Reliability Coordinator, or Transmission Operator, the Compliance Audit will be performed at least once every three years. For other Bulk Power System owners, operators, and users on the NERC Compliance Registry, Compliance Audits shall be performed on a schedule established by NERC.

11.2 Compliance Audits of Balancing Authorities, Reliability Coordinators, and Transmission Operators will include a component at the audited entity's site. For other Bulk Power System owners, operators, and users on the NERC Compliance Registry, the Compliance Audit may be either an on-site Compliance Audit or based on review of documents, as determined to be necessary and appropriate by NERC or Regional Entity Compliance Staff.

11.3 Compliance Audits must include a detailed review of the activities of the Bulk Power System owner, operator, or user to determine if the Bulk Power System owner, operator, or user is complying with all approved Reliability Standards identified for audit by NERC. The Compliance Audit shall include a review of supporting documentation and evidence used by the Bulk Power System owner, operator or user to demonstrate compliance for an appropriate period prior to the Compliance Audit.

12. **Confidentiality of Compliance Monitoring and Enforcement Processes** — All compliance monitoring and enforcement processes, and information obtained from such processes, are to be non-public and treated as confidential in accordance with Section 1500 and **Appendix 4C** of these Rules of Procedure, unless NERC, the Regional Entity or FERC or another Applicable Governmental

Authority with jurisdiction determines a need to conduct a Compliance Monitoring and Enforcement Program process on a public basis, provided, that NERC and the Regional Entities shall publish (i) schedules of Compliance Audits scheduled in each year, (ii) a public report of each Compliance Audit, and (iii) Notices of Penalty and settlement agreements. Advance authorization from the Applicable Governmental Authority is required to make public any compliance monitoring and enforcement process or any information relating to a compliance monitoring and enforcement process, or to permit interventions when determining whether to impose a Penalty. This prohibition on making public any compliance monitoring and enforcement process does not prohibit NERC or a Regional Entity from publicly disclosing (i) the initiation of or results from an analysis of a significant system event under Section 807 or of off-normal events or system performance under Section 808, or (ii) information of general applicability and usefulness to owners, operators, and users of the Bulk Power System concerning reliability and compliance matters, so long as specific allegations or conclusions regarding Possible or Alleged Violations of Reliability Standards are not included in such disclosures.

13. **Critical Energy Infrastructure Information** — Information that would jeopardize Bulk Power System reliability, including information relating to a Cyber Security Incident will be identified and protected from public disclosure as Critical Energy Infrastructure Information. In accordance with Section 1500, information deemed by a Bulk Power System owner, operator, or user, Regional Entity, or NERC as Critical Energy Infrastructure Information shall be redacted according to NERC procedures and shall not be released publicly.
14. **Penalties, Sanctions, and Remedial Action Directives** — Each Regional Entity will apply all Penalties, sanctions, and Remedial Action Directives in accordance with the approved *Sanction Guidelines*, **Appendix 4B** to these Rules of Procedure. Any changes to the *Sanction Guidelines* to be used by any Regional Entity must be approved by NERC and submitted to the Applicable Governmental Authority for approval. All Confirmed Violations, Penalties, and sanctions, including Confirmed Violations, Penalties and sanctions specified in a Regional Entity Hearing Body decision, will be provided to NERC for review and filing with Applicable Governmental Authorities as a Notice of Penalty, in accordance with **Appendix 4C**.
15. **Regional Entity Hearing Process** — Each Regional Entity Compliance Monitoring and Enforcement Program shall establish and maintain a fair, independent, and nondiscriminatory process for hearing contested violations and any Penalties or sanctions levied, in conformance with Attachment 2 to **Appendix 4C** to these Rules of Procedure and any deviations therefrom that are set forth in the Regional Entity's delegation agreement. The hearing process shall allow Bulk Power System owners, operators, and users to contest findings of compliance violations, any Penalties and sanctions that are proposed to be levied, proposed Remedial Action Directives, and components of proposed Mitigation Plans. The Regional Entity hearing process shall be conducted before the Regional Entity

board or a balanced committee established by and reporting to the Regional Entity board as the final adjudicator at the Regional Entity level, provided, that Canadian provincial regulators may act as the final adjudicator in their respective jurisdictions. The Regional Entity hearing process shall (i) include provisions for recusal of any members of the Hearing Body with a potential conflict of interest, real or perceived, from all compliance matters considered by the Hearing Body for which the potential conflict of interest exists and (ii) provide that no two industry sectors may control any decision and no single segment may veto any matter brought before the Hearing Body after recusals.

Each Regional Entity will notify NERC of all hearings and NERC may observe any of the proceedings. Each Regional Entity will notify NERC of the outcome of all hearings.

If a Bulk Power System owner, operator, or user or a Regional Entity has completed the Regional Entity hearing process and desires to appeal the outcome of the hearing, the Bulk Power System owner, operator, or user or the Regional Entity shall appeal to NERC in accordance with Section 409 of these Rules of Procedure, except that a determination of violation or Penalty that has been directly adjudicated by an Applicable Governmental Authority shall be appealed with that Applicable Governmental Authority.

16. **Annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan** — Each Regional Entity shall annually develop and submit to NERC for approval a Regional Entity Compliance Monitoring and Enforcement Implementation Plan in accordance with **Appendix 4C** that identifies the Reliability Standards and Requirements to be actively monitored (both those required by NERC and any additional Reliability Standards the Regional Entity proposes to monitor), and how each NERC and Regional Entity identified Reliability Standard will be monitored, evaluated, reported, sanctioned, and appealed. These Regional Implementation Plans will be submitted to NERC on the schedule established by NERC, generally on or about October 1 of the preceding year. In conjunction with the annual Regional Implementation Plan, each Regional Entity must report to NERC regarding how it carried out its delegated compliance monitoring and enforcement authority in the previous year, the effectiveness of the Compliance Monitoring and Enforcement Program, and changes expected to correct any deficiencies identified. Each Regional Entity will provide its annual report on the schedule established by NERC, generally on or about February 15 of the following year.

**404. NERC Monitoring of Compliance for Regional Entities or Bulk Power Owners, Operator, or Users**

NERC shall monitor Regional Entity compliance with NERC Reliability Standards and, if no there is no delegation agreement in effect with a Regional Entity for the geographic area, shall monitor Bulk Power System owners, operators, and users for compliance with NERC Reliability Standards. Industry subject matter experts may be used as appropriate in Compliance Investigations, Compliance Audits, and other Compliance Monitoring and



Enforcement Program activities, subject to confidentiality, antitrust, and conflict of interest provisions.

1. **NERC Obligations** — NERC Compliance Staff shall monitor the compliance of the Regional Entity with the Reliability Standards for which the Regional Entities are responsible, in accordance with **Appendix 4C**. NERC shall actively monitor in its annual Compliance Enforcement and Monitoring Program selected Reliability Standards that apply to the Regional Entities. NERC shall evaluate compliance and noncompliance with all of the Reliability Standards that apply to the Regional Entities and shall impose sanctions, Penalties, or Remedial Action Directives when there is a finding of noncompliance. NERC shall post all violations of Reliability Standards that apply to the Regional Entities as described in the reporting and disclosure process in **Appendix 4C**.

In addition, NERC will directly monitor Bulk Power System owners, operators, and users for compliance with NERC Reliability Standards in any geographic area for which there is not a delegation agreement in effect with a Regional Entity, in accordance with **Appendix 4C**. In such cases, NERC will serve as the Compliance Enforcement Authority described in **Appendix 4C**. Compliance matters contested by Bulk Power System owners, operators, and users in such an event will be heard by the NERC Compliance and Certification Committee.

2. **Compliance Audit of the Regional Entity** — NERC shall perform a Compliance Audit of each Regional Entity responsible for complying with Reliability Standards at least once every three years. NERC shall make an evaluation of compliance based on the information obtained through the Compliance Audit. After due process is complete, the final Compliance Audit report shall be made public in accordance with the reporting and disclosure process in **Appendix 4C**.
3. **Appeals Process** — Any Regional Entity or Bulk Power System owner, operator or user found by NERC, as opposed to a Regional Entity, to be in noncompliance with a Reliability Standard may appeal the findings of noncompliance with Reliability Standards and any sanctions or Remedial Action Directives that are issued by, or Mitigation Plan components imposed by, NERC, pursuant to the processes described in Sections 408 through 410.

#### **405. Monitoring of Reliability Standards and Other Requirements Applicable to NERC**

The NERC Compliance and Certification Committee shall establish and implement a process to monitor NERC's compliance with the Reliability Standards that apply to NERC. The process shall use independent monitors with no conflict of interest, real or perceived, in the outcomes of the process. All violations shall be made public according to the reporting and disclosure process in **Appendix 4C**. The Compliance and Certification Committee will also establish a procedure for monitoring NERC's compliance with its Rules of Procedure for the Standards Development, Compliance Monitoring and Enforcement, and Organization Registration and Certification Programs. Such procedures shall not be used to circumvent the appeals processes established for those programs.

**406. Independent Audits of the NERC Compliance Monitoring and Enforcement Program**

NERC shall provide for an independent audit of its Compliance Monitoring and Enforcement Program at least once every three years, or more frequently as determined by the Board. The audit shall be conducted by independent expert auditors as selected by the Board. The independent audit shall meet the following minimum requirements and any other requirements established by the NERC Board.

1. **Effectiveness** — The audit shall evaluate the success and effectiveness of the NERC Compliance Monitoring and Enforcement Program in achieving its mission.
2. **Relationship** — The audit shall evaluate the relationship between NERC and the Regional Entity Compliance Monitoring and Enforcement Programs and the effectiveness of the programs in ensuring reliability.
3. **Final Report Posting** — The final report shall be posted by NERC for public viewing in accordance with **Appendix 4C**.
4. **Response to Recommendations** — If the audit report includes recommendations to improve the NERC Compliance Monitoring and Enforcement Program, the administrators of the NERC Compliance Monitoring and Enforcement Program shall provide a written response and plan to the Board within 30 days of the release of the final audit report.

**407. Penalties, Sanctions, and Remedial Action Directives**

1. **NERC Review of Regional Entity Penalties and Sanctions** — NERC shall review all Penalties, sanctions, and Remedial Action Directives imposed by each Regional Entity for violations of Reliability Standards, including Penalties, sanctions and Remedial Action Directives that are specified by a Regional Entity Hearing Body final decision issued pursuant to Attachment 2 to **Appendix 4C**, to determine if the Regional Entity's determination is supported by a sufficient record compiled by the Regional Entity, is consistent with the *Sanction Guidelines* incorporated into these Rules of Procedure as **Appendix 4B** and with other directives, guidance and directions issued by NERC pursuant to the delegation agreement, and is consistent with Penalties, sanctions and Remedial Action Directives imposed by the Regional Entity and by other Regional Entities for violations involving the same or similar facts and circumstances.
2. **Developing Penalties and Sanctions** — The Regional Entity Compliance Staff shall use the *Sanction Guidelines*, which are incorporated into these Rules of Procedure as **Appendix 4B**, to develop an appropriate Penalty, sanction, or Remedial Action Directive for a violation, and shall notify NERC of the Penalty, sanction or Remedial Action Directive.
3. **Effective Date of Penalty** — Where authorized by applicable legislation or agreement, no Penalty imposed for a violation of a Reliability Standard shall take effect until the thirty-first day after NERC files, with the Applicable



Governmental Authority, a “Notice of Penalty” and the record of the proceedings in which the violation and Penalty were determined, or such other date as ordered by the Applicable Governmental Authority.

**408. Review of NERC Decisions**

1. **Scope of Review** — A Registered Entity or a Regional Entity wishing to challenge a finding of noncompliance and the imposition of a Penalty for a compliance measure directly administered by NERC, or a Regional Entity wishing to challenge a Regional Entity Compliance Monitoring and Enforcement Program audit finding, may do so by filing a notice of the challenge with NERC’s director of enforcement no later than 21 days after issuance of the notice of finding of violation or audit finding. Appeals by Registered Entities or Regional Entities of decisions of Regional Entity Hearing Bodies shall be pursuant to Section 409.
2. **Contents of Notice** — The notice of challenge shall include the full text of the decision that is being challenged, a concise statement of the error or errors contained in the decision, a clear statement of the relief being sought, and argument in sufficient detail to justify such relief.
3. **Response by NERC Compliance Monitoring and Enforcement Program** — Within 21 days after receiving a copy of the notice of challenge, the NERC director of enforcement may file with the Hearing Panel a response to the issues raised in the notice, with a copy to the Regional Entity.
4. **Hearing by Compliance and Certification Committee** — The NERC Compliance and Certification Committee shall provide representatives of the Regional Entity or Registered Entity, and the NERC Compliance Monitoring and Enforcement Program an opportunity to be heard and shall decide the matter based upon the filings and presentations made, with a written explanation of its decision.
5. **Appeal** — The Regional Entity or Registered Entity may appeal the decision of the Compliance and Certification Committee by filing a notice of appeal with NERC’s director of enforcement no later than 21 days after issuance of the written decision by the Compliance and Certification Committee. The notice of appeal shall include the full text of the written decision of the Compliance and Certification Committee that is being appealed, a concise statement of the error or errors contained in the decision, a clear statement of the relief being sought, and argument in sufficient detail to justify such relief. No factual material shall be presented in the appeal that was not presented to the Compliance and Certification Committee.
6. **Response by NERC Compliance Monitoring and Enforcement Program** — Within 21 days after receiving a copy of the notice of appeal, the NERC Compliance Monitoring and Enforcement Program staff may file its response to the issues raised in the notice of appeal, with a copy to the entity filing the notice.

7. **Reply** — The entity filing the appeal may file a reply within 7 days.
8. **Decision** — The Compliance Committee of the NERC Board of Trustees shall decide the appeal, in writing, based upon the notice of appeal, the record, the response, and any reply. At its discretion, the Compliance Committee may invite representatives of the Regional Entity or Registered Entity, and the NERC Compliance Monitoring and Enforcement Program to appear before the Compliance Committee. Decisions of the Compliance Committee shall be final, except for further appeal to the Applicable Governmental Authority.
9. **Impartiality** — No member of the Compliance and Certification Committee or the Board of Trustees Compliance Committee having an actual or perceived conflict of interest in the matter may participate in any aspect of the challenge or appeal except as a party or witness.
10. **Expenses** — Each party in the challenge and appeals processes shall pay its own expenses for each step in the process.
11. **Non-Public Proceedings** — All challenges and appeals shall be closed to the public to protect Confidential Information.

#### **409. Appeals from Final Decisions of Regional Entity Hearing Bodies**

1. **Time for Appeal** — A Regional Entity acting as the Compliance Enforcement Authority, or an owner, operator or user of the Bulk Power System, shall be entitled to appeal from a final decision of a Regional Entity Hearing Body concerning an Alleged Violation of a Reliability Standard, a proposed Penalty or sanction for violation of a Reliability Standard, a proposed Mitigation Plan, or a proposed Remedial Action Directive, by filing a notice of appeal with NERC's director of enforcement, with copies to the Regional Entity and any other Participants in the Regional Entity Hearing Body proceeding, no later than 21 days after issuance of the final decision of the Regional Entity Hearing Body.
2. **Contents** — The notice of appeal shall include the full text of the final decision of the Regional Entity Hearing Body that is being appealed, a concise statement of the error or errors contained in the final decision, a clear statement of the relief being sought, and argument in sufficient detail to justify such relief. No factual material shall be presented in the appeal that was not first presented during the proceeding before the Regional Entity Hearing Body.
3. **Response to Notice of Appeal** — Within 21 days after the date the notice of appeal is filed, the Regional Entity shall file the entire record of the Regional Entity Hearing Body proceeding with NERC's director of enforcement, with a copy to the Participant filing the notice. Within 35 days after the date of the notice of appeal, all Participants in the proceeding before the Regional Entity Hearing Body, other than the Participant filing the notice of appeal, shall file their responses to the issues raised in the notice of appeal.

4. **Reply** — The Registered Entity filing the appeal may file a reply to the responses within 7 days.
5. **Decision** — The Compliance Committee of the NERC Board of Trustees shall decide the appeal, in writing, based upon the notice of appeal, the record of the proceeding before the Regional Entity Hearing Body, the responses, and any reply filed with NERC. At its discretion, the Compliance Committee may invite representatives of the entity making the appeal and the other Participants in the proceeding before the Regional Entity Hearing Body to appear before the Committee. Decisions of the Compliance Committee shall be final, except for further appeal to the Applicable Governmental Authority.
6. **Expenses** — Each party in the appeals process shall pay its own expenses for each step in the process.
7. **Non-Public Proceedings** — All appeals shall be closed to the public to protect Confidential Information.
8. **Appeal of Hearing Body Decisions Granting or Denying Motions to Intervene** — This section is not applicable to an appeal of a decision of a Regional Entity Hearing Body granting or denying a motion to intervene in the Regional Entity Hearing Body proceeding. Appeals of decisions of Regional Entity Hearing Bodies granting or denying motions to intervene in Regional Entity Hearing Body proceedings shall be processed and decided pursuant to Section 414.

**410. Hold Harmless**

A condition of invoking the challenge or appeals processes under Section 408 or 409 is that the entity requesting the challenge or appeal agrees that neither NERC (defined to include its Members, Board of Trustees, committees, subcommittees, staff and industry subject matter experts), any person assisting in the challenge or appeals processes, nor any company employing a person assisting in the challenge or appeals processes, shall be liable, and they shall be held harmless against the consequences of or any action or inaction or of any agreement reached in resolution of the dispute or any failure to reach agreement as a result of the challenge or appeals proceeding. This “hold harmless” clause does not extend to matters constituting gross negligence, intentional misconduct, or a breach of confidentiality.

**411. Requests for Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Reliability Standards**

A Registered Entity that is subject to an Applicable Requirement of a NERC Critical Infrastructure Protection Standard for which Technical Feasibility Exceptions are permitted, may request a Technical Feasibility Exception to the Requirement, and the request will be reviewed, approved or disapproved, and if approved, implemented, in accordance with the NERC *Procedure for Requesting and Receiving Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Standard*, Appendix 4D to these Rules of Procedure.

**412. Certification of Questions from Regional Entity Hearing Bodies for Decision by the NERC Board of Trustees Compliance Committee**

1. A Regional Entity Hearing Body that is conducting a hearing concerning a disputed compliance matter pursuant to Attachment 2, Hearing Procedures, of Appendix 4C, may certify to the Board of Trustees, for decision, a significant question of law, policy or procedure the resolution of which may be determinative of the issues in the hearing in whole or in part, and as to which there are other extraordinary circumstances that make prompt consideration of the question by the Compliance Committee appropriate, in accordance with Section 1.5.12 of the Hearing Procedures. All questions certified by a Regional Entity Hearing Body to the Board of Trustees shall be considered and disposed of by the Compliance Committee.
2. The Compliance Committee may accept or reject a certification of a question for decision. If the Compliance Committee rejects the certified question, it shall issue a written statement that the certification is rejected.
3. If the Compliance Committee accepts the certification of a question for decision, it shall establish a schedule by which the Participants in the hearing before the Regional Entity Hearing Body may file memoranda and reply memoranda stating their positions as to how the question certified for decision should be decided by the Compliance Committee. The Compliance Committee may also request, or provide an opportunity for, the NERC compliance operations department, the NERC compliance enforcement department, and/or the NERC general counsel to file memoranda stating their positions as to how the question certified for decision should be decided. After receiving such memoranda and reply memoranda as are filed in accordance with the schedule, the Compliance Committee shall issue a written decision on the certified question.
4. Upon receiving the Compliance Committee's written decision on the certified question, the Regional Entity Hearing Body shall proceed to complete the hearing in accordance with the Compliance Committee's decision.
5. The Compliance Committee's decision, if any, on the certified question shall only be applicable to the hearing from which the question was certified and to the Participants in that hearing.

**413. Review and Processing of Regional Entity Hearing Body Final Decisions that Are Not Appealed**

NERC shall review and process all final decisions of Regional Entity Hearing Bodies issued pursuant to Attachment 2 to Appendix 4C concerning an Alleged Violation, proposed Penalty or sanction, or proposed Mitigation Plan that are not appealed pursuant to Section 409, as though the determination had been made by the Regional Entity Compliance Monitoring and Enforcement Program. NERC shall review and process such final decisions, and may require that they be modified by the Regional Entity, in

accordance with, as applicable to the particular decision, Sections 5.8, 5.9 and 6.5 of Appendix 4C.

**414. Appeals of Decisions of Regional Entity Hearing Bodies Granting or Denying Motions to Intervene in Regional Entity Hearing Body Proceedings**

1. **Time to Appeal** — An entity may appeal a decision of a Regional Entity Hearing Body under Section 1.4.4 of Attachment 2 of **Appendix C** denying the entity's motion to intervene in a Regional Entity Hearing Body proceeding, and the Regional Entity Compliance Staff or any other Participant in the Regional Entity Hearing Body proceeding may appeal a decision of the Regional Entity Hearing Body under Section 1.4.4 of Attachment 2 of **Appendix C** granting or denying a motion to intervene in the Regional Entity Hearing Body proceeding, in either case by filing a notice of appeal with the NERC director of enforcement, with copies to the Regional Entity Clerk, the Regional Entity Hearing body, the Hearing Officer, the Regional Entity Compliance Staff, and all other Participants in the Regional Entity Hearing Body proceeding, no later than seven (7) days following the date of the Regional Entity Hearing Body decision granting or denying the motion to intervene.
2. **Contents of Notice of Appeal** — The notice of appeal shall set forth information and argument to demonstrate that the decision of the Regional Entity Hearing Body granting or denying the motion to intervene was erroneous under the grounds for intervention specified in Section 1.4.4 of Attachment 2 of **Appendix 4C** and that the entity requesting intervention should be granted or denied intervention, as applicable. Facts alleged in, and any offers of proof made in, the notice of appeal shall be supported by affidavit or verification. The notice of appeal shall include a copy of the original motion to intervene and a copy of the decision of the Regional Entity Hearing Body granting or denying the motion to intervene.
3. **Responses to Notice of Appeal** — Within ten (10) days following the date the notice of appeal is filed, the Regional Entity Clerk shall transmit to the NERC director of enforcement copies of all pleadings filed in the Regional Entity Hearing Body proceeding on the motion to intervene. Within fourteen (14) days following the date the notice of appeal is filed, the Regional Entity Hearing Body, the Regional Entity Compliance Staff, and any other Participants in the Regional Entity Hearing Body proceeding, may each file a response to the notice of appeal with the NERC director of enforcement. Within seven (7) days following the last day for filing responses, the entity filing the notice of appeal, and any Participant in the Regional Entity Hearing Body proceeding that supports the appeal, may file replies to the responses with the NERC director of enforcement.
4. **Disposition of Appeal** — The appeal shall be considered and decided by the Compliance Committee. The NERC director of enforcement shall provide copies of the notice of appeal and any responses and replies to the Compliance Committee. The Compliance Committee shall issue a written decision on the

appeal; provided, that if the Compliance Committee does not issue a written decision on the appeal within forty-five (45) days following the date of filing the notice of appeal, the appeal shall be deemed denied and the decision of the Regional Entity Hearing Body granting or denying the motion to intervene shall stand. The NERC director of enforcement shall transmit copies of the Compliance Committee's decision, or shall provide notice that the forty-five (45) day period has expired with no decision by the Compliance Committee, to the Regional Entity Clerk, the Regional Entity Hearing Body, the entity filing the notice of appeal, the Regional Entity Compliance Staff, and any other Participants in the Regional Entity Hearing Body proceeding that filed responses to the notice of appeal or replies to responses.

5. **Appeal of Compliance Committee Decision to FERC or Other Applicable Governmental Authority** — Any entity aggrieved by the decision of the Compliance Committee on an appeal of a Regional Entity Hearing Body decision granting or denying a motion to intervene in a Regional Entity Hearing Body proceeding (including a denial of such appeal by the expiration of the forty-five (45) day period as provided in Section 414.4) may appeal or petition for review of the decision of the Compliance Committee to FERC or to another Applicable Governmental Authority having jurisdiction over the matter, in accordance with the authorities, rules and procedures of FERC or such other Applicable Governmental Authority. Any such appeal or petition for review shall be filed within the time period, if any, and in the form and manner, specified by the applicable statutes, rules or regulations governing proceedings before FERC or the other Applicable Governmental Authority.



## SECTION 500 — ORGANIZATION REGISTRATION AND CERTIFICATION

### 501. Scope of the Organization Registration and Organization Certification Programs

The purpose of the Organization Registration Program is to clearly identify those entities that are responsible for compliance with the FERC approved Reliability Standards. Organizations that are registered are included on the NERC Compliance Registry (NCR) and are responsible for knowing the content of and for complying with all applicable Reliability Standards. Registered Entities are not and do not become Members of NERC or a Regional Entity, by virtue of being listed on the NCR. Membership in NERC is governed by Article II of NERC's Bylaws; membership in a Regional Entity or regional reliability organization is governed by that entity's bylaws or rules.

The purpose of the Organization Certification Program is to ensure that the new entity (i.e., applicant to be an RC, BA, or TOP that is not already performing the function for which it is applying to be certified as) has the tools, processes, training, and procedures to demonstrate their ability to meet the Requirements/sub-Requirements of all of the Reliability Standards applicable to the function(s) for which it is applying thereby demonstrating the ability to become certified and then operational.

Organization Registration and Organization Certification may be delegated to Regional Entities in accordance with the procedures in this Section 500; the NERC *Organization Registration and Organization Certification Manual*, which is incorporated into these Rules of Procedure as **Appendix 5A**; and, approved Regional Entity delegation agreements or other applicable agreements.

1. **NERC Compliance Registry** — NERC shall establish and maintain the NCR of the Bulk Power System owners, operators, and users that are subject to approved Reliability Standards.
  - 1.1 (a) The NCR shall set forth the identity and functions performed for each organization responsible for meeting Requirements/sub-Requirements of the Reliability Standards. Bulk Power System owners, operators, and users (i) shall provide to NERC and the applicable Regional Entity information necessary to complete the Registration, and (ii) shall provide NERC and the applicable Regional Entity with timely updates to information concerning the Registered Entity's ownership, operations, contact information, and other information that may affect the Registered Entity's Registration status or other information recorded in the Compliance Registry.
    - (b) A generation or transmission cooperative, a joint-action agency or another organization may register as a Joint Registration Organization (JRO), in lieu of each of the JRO's members or related entities being registered individually for one or more functions. Refer to Section 507.

(c) Multiple entities may each register using a Coordinated Functional Registration (CFR) for one or more Reliability Standard(s) and/or for one or more Requirements/sub-Requirements within particular Reliability Standard(s) applicable to a specific function pursuant to a written agreement for the division of compliance responsibility. Refer to Section 508.

- 1.2 In the development of the NCR, NERC and the Regional Entities shall determine which organizations should be placed on the NCR based on the criteria provided in the NERC *Statement of Compliance Registry Criteria* which is incorporated into these Rules of Procedure as **Appendix 5B**.
- 1.3 NERC and the Regional Entities shall use the following rules for establishing and maintaining the NCR based on the Registration criteria as set forth in **Appendix 5B** *Statement of Compliance Registry Criteria*:
  - 1.3.1 NERC shall notify each organization that it is on the NCR. The Registered Entity is responsible for compliance with all the Reliability Standards applicable to the functions for which it is registered from the time it receives the Registration notification from NERC.
  - 1.3.2 Any organization receiving such a notice may challenge its placement on the NCR according to the process in **Appendix 5A** *Organization Registration and Organization Certification Manual*, Section V.
  - 1.3.3 The Compliance Committee of the Board of Trustees shall promptly issue a written decision on the challenge, including the reasons for the decision.
  - 1.3.4 The decision of the Compliance Committee of the Board of Trustees shall be final unless, within 21 days of the date of the Compliance Committee of the Board of Trustees decision, the organization appeals the decision to the Applicable Governmental Authority.
  - 1.3.5 Each Registered Entity identified on the NCR shall notify its corresponding Regional Entity(s) of any corrections, revisions, deletions, changes in ownership, corporate structure, or similar matters that affect the Registered Entity's responsibilities with respect to the Reliability Standards. Failure to notify will not relieve the Registered Entity from any responsibility to comply with the Reliability Standards or shield it from any Penalties or sanctions associated with failing to comply with the Reliability Standards applicable to its associated Registration.



- 1.4 For all geographical or electrical areas of the Bulk Power System, the Registration process shall ensure that (1) no areas are lacking any entities to perform the duties and tasks identified in and required by the Reliability Standards to the fullest extent practical, and (2) there is no unnecessary duplication of such coverage or of required oversight of such coverage. In particular the process shall:
  - 1.4.1 Ensure that all areas are under the oversight of one and only one Reliability Coordinator.
  - 1.4.2 Ensure that all Balancing Authorities and Transmission Operator entities<sup>2</sup> are under the responsibility of one and only one Reliability Coordinator.
  - 1.4.3 Ensure that all transmission Facilities of the Bulk Power System are the responsibility and under the control of one and only one Transmission Planner, Planning Authority, and Transmission Operator.
  - 1.4.4 Ensure that all Loads and generators are under the responsibility and control of one and only one Balancing Authority.
- 1.5 NERC shall maintain the NCR of organizations responsible for meeting the Requirements/sub-Requirements of the Reliability Standards currently in effect on its website and shall update the NCR monthly.
- 1.6 With respect to: (i) entities to be registered for the first time; (ii) currently-registered entities or (iii) previously-registered entities, for which registration status changes are sought, including availability and composition of a sub-set list of applicable Reliability Standards (which specifies the Reliability Standards and may specify Requirements/sub-Requirements), the registration process steps in Section III of **Appendix 5A** apply.
- 1.7 NERC shall establish a NERC-led, centralized review panel, comprised of a NERC lead with Regional Entity participants, in accordance with **Appendix 5A, Organization Registration and Organization Certification Manual, Section III.D** and **Appendix 5B, Statement of Compliance Registry Criteria.**
2. **Entity Certification** — NERC shall provide for Certification of all entities with primary reliability responsibilities requiring Certification. This includes those

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<sup>2</sup> Some organizations perform the listed functions (e.g., Balancing Authority, Transmission Operator) over areas that transcend the Footprints of more than one Reliability Coordinator. Such organizations will have multiple Registrations, with each such Registration corresponding to that portion of the organization's overall area that is within the Footprint of a particular Reliability Coordinator.

entities that satisfy the criteria established in the NERC provisional Certification process. The NERC programs shall:

- 2.1 Evaluate and certify the competency of entities performing reliability functions. The entities presently expected to be certified include Reliability Coordinators, Transmission Operators, and Balancing Authorities.
- 2.2 Evaluate and certify each applicant's ability to meet the requirements for Certification.
- 2.3 Maintain process documentation.
- 2.4 Maintain records of currently certified entities.
- 2.5 Issue a Certification document to the applicant that successfully demonstrates its competency to perform the evaluated functions.

**3. Delegation and Oversight**

- 3.1 NERC may delegate responsibilities for Organization Registration and Organization Certification to Regional Entities in accordance with requirements established by NERC. Delegation will be via the delegation agreement between NERC and the Regional Entity or other applicable agreement. The Regional Entity shall administer Organization Registration and Organization Certification Programs in accordance with such delegations to meet NERC's programs goals and requirements subject to NERC oversight.
- 3.2 NERC shall develop and maintain a plan to ensure the continuity of Organization Registration and Organization Certification within the geographic or electrical boundaries of a Regional Entity in the event that no entity is functioning as a Regional Entity for that Region, or the Regional Entity withdraws as a Regional Entity, or does not operate its Organization Registration and Organization Certification Programs in accordance with delegation agreements.
- 3.3 NERC shall develop and maintain a program to monitor and oversee the NERC Organization Registration and Organization Certification Programs activities that are delegated to each Regional Entity through a delegation agreement or other applicable agreement.
  - 3.3.1 This program shall monitor whether the Regional Entity carries out those delegated activities in accordance with NERC requirements, and whether there is consistency, fairness of administration, and comparability.

- 3.3.2 Monitoring and oversight shall be accomplished through direct participation in the Organization Registration and Organization Certification Programs with periodic reviews of documents and records of both programs.

## **502. Organization Registration and Organization Certification Program Requirements**

1. NERC shall maintain the Organization Registration and Organization Certification Programs.
  - 1.1 The roles and authority of Regional Entities in the programs are delegated from NERC pursuant to the Rules of Procedure through regional delegation agreements or other applicable agreements.
  - 1.2 Processes for the programs shall be administered by NERC and the Regional Entities. Materials that each Regional Entity uses are subject to review and approval by NERC.
  - 1.3 The appeals process for the Organization Registration and Organization Certification Programs are identified in **Appendix 5A** *Organization Registration and Organization Certification Manual*, Sections V and VI, respectively.
  - 1.4 The Certification Team membership is identified in **Appendix 5A** *Organization Registration and Organization Certification Manual*, Section IV.8.d.
2. To ensure consistency and fairness of the Organization Registration and Organization Certification Programs, NERC shall develop procedures to be used by all Regional Entities and NERC in accordance with the following criteria:
  - 2.1 NERC and the Regional Entities shall have data management processes and procedures that provide for confidentiality, integrity, and retention of data and information collected.
  - 2.2 Documentation used to substantiate the conclusions of the Regional Entity/ NERC related to Registration and/or Certification must be retained by the Regional Entity for (6) six years, unless a different retention period is otherwise identified, for the purposes of future audits of these programs.
  - 2.3 To maintain the integrity of the NERC Organization Registration and Organization Certification Programs, NERC, Regional Entities, Certification Team members, program audit team members (Section 506), and committee members shall maintain the confidentiality of information provided by an applicant or entities.
    - 2.2.1 NERC and the Regional Entities shall have appropriate codes of conduct and confidentiality agreements for staff, Certification

Team, Certification related committees, and Certification program audit team members.

- 2.2.2 NERC, Regional Entities, Certification Team members, program audit team members and committee members shall maintain the confidentiality of any Registration or Certification-related discussions or documents designated as confidential (see Section 1500 for types of Confidential Information).
  - 2.2.3 NERC, Regional Entities, Certification Team members, program audit team members and committee members shall treat as confidential the individual comments expressed during evaluations, program audits and report-drafting sessions.
  - 2.2.4 Copies of notes, draft reports, and other interim documents developed or used during an entity Certification evaluation or program audit shall be destroyed after the public posting of a final, uncontested report.
  - 2.2.5 Information deemed by an applicant, entity, a Regional Entity, or NERC as confidential, including Critical Energy Infrastructure Information, shall not be released publicly or distributed outside of a committee or team.
  - 2.2.6 In the event that an individual violates any of the confidentiality rules set forth above, that individual and any member organization with which the individual is associated will be subject to immediate dismissal from the audit team and may be prohibited from future participation in Compliance Monitoring and Enforcement Program activities by the Regional Entity or NERC.
  - 2.2.7 NERC shall develop and provide training in auditing skills to all individuals prior to their participation in Certification evaluations. Training for Certification Team leaders shall be more comprehensive than the training given to industry subject matter experts and Regional Entity members. Training for Regional Entity members may be delegated to the Regional Entity.
- 2.4 An applicant that is determined to be competent to perform a function after completing all Certification requirements shall be deemed certified by NERC to perform that function for which it has demonstrated full competency.
- 2.4.1 All NERC certified entities shall be included on the NCR.

**503. Regional Entity Implementation of Organization Registration and Organization Certification Program Requirements**

1. **Delegation** — Recognizing the Regional Entity’s knowledge of and experience with their members, NERC may delegate responsibility for Organization Registration and Organization Certification to the Regional Entity through a delegation agreement.
2. **Registration** — The following Organization Registration activities shall be managed by the Regional Entity per the NERC *Organization Registration and Organization Certification Manual*, which is incorporated into the Rules of Procedure as Appendix 5A *Organization Registration and Organization Certification Manual*:
  - 2.1 Regional Entities shall verify that all Reliability Coordinators, Balancing Authorities, and Transmission Operators meet the Registration requirements of Section 501(1.4).
3. **Certification** — The following Organization Certification activities shall be managed by the Regional Entity in accordance with an approved delegation agreement or another applicable agreement:
  - 3.1 An entity seeking Certification to perform one of the functions requiring Certification shall contact the Regional Entity for the Region(s) in which it plans to operate to apply for Certification.
  - 3.2 An entity seeking Certification and other affected entities shall provide all information and data requested by NERC or the Regional Entity to conduct the Certification process.
  - 3.3 Regional Entities shall notify NERC of all Certification applicants.
  - 3.4 NERC and/or the Regional Entity shall evaluate the competency of entities requiring Certification to meet the NERC Certification requirements.
  - 3.5 NERC or the Regional Entity shall establish Certification procedures to include evaluation processes, schedules and deadlines, expectations of the applicants and all entities participating in the evaluation and Certification processes, and requirements for Certification Team members.
    - 3.5.1 The NERC / Regional Entity Certification procedures will include provisions for on-site visits to the applicant’s facilities to review the data collected through questionnaires, interviewing the operations and management personnel, inspecting the facilities and equipment (including requesting a demonstration of all tools identified in the Certification process), reviewing all necessary documents and data (including all agreements, processes, and procedures identified in the Certification process), reviewing Certification documents and projected system operator work schedules, and reviewing any additional documentation needed to

support the completed questionnaire or inquiries arising during the site visit.

- 3.5.2 The NERC/ Regional Entity Certification procedures will provide for preparation of a written report by the Certification Team, detailing any deficiencies that must be resolved prior to granting Certification, along with any other recommendations for consideration by the applicant, the Regional Entity, or NERC.

#### **504. Appeals**

1. NERC shall maintain an appeals process to resolve any disputes related to Registration or Certification activities per the *Organization Registration and Organization Certification Manual*, which is incorporated in these Rules of Procedure as Appendix 5A.
2. The Regional Entity Certification appeals process shall culminate with the Regional Entity board or a committee established by and reporting to the Regional Entity board as the final adjudicator, provided that where applicable, Canadian provincial governmental authorities may act as the final adjudicator in their jurisdictions. NERC shall be notified of all appeals and may observe any proceedings (**Appendix 5A** *Organization Registration and Organization Certification Manual*).

#### **505. Program Maintenance**

NERC shall maintain its program materials, including such manuals or other documents as it deems necessary, of the governing policies and procedures of the Organization Registration and Organization Certification Programs.

#### **506. Independent Audit of NERC Organization Registration and Organization Certification Program**

1. NERC, through the Compliance and Certification Committee, shall provide for an independent audit of its Organization Registration and Organization Certification Programs at least once every three years, or more frequently, as determined by the Board. The audit shall be conducted by independent expert auditors as selected by the Board.
2. The audit shall evaluate the success, effectiveness and consistency of the NERC Organization Registration and Organization Certification Programs.
3. The final report shall be posted by NERC for public viewing.
4. If the audit report includes recommendations to improve the program, the administrators of the program shall provide a written response to the Board within 30 days of the final report, detailing the disposition of each and every

recommendation, including an explanation of the reasons for rejecting a recommendation and an implementation plan for the recommendations accepted.

**507. Provisions Relating to Joint Registration Organizations (JRO)**

1. In addition to registering as the entity responsible for all functions that it performs itself, an entity may register as a JRO on behalf of one or more of its members or related entities for one or more functions for which such members or related entities would otherwise be required to register and, thereby, accept on behalf of such members or related entities all compliance responsibility for that function or those functions including all reporting requirements. Any entity seeking to register as a JRO must submit a written agreement with its members or related entities for all Requirements/sub-Requirements for the function(s) for which the entity is registering for and takes responsibility for, which would otherwise be the responsibility of one or more of its members or related entities. Neither NERC nor the Regional Entity shall be parties to any such agreement, nor shall NERC or the Regional Entity have responsibility for reviewing or approving any such agreement, other than to verify that the agreement provides for an allocation or assignment of responsibilities consistent with the JRO Registration.
2. The JRO Registration data must include the same Registration information as a normal compliance Registration entry. The JRO is responsible for providing all of the information and data, including submitting reports, as needed by the Regional Entity for performing assessments of compliance.
3. The Regional Entity shall notify NERC of each JRO that the Regional Entity accepts. The notification will identify the point of contact and the function(s) being registered for on behalf of its members or related entities.
4. For purposes of Compliance Audits, the Regional Entity shall keep a list of all JROs. This document shall contain a list of each JRO's members or related entities and the function(s) for which the JRO is registered for that member(s) or related entity(s). It is the responsibility of the JRO to provide the Regional Entity with this information as well as the applicable JRO agreement(s).
5. The Regional Entity may request clarification of any list submitted to it that identifies the members of the JRO and may request such additional information as the Regional Entity deems appropriate.
6. The Regional Entity's acceptance of a JRO shall be a representation by the Regional Entity to NERC that the Regional Entity has concluded the JRO will meet the Registration requirements of Section 501(1.4).
7. NERC shall maintain, and post on its website, a JRO registry listing all JRO Registrations that have been reviewed and accepted by the Regional Entity. The posting shall identify the JRO entity taking compliance responsibilities for itself and its members.



8. The JRO shall inform the Regional Entity of any changes to an existing JRO. The Regional Entity shall promptly notify NERC of each such revision.
9. Nothing in Section 507 shall preclude a member of a JRO, a related entity, or any other entity from registering on its own behalf and undertaking full compliance responsibility including reporting Requirements for the Reliability Standards applicable to the function(s) for which the member or other entity is registering. A JRO member or related entity that registers as responsible for any Reliability Standard or Requirement/sub-Requirement of a Reliability Standard shall inform the JRO of its Registration.

**508. Provisions Relating to Coordinated Functional Registration (CFR) Entities**

1. In addition to registering as an entity responsible for all functions that it performs itself, multiple entities may each register using a CFR for one or more Reliability Standard(s) and/or for one or more Requirements/sub-Requirements within particular Reliability Standard(s) applicable to a specific function. The CFR submission must include a written agreement that governs itself and clearly specifies the entities' respective compliance responsibilities. The Registration of the CFR is the complete Registration for each entity. Additionally, each entity shall take full compliance responsibility for those Reliability Standards and/or Requirements/sub-Requirements it has registered for in the CFR. Neither NERC nor the Regional Entity shall be parties to any such agreement, nor shall NERC or the Regional Entity have responsibility for reviewing or approving any such agreement, other than to verify that the agreement provides for an allocation or assignment of responsibilities consistent with the CFR.
2. Each CFR or each individual entity within a CFR must identify a point of contact that is responsible for providing information and data, including submitting reports as needed by the Regional Entity related to the CFR Registration.
3. The Regional Entity shall notify NERC of each CFR that the Regional Entity accepts.
4. NERC or the Regional Entity may request clarification of any list submitted to it that identifies the compliance responsibilities of the CFR and may request such additional information as NERC or the Regional Entity deems appropriate.
5. The Regional Entity's acceptance of that CFR shall be a representation by the Regional Entity to NERC that the Regional Entity has concluded the CFR will meet the Registration requirements of Section 501(1.4).
6. NERC shall maintain, and post on its website, a CFR registry listing all CFR Registrations that have been accepted by NERC or by a Regional Entity. The posting shall clearly list all the Reliability Standards or Requirements/sub-Requirements thereof for which each entity of the CFR is responsible for under the CFR.



7. The point of contact shall inform the Regional Entity of any changes to an existing CFR. The Regional Entity shall promptly notify NERC of each such revision.
8. In the event of a violation of a Reliability Standard or of a Requirement/sub-Requirement of a Reliability Standard for which an entity of a CFR is registered, that entity shall be identified in the Notice of Alleged Violation and shall be assessed the sanction or Penalty in accordance with the NERC Sanctions Guidelines. In the event a Regional Entity is not able to determine which entity(ies) is responsible for a particular Reliability Standard, or Requirements/sub-Requirements thereof that has been violated, the Regional Entity shall investigate the noncompliance in accordance with the NERC Rules of Procedure Section 400, *Compliance Enforcement*, to determine the entity(ies) to which the Regional Entity shall to issue the sanction or Penalty for the violation.
9. Nothing in Section 508 shall preclude an entity registered in a CFR, or any other entity from registering on its own behalf and undertaking full compliance responsibility including reporting Requirements for the Reliability Standards applicable to the function(s) for which the entity is registering. An entity registered in a CFR that registers as responsible for any Reliability Standard or Requirement/sub-Requirement of a Reliability Standard shall inform the point of contact of its Registration.

**509. Exceptions to the Definition of the Bulk Electric System**

An Element is considered to be (or not be) part of the Bulk Electric System by applying the BES Definition to the Element (including the inclusions and exclusions set forth therein). Appendix 5C sets forth the procedures by which (i) an entity may request a determination that an Element that falls within the definition of the Bulk Electric System should be exempted from being considered a part of the Bulk Electric System, or (ii) an entity may request that an Element that falls outside of the definition of the Bulk Electric System should be considered part of the Bulk Electric System.

## **SECTION 600 — PERSONNEL CERTIFICATION**

### **601. Scope of Personnel Certification**

Maintaining the reliability of the Bulk Electric System through implementation of the Reliability Standards requires skilled, trained and qualified system operators. The Personnel Certification Program provides the mechanism to ensure system operators are provided the education and training necessary to obtain the essential knowledge and skills and are therefore qualified to operate the Bulk Electric System. The Personnel Certification awards system operator Certification Credentials to individuals who demonstrate that they have attained essential knowledge relating to NERC Reliability Standards as well as principles of Bulk Power System operations. NERC, as the ERO, will ensure skilled, trained, and qualified system operators through the Personnel Certification Program.

Except as necessary to obtain approval of the Rules of Procedure, the NERC Personnel Certification Governance Committee (PCGC) is the governing body that establishes the policies, sets fees, and monitors the performance of the Personnel Certification Program for system operators.

### **602. Structure of ERO Personnel Certification Program**

1. The NERC Personnel Certification Program shall be international in scope.
2. The PCGC shall (1) be able to independently exercise decision-making for all matters pertaining to Certification, (2) include individuals from the discipline being certified and whose composition addresses the needs of the users of the program (e.g., employers, regulators, etc.), and (3) have representation for each specialty or level within a discipline.
3. NERC shall maintain a nominating process for membership in the governing body. Nominations shall be open to all interested parties and self-nominations shall be accepted. The NERC Board of Trustees shall appoint members to the governing body from among those nominated. The members of the governing body shall serve at the pleasure of the Board.
4. The PCGC shall have control over the matters related to the Personnel Certification and re-Certification Programs listed below, without being subject to approval by any other body.
  - 4.1 Policies and procedures, including eligibility requirements and application processing.
  - 4.2 Requirements for personnel Certification, maintaining Certification, and re-Certification.
  - 4.3 Examination content, development, and administration.
  - 4.4 Examination cut score.

- 4.5 Grievance and disciplinary processes.
- 4.6 Governing body and subgroup(s)' meeting rules including agenda, frequency, and related procedures.
- 4.7 Subgroup(s) appointments and work assignments.
- 4.8 Publications about personnel Certification and re-Certification.
- 4.9 Setting fees for application, and all other services provided as a part of the personnel Certification and re-Certification activities.
- 4.10 Program funding, spending, and budget authority. Financial matters related to the operation of the program shall be segregated from other NERC activities.
5. The Personnel Certification Program shall utilize written procedures for the selection of members of the governing body that prohibit the governing body from selecting a majority of its successors.
6. The Personnel Certification Program shall be separate from the accreditation and education functions of NERC in related disciplines.
7. No member of the PCGC or staff member working with the Personnel Certification Program governing body shall have or exercise any authority or responsibility for compliance matters related to Reliability Standards concerning personnel Certification.

**603. Examination and Maintenance of NERC System Operator Certification Credentials**

1. System operators seeking to obtain a Credential must pass an examination to earn the Credential.
2. A certificate will be issued to successful candidates which is valid for three years.
3. A system operator must earn Continuing Education Hours (CE Hours) in NERC-Approved Learning Activities within the three-year period preceding the expiration date of his/her certificate as determined by the PCGC and posted in the NERC System Operator Program Manual. A system operator must request a renewal and submit the appropriate fee for Certification renewal evaluation.
4. The Credential of a certified system operator who does not accumulate the required number and balance of CE Hours within the three-year period will be Suspended. A system operator with a Suspended certificate cannot perform any task that requires an operator to be NERC-certified. The system operator with a Suspended Credential will have up to twelve months to acquire the necessary CE Hours.

- 4.1 During the time of suspension, the original anniversary date will be maintained. Therefore, should the system operator accumulate the required number of CE Hours within the twelve month suspension period, he/she will be issued a certificate that will be valid for three years from the previous expiration date.
- 4.2 At the end of the twelve-month suspension period, if the system operator has not accumulated the required number of CE Hours, the Credential will be Revoked and all CE Hours earned will be forfeited. After a Credential is Revoked, the system operator will be required to pass an examination to become certified.
5. **Hardship:** Due to unforeseen events and extenuating circumstances, a certified system operator may be unable to accumulate the necessary CE Hours in the time frame required by the Personnel Certification Program to maintain the Credential. In such an event, the individual must submit a written request containing a thorough explanation of the circumstances and supporting information to the NERC Personnel Certification Manager. The PCGC retains the right to invoke this hardship clause as it deems appropriate to address such events or circumstances.

#### **604. Dispute Resolution Process**

1. Any dispute arising under the NERC agreement establishing the *NERC Personnel Certification Program* or from the establishment of any NERC rules, policies, or procedures dealing with any segment of the Certification process shall be subject to the NERC System Operator Certification Dispute Resolution Process. The Dispute Resolution Process is for the use of persons who hold an operator Certification or persons wishing to be certified to dispute the validity of the examination, the content of the test, the content outlines, or the Registration process.
2. Dispute Resolution Process consists of three steps.
  - 2.1. **Notify NERC Personnel Certification Program Staff:** This first step can usually resolve the issues without further actions. It is expected that most disputes will be resolved at this step. If the issue(s) is not resolved to the satisfaction of the parties involved in the first step, the issue can be brought to the PCGC Dispute Resolution Task Force.
  - 2.2. **PCGC Dispute Resolution Task Force:** If the NERC staff did not resolve the issue(s) to the satisfaction of the parties involved, a written request must be submitted to the chairman of the PCGC through NERC staff explaining the issue(s) and requesting further action. Upon receipt of the letter, the PCGC chairman will present the request to the PCGC Dispute Resolution Task Force for action. This task force consists of three current members of the PCGC. The PCGC Dispute Resolution Task Force will

investigate and consider the issue(s) presented and make a decision. This decision will then be communicated to the submitting party, the PCGC chairman, and the NERC staff within 45 calendar days of receipt of the request.

3. Personnel Certification Governance Committee: If the PCGC Dispute Resolution Task Force’s decision did not resolve the issue(s) to the satisfaction of the parties involved, the final step in the process is for the issue(s) to be brought before the PCGC. Within 45 days of the date of the Task Force’s decision, the disputing party shall submit a written request to the PCGC chairman through NERC staff requesting that the issue(s) be brought before the PCGC for resolution. The chairman shall see that the necessary documents and related data are provided to the PCGC members as soon as practicable. The PCGC will then meet or conference to discuss the issue(s) and make their decision within 60 calendar days of the chairman’s receipt of the request. The decision will be provided to the person bringing the issue(s) and the NERC staff. The PCGC is the governing body of the Certification program and its decision is final.
4. Dispute Resolution Process Expenses: All individual expenses associated with the Dispute Resolution Process, including salaries, meetings, or consultant fees, shall be the responsibility of the individual parties incurring the expense.
5. Decision Process: Robert’s Rules of Order shall be used as a standard of conduct for the Dispute Resolution Process. A majority vote of the members present will decide all issues. The vote will be taken in a closed session. No member of the PCGC may participate in the Dispute Resolution Process, other than as a party or witness, if he or she has an interest in the particular matter.
  - 5.1 A stipulation of invoking the Dispute Resolution Process is that the entity invoking the Dispute Resolution Process agrees that neither NERC (its members, Board of Trustees, committees, subcommittees, and staff), any person assisting in the Dispute Resolution Process, nor any company employing a person assisting in the Dispute Resolution Process, shall be liable, and they shall be held harmless against the consequences of or any action or inaction or of any agreement reached in resolution of the dispute or any failure to reach agreement as a result of the Dispute Resolution Process. This “hold harmless” clause does not extend to matters constituting gross negligence, intentional misconduct, or a breach of confidentiality.

## **605. Disciplinary Action**

1. Disciplinary action may be necessary to protect the integrity of the system operator Credential. The PCGC may initiate disciplinary action should an individual act in a manner that is inconsistent with expectations, including but not limited to:

- 1.1. Willful, gross, and/or repeated violation of the NERC Reliability Standards as determined by a NERC investigation.
  - 1.2. Willful, gross, and/or repeated negligence in performing the duties of a certified system operator as determined by a NERC investigation.
  - 1.3. Intentional misrepresentation of information provided on a NERC application for a system operator Certification exam or to maintain a system operator Credential using CE Hours.
  - 1.4. Intentional misrepresentation of identification in the exam process, including a person identifying himself or herself as another person to obtain Certification for the other person.
  - 1.5. Any form of cheating during a Certification exam, including, but not limited to, bringing unauthorized reference material in the form of notes, crib sheets, or other methods of cheating into the testing center.
  - 1.6. A certified system operator's admission to or conviction of any felony or misdemeanor directly related to his/her duties as a system operator.
2. **Hearing Process:** Upon report to NERC of a candidate's or certified system operator's alleged misconduct, the NERC PCGC Credential Review Task Force will convene for the determination of facts. An individual, government agency, or other investigating authority can file a report. Unless the Task Force initially determines that the report of alleged misconduct is without merit, the candidate or certified system operator will be given the right to notice of the allegation. A hearing will be held and the charged candidate or certified system operator will be given an opportunity to be heard and present further relevant information. The Task Force may seek out information from other involved parties. The hearing will not be open to the public, but it will be open to the charged candidate or certified system operator and his or her representative. The Task Force will deliberate in a closed session, but the Task Force cannot receive any evidence during the closed session that was not developed during the course of the hearing.
  3. **Task Force's decision:** The Task Force's decision will be unanimous and will be in writing with inclusion of the facts and reasons for the decision. The Task Force's written decision will be delivered to the PCGC and by certified post to the charged candidate or certified system operator. In the event that the Task Force is unable to reach a unanimous decision, the matter shall be brought to the full committee for a decision.
    - 3.1. **No Action:** Allegation of misconduct was determined to be unsubstantiated or inconsequential to the Credential.
    - 3.2. **Probation:** A letter will be sent from NERC to the offender specifying:

- 3.2.1. The length of time of the probationary period (to be determined by the PCGC).
- 3.2.2. Credential will remain valid during the probationary period.
- 3.2.3. The probationary period does not affect the expiration date of the current certificate.
- 3.2.4. During the probationary period, a subsequent offense of misconduct, as determined through the same process as described above, may be cause for more serious consequences.
- 3.3. Revoke for Cause: A letter will be sent from NERC to the offender specifying:
  - 3.3.1. The length of time of the probationary period (to be determined by the PCGC).
  - 3.3.2. Credential is no longer valid.
  - 3.3.3. Successfully passing an exam will be required to become recertified.
  - 3.3.4. An exam will not be authorized until the revocation period expires
- 3.4. Termination of Credential: A letter will be sent from NERC to the offender specifying permanent removal of Credential.
- 4. Credential Review Task Force: The Credential Review Task Force shall be comprised of three active members of the PCGC assigned by the Chairman of the PCGC on an ad hoc basis. No one on the Credential Review Task Force may have an interest in the particular matter. The Task Force will meet in a venue determined by the Task Force chairman.
- 5. Appeal Process: The decision of the Task Force may be appealed using the NERC System Operator Certification Dispute Resolution Process.

**606. Candidate Testing Mechanisms**

- 1. The Personnel Certification Program shall utilize reliable testing mechanisms to evaluate individual competence in a manner that is objective, fair to all candidates, job-related, and based on the knowledge and skill needed to function in the discipline.



2. The Personnel Certification Program shall implement a formal policy of periodic review of the testing mechanisms to ensure ongoing relevance of the mechanisms to knowledge and skill needed in the discipline.
3. The Personnel Certification Program shall utilize policies and procedures to ensure that all test administration and development materials are secure and demonstrate that these policies and procedures are consistently implemented.
4. The Personnel Certification Program shall establish pass/fail levels that protect the public with a method that is based on competence and generally accepted in the psychometric community as being fair and reasonable.
5. The Personnel Certification Program shall conduct ongoing studies to substantiate the reliability and validity of the testing mechanisms.
6. The Personnel Certification Program shall utilize policies and procedures that govern how long examination records are kept in their original format.
7. The Personnel Certification Program shall demonstrate that different forms of the testing mechanisms assess equivalent content and that candidates are not penalized for taking forms of varying difficulty.

**607. Public Information About the Personnel Certification Program**

1. The Personnel Certification Program shall maintain and publish publicly a System Operator Certification Program Manual describing the procedures used in examination construction and validation; all eligibility requirements and determination; fees; and examination administration documents, including: reporting of results, re-Certification requirements, and disciplinary and dispute resolution.
2. The Personnel Certification Program shall maintain and publish publicly a comprehensive summary or outline of the information, knowledge, or functions covered by each examination.
3. The Personnel Certification Program shall publish publicly and make available at least annually a summary of Certification activities for the program, including at least the following information: number of examinations delivered, the number passed, the number failed, and the number certified.

**608. Responsibilities to Applicants for Certification or Re-Certification**

The Personnel Certification Program:

1. Shall not discriminate among applicants as to age, gender, race, religion, national origin, disability, or marital status and shall include a statement of non-discrimination in announcements of the program.



2. Shall comply with all requirements of applicable federal and state/provincial laws with respect to all Certification and re-Certification activities, and shall require compliance of all contractors and/or providers of services.
3. Shall make available to all applicants copies of formalized procedures for application for, and attainment of, personnel Certification and re-Certification and shall uniformly follow and enforce such procedures for all applicants.
4. Shall implement a formal policy for the periodic review of eligibility criteria and application procedures to ensure that they are fair and equitable.
5. Shall provide competently proctored examination sites.
6. Shall uniformly report examination results to applicants in a timely manner.
7. Shall give applicants failing the examination information on general content areas of deficiency.

**609. Responsibilities to the Public and to Employers of Certified Practitioners**

The Personnel Certification Program:

1. Shall demonstrate that the testing mechanisms adequately measure the knowledge and skill required for entry, maintenance, and/or advancement in the profession for each position to be certified.
2. Shall award Certification and re-Certification only after the skill and knowledge of the individual have been evaluated and determined to be acceptable.
3. Shall maintain, in an electronic format, a current list of those persons certified in the programs and have policies and procedures that delineate what information about a Credential holder may be made public and under what circumstances.
4. Shall have formal policies and procedures for discipline of a Credential holder, including the revocation of the certificate, for conduct deemed harmful to the public or inappropriate to the discipline (e.g., incompetence, unethical behavior, physical or mental impairment affecting performance). These procedures shall incorporate due process.
5. Shall demonstrate that any title or Credential awarded accurately reflects or applies to the practitioner's daily occupational or professional duties and is not confusing to employers, consumers, regulators, related professions, and/or other interested parties.

## SECTION 700 — RELIABILITY READINESS EVALUATION AND IMPROVEMENT AND FORMATION OF SECTOR FORUMS

### 701. Confidentiality Requirements for Readiness Evaluations and Evaluation Team Members

1. All information made available or created during the course of any reliability readiness evaluation including, but not limited to, data, Documents, observations and notes, shall be maintained as confidential by all evaluation team members, in accordance with the requirements of Section 1500.
2. Evaluation team members are obligated to destroy all confidential evaluation notes following the posting of the final report of the reliability readiness evaluation.
3. NERC will retain reliability readiness evaluation-related documentation, notes, and materials for a period of time as defined by NERC.
4. These confidentiality requirements shall survive the termination of the NERC Reliability Readiness Evaluation and Improvement Program.

### 702. Formation of Sector Forum

1. NERC will form a sector forum at the request of any five members of NERC that share a common interest in the safety and reliability of the Bulk Power System. The members of sector forum may invite such others of the members of NERC to join the sector forum as the sector forum deems appropriate.
2. The request to form a sector forum must include a proposed charter for the sector forum. The Board must approve the charter.
3. NERC will provide notification of the formation of a sector forum to its membership roster. Notices and agendas of meetings shall be posted on NERC's website.
4. A sector forum may make recommendations to any of the NERC committees and may submit a Standards Authorization Request to the NERC *Reliability Standards Development Procedure*.

## **SECTION 800 — RELIABILITY ASSESSMENT AND PERFORMANCE ANALYSIS**

### **801. Objectives of the Reliability Assessment and Performance Analysis Program**

The objectives of the NERC Reliability Assessment and Performance Analysis Program are to: (1) conduct, and report the results of, an independent assessment of the overall reliability and adequacy of the interconnected North American Bulk Power Systems, both as existing and as planned; (2) analyze off-normal events on the Bulk Power System; (3) identify the root causes of events that may be precursors of potentially more serious events; (4) assess past reliability performance for lessons learned; (5) disseminate findings and lessons learned to the electric industry to improve reliability performance; and (6) develop reliability performance benchmarks. The final reliability assessment reports shall be approved by the Board for publication to the electric industry and the general public.

### **802. Scope of the Reliability Assessment Program**

1. The scope of the Reliability Assessment Program shall include:
  - 1.1 Review, assess, and report on the overall electric generation and transmission reliability (adequacy and operating reliability) of the interconnected Bulk Power Systems, both existing and as planned.
  - 1.2 Assess and report on the key issues, risks, and uncertainties that affect or have the potential to affect the reliability of existing and future electric supply and transmission.
  - 1.3 Review, analyze, and report on Regional Entity self-assessments of electric supply and bulk power transmission reliability, including reliability issues of specific regional concern.
  - 1.4 Identify, analyze, and project trends in electric customer demand, supply, and transmission and their impacts on Bulk Power System reliability.
  - 1.5 Investigate, assess, and report on the potential impacts of new and evolving electricity market practices, new or proposed regulatory procedures, and new or proposed legislation (e.g. environmental requirements) on the adequacy and operating reliability of the Bulk Power Systems.
2. The Reliability Assessment Program shall be performed in a manner consistent with the Reliability Standards of NERC including but not limited to those that specify reliability assessment Requirements.

### **803. Reliability Assessment Reports**

The number and type of periodic assessments that are to be conducted shall be at the discretion of NERC. The results of the reliability assessments shall be documented in three reports: the long-term and the annual seasonal (summer) and the annual seasonal (winter) assessment reports. NERC shall also conduct special reliability assessments from time to time as circumstances warrant. The reliability assessment reports shall be reviewed and approved for publication by the Board. The three regular reports are described below.

1. **Long-Term Reliability Assessment Report** — The annual long-term report shall cover a ten-year planning horizon. The planning horizon of the long-term reliability assessment report shall be subject to change at the discretion of NERC. Detailed generation and transmission adequacy assessments shall be conducted for the first five years of the review period. For the second five years of the review period, the assessment shall focus on the identification, analysis, and projection of trends in peak demand, electric supply, and transmission adequacy, as well as other industry trends and developments that may impact future electric system reliability. Reliability issues of concern and their potential impacts shall be presented along with any mitigation plans or alternatives. The long-term reliability assessment reports will generally be published in the fall (September) of each year. NERC will also publish electricity supply and demand data associated with the long-term reliability assessment report.
2. **Summer Assessment Report** — The annual summer seasonal assessment report typically shall cover the four-month (June–September) summer period. It shall provide an overall perspective on the adequacy of the generation resources and the transmission systems necessary to meet projected summer peak demands. It shall also identify reliability issues of interest and regional and subregional areas of concern in meeting projected customer demands and may include possible mitigation alternatives. The report will generally be published in mid-May for the upcoming summer period.
3. **Winter Assessment Report** — The annual winter seasonal assessment report shall cover the three-month (December–February) winter period. The report shall provide an overall perspective on the adequacy of the generation resources and the transmission systems necessary to meet projected winter peak demands. Similar to the summer assessment, the winter assessment shall identify reliability issues of interest and regional and subregional areas of concern in meeting projected customer demands and may also include possible mitigation alternatives. The winter assessment report will generally be published in mid-November for the upcoming winter period.
4. **Special Reliability Assessment Reports** — In addition to the long-term and seasonal reliability assessment reports, NERC shall also conduct special reliability assessments on a regional, interregional, and Interconnection basis as conditions warrant, or as requested by the Board or governmental authorities. The teams of reliability and technical experts also may initiate special assessments of key

reliability issues and their impacts on the reliability of a regions, subregions, or Interconnection (or a portion thereof). Such special reliability assessments may include, among other things, operational reliability assessments, evaluations of emergency response preparedness, adequacy of fuel supply, hydro conditions, reliability impacts of new or proposed environmental rules and regulations, and reliability impacts of new or proposed legislation that affects or has the potential to affect the reliability of the interconnected Bulk Power Systems in North America.

#### **804. Reliability Assessment Data and Information Requirements**

To carry out the reviews and assessments of the overall reliability of the interconnected Bulk Power Systems, the Regional Entities and other entities shall provide sufficient data and other information requested by NERC in support of the annual long-term and seasonal assessments and any special reliability assessments.

Some of the data provided for these reviews and assessment may be considered confidential from a competitive marketing perspective, a Critical Energy Infrastructure Information perspective, or for other purposes. Such data shall be treated in accordance with the provisions of Section 1500 – Confidential Information.

While the major sources of data and information for this program are the Regional Entities, a team of reliability and technical experts is responsible for developing and formulating its own independent conclusions about the near-term and long-term reliability of the Bulk Power Systems.

In connection with the reliability assessment reports, requests shall be submitted to each of the Regional Entities for required reliability assessment data and other information, and for each Regional Entity's self-assessment report. The timing of the requests will be governed by the schedule for the preparation of the assessment reports.

The Regional Entity self-assessments are to be conducted in compliance with NERC Reliability Standards and the respective regional planning criteria. The team(s) of reliability and technical experts shall also conduct interviews with the Regional Entities as needed. The summary of the Regional Entity self-assessments that are to be included in the assessment reports shall follow the general outline identified in NERC's request. This outline may change from time to time as key reliability issues change.

In general, the Regional Entity reliability self-assessments shall address, among other areas, the following topics: demand and Net Energy for Load; assessment of projected resource adequacy; any transmission constraints that may impact bulk transmission adequacy and plans to alleviate those constraints; any unusual operating conditions that could impact reliability for the assessment period; fuel supply adequacy; the deliverability of generation (both internal and external) to **Load**; and any other reliability issues in the Region and their potential impacts on the reliability of the Bulk Power Systems.

## **805. Reliability Assessment Process**

Based on their expertise, the review of the collected data, the review of the Regional Entity self-assessment reports, and interviews with the Regional Entities, as appropriate, the teams of reliability and technical experts shall perform an independent review and assessment of the generation and transmission adequacy of each Region's existing and planned Bulk Power System. The results of the review teams shall form the basis of NERC's long-term and seasonal reliability assessment reports. The review and assessment process is briefly summarized below.

1. **Resource Adequacy Assessment** — The teams shall evaluate the regional demand and resource capacity data for completeness in the context of the overall resource capacity needs of the Region. The team shall independently evaluate the ability of the Regional Entity members to serve their obligations given the demand growth projections, the amount of existing and planned capacity, including committed and uncommitted capacity, contracted capacity, or capacity outside of the Region. If the Region relies on capacity from outside of the Region to meet its resource objectives, the ability to deliver that capacity shall be factored into the assessment. The demand and resource capacity information shall be compared to the resource adequacy requirements of the Regional Entity for the year(s) or season(s) being assessed. The assessment shall determine if the resource information submitted represents a reasonable and attainable plan for the Regional Entity and its members. For cases of inadequate capacity or reserve margin, the Regional Entity will be requested to analyze and explain any resource capacity inadequacies and its plans to mitigate the reliability impact of the potential inadequacies. The analysis may be expanded to include surrounding areas. If the expanded analysis indicates further inadequacies, then an interregional problem may exist and will be explored with the applicable Regions. The results of these analyses shall be described in the assessment report.
2. **Transmission Adequacy and Operating Reliability Assessment** — The teams shall evaluate transmission system information that relates to the adequacy and operating reliability of the regional transmission system. That information shall include: regional planning study reports, interregional planning study reports, and/or regional operational study reports. If additional information is required, another data request shall be sent to the Regional Entity. The assessment shall provide a judgment on the ability of the regional transmission system to operate reliably under the expected range of operating conditions over the assessment period as required by NERC Reliability Standards. If sub-areas of the regional system are especially critical to the Reliable Operation of the regional bulk transmission system, these Facilities or sub-areas shall be reviewed and addressed in the assessment. Any areas of concern related to the adequacy or operating reliability of the system shall be identified and reported in the assessment.
3. **Seasonal Operating Reliability Assessment** — The team(s) shall evaluate the overall operating reliability of the regional bulk transmission systems. In areas with potential resource adequacy or system operating reliability problems, operational readiness of the affected Regional Entities for the upcoming season

shall be reviewed and analyzed. The assessment may consider unusual but possible operating scenarios and how the system is expected to perform. Operating reliability shall take into account a wide range of activities, all of which should reinforce the Regional Entity's ability to deal with the situations that might occur during the upcoming season. Typical activities in the assessment may include: facility modifications and additions, new or modified operating procedures, emergency procedures enhancement, and planning and operating studies. The teams shall report the overall seasonal operating reliability of the regional transmission systems in the annual summer and winter assessment reports.

4. **Reporting of Reliability Assessment Results** — The teams of reliability and technical experts shall provide an independent assessment of the reliability of the Regional Entities and the North American interconnected Bulk Power System for the period of the assessment. While the Regional Entities are relied upon to provide the information to perform such assessments, the review team is not required to accept the conclusions provided by the Regional Entities. Instead, the review team is expected, based on their expertise, to reach their own independent conclusions about the status of the adequacy of the generation and bulk power transmission systems of North America.

The review team also shall strive to achieve consensus in their assessments. The assessments that are made are based on the best information available at the time. However, since judgment is applied to this information, legitimate differences of opinion can develop. Despite these differences, the review team shall work to achieve consensus on their findings.

In addition to providing long-term and seasonal assessments in connection with the Reliability Assessment Program, the review team of experts shall also be responsible for recommending new and revised Reliability Standards related to the reliability assessments and the reliability of the Bulk Power Systems. These proposals for new or revised Reliability Standards shall be entered into NERC's Reliability Standards development process.

Upon completion of the assessment, the team shall share the results with the Regional Entities. The Regional Entities shall be given the opportunity to review and comment on the conclusions in the assessment and to provide additional information as appropriate. The reliability assessments and their conclusions are the responsibility of NERC's technical review team and NERC.

The preparation and approval of NERC's reliability assessment reports shall follow a prescribed schedule including review, comment, and possible approval by appropriate NERC committees. The long-term and seasonal (summer and winter) reliability assessment reports shall be further reviewed for approval by the Board for publication to the electric industry.



**806. Scope of the Reliability Performance and Analysis Program**

The components of the program will include analysis of large-scale outages, disturbances, and near misses to determine root causes and lessons learned; identification and continuous monitoring of performance indices to detect emerging trends and signs of a decline in reliability performance; and communications of performance results, trends, recommendations, and initiatives to those responsible to take actions; followed with confirmation of actions to correct any deficiencies identified. Within NERC, the reliability performance program will provide performance results to the Reliability Standards Development and Compliance Monitoring and Enforcement Programs to make the necessary adjustments to preserve reliability based on a risk-based approach.

**807. Analysis of Major Events**

Responding to major events affecting the Bulk Power System such as significant losses of Load or generation, significant Bulk Power System disturbances, or other emergencies on the Bulk Power System, can be divided into four phases: situational assessment and communications; situation tracking and communications; data collection, investigation, analysis, and reporting; and follow-up on recommendations.

1. NERC's role following a major event is to provide leadership, coordination, technical expertise, and assistance to the industry in responding to the major event. Working closely with the Regional Entities and Reliability Coordinators, and other appropriate Registered Entities, NERC will coordinate and facilitate efforts among industry participants, and with state, federal, and provincial governments in the United States and Canada to support the industry's response.
2. When responding to any major event where physical or cyber security is suspected as a cause or contributing factor to the major event, NERC will immediately notify appropriate government agencies and coordinate its activities with them.
3. To the extent that a Reliability Standard sets forth specific criteria and procedures for reporting the Bulk Power System disturbances and events described in that Reliability Standard, all Registered Entities that are subject to the Requirements of that Reliability Standard must report the information required by that Reliability Standard within the time periods specified. In addition to reporting information as required by applicable Reliability Standards, each user, owner, and operator of the Bulk Power System shall also provide NERC and the applicable Regional Entities with such additional information requested by NERC or the applicable Regional Entity as is necessary to enable NERC and the applicable Regional Entities to carry out their responsibilities under this section.
4. During the conduct of NERC analyses, assistance may be needed from government agencies. This assistance could include: authority to require data reporting from affected or involved parties; communications with other agencies of government; investigations related to possible criminal or terrorist involvement in the major event; resources for initial data gathering immediately after the major



event; authority to call meetings of affected or involved parties; and technical and analytical resources for studies.

5. NERC shall work with all other participants to establish a clear delineation of roles, responsibilities, and coordination requirements among industry and government for the investigation and reporting of findings, conclusions, and recommendations related to major events with the objective of avoiding, to the extent possible, multiple investigations of the same major event. If the major event is confined to a single Regional Entity, NERC representatives will participate as members of the Regional Entity analysis team. NERC will establish, maintain, and revise from time to time as appropriate based on experience, a manual setting forth procedures and protocols for communications and sharing and exchange of information between and among NERC, the affected Regional Entity or Entities, and relevant governmental authorities, industry organizations and Bulk Power System user, owners, and operators concerning the investigation and analysis of major events.
6. NERC and applicable entity(s) will apply, as appropriate to the circumstances of the major event, the NERC *Blackout and Disturbance Response Procedures*, which are incorporated into these Rules of Procedure as **Appendix 8**. These procedures provide a framework to guide NERC's response to major events that may have multiregional, national, or international implications. Experienced industry leadership shall be applied to tailor the response to the specific circumstances of the major event. In accordance with those procedures, the NERC president will determine whether the major event warrants analysis at the NERC level. A Regional Entity may request that NERC elevate any analysis of a major event to the NERC level.
7. NERC will screen and analyze the findings and recommendations from the analysis, and those with generic applicability will be disseminated to the industry through various means appropriate to the circumstances, including in accordance with Section 810.

**808. Analysis of Off-Normal Occurrences, Bulk Power System Performance, and Bulk Power System Vulnerabilities**

1. NERC and Regional Entities will analyze Bulk Power System and equipment performance occurrences that do not rise to the level of a major event, as described in Section 807. NERC and Regional Entities will also analyze potential vulnerabilities in the Bulk Power System that they discover or that are brought to their attention by other sources including government agencies. The purpose of these analyses is to identify the root causes of occurrences or conditions that may be precursors of major events or other potentially more serious occurrences, or that have the potential to cause major events or other more serious occurrences, to assess past reliability performance for lessons learned, and to develop reliability performance benchmarks and trends.

2. NERC and Regional Entities will screen and analyze off-normal occurrences, Bulk Power System performance, and potential Bulk Power System vulnerabilities for significance, and information from those indicated as having generic applicability will be disseminated to the industry through various means appropriate to the circumstances, including in accordance with Section 810.
3. To the extent that a Reliability Standard sets forth specific criteria and procedures for reporting the Bulk Power System disturbances and events described in that Reliability Standard, all Registered Entities that are subject to the Requirements of that Reliability Standard must report the information required by that Reliability Standard within the time periods specified. In addition to reporting information as required by applicable Reliability Standards, each user, owner, and operator, of the Bulk Power System shall provide NERC and the applicable Regional Entities with such additional information requested by NERC or the applicable Regional Entities as is necessary to enable NERC and the applicable Regional Entities to carry out their responsibilities under this section.

**809. Reliability Benchmarking**

NERC shall identify and track key reliability indicators as a means of benchmarking reliability performance and measuring reliability improvements. This program will include assessing available metrics, developing guidelines for acceptable metrics, maintaining a performance metrics “dashboard” on the NERC website, and developing appropriate reliability performance benchmarks.

**810. Information Exchange and Issuance of NERC Advisories, Recommendations and Essential Actions**

1. Members of NERC and Bulk Power System owners, operators, and users shall provide NERC with detailed and timely operating experience information and data.
2. In the normal course of operations, NERC disseminates the results of its events analysis findings, lessons learned and other analysis and information gathering to the industry. These findings, lessons learned and other information will be used to guide the Reliability Assessment Program.
3. When NERC determines it is necessary to place the industry or segments of the industry on formal notice of its findings, analyses, and recommendations, NERC will provide such notification in the form of specific operations or equipment Advisories, Recommendations or Essential Actions:
  - 3.1 Level 1 (Advisories) – purely informational, intended to advise certain segments of the owners, operators and users of the Bulk Power System of findings and lessons learned;
  - 3.2 Level 2 (Recommendations) – specific actions that NERC is recommending be considered on a particular topic by certain segments of

owners, operators, and users of the Bulk Power System according to each entity's facts and circumstances;

- 3.3 Level 3 (Essential Actions) – specific actions that NERC has determined are essential for certain segments of owners, operators, or users of the Bulk Power System to take to ensure the reliability of the Bulk Power System. Such Essential Actions require NERC Board approval before issuance.
4. The Bulk Power System owners, operators, and users to which Level 2 (Recommendations) and Level 3 (Essential Actions) notifications apply are to evaluate and take appropriate action on such issuances by NERC. Such Bulk Power System owners, operators, and users shall also provide reports of actions taken and timely updates on progress towards resolving the issues raised in the Recommendations and Essential Actions in accordance with the reporting date(s) specified by NERC.
5. NERC will advise the Commission and other Applicable Governmental Authorities of its intent to issue all Level 1 (Advisories), Level 2 (Recommendations), and Level 3 (Essential Actions) at least five (5) business days prior to issuance, unless extraordinary circumstances exist that warrant issuance less than five (5) business days after such advice. NERC will file a report with the Commission and other Applicable Governmental Authorities no later than thirty (30) days following the date by which NERC has requested the Bulk Power System owners, operators, and users to which a Level 2 (Recommendation) or Level 3 (Essential Action) issuance applies to provide reports of actions taken in response to the notification. NERC's report to the Commission and other Applicable Governmental Authorities will describe the actions taken by the relevant owners, operators, and users of the Bulk Power System and the success of such actions taken in correcting any vulnerability or deficiency that was the subject of the notification, with appropriate protection for Confidential Information or Critical Energy Infrastructure Information.

#### **811. Equipment Performance Data**

Through its Generating Availability Data System (GADS), NERC shall collect operating information about the performance of electric generating equipment; provide assistance to those researching information on power plant outages stored in its database; and support equipment reliability as well as availability analyses and other decision-making processes developed by GADS subscribers. GADS data is also used in conducting assessments of generation resource adequacy.

## **SECTION 900 — TRAINING AND EDUCATION**

### **901. Scope of the Training and Education Program**

Maintaining the reliability of the Bulk Electric System through implementation of the Reliability Standards requires informed and trained personnel. The training and education program will provide the education and training necessary for Bulk Power System personnel and regulators to obtain the essential knowledge necessary to understand and operate the Bulk Electric System.

NERC shall develop and maintain training and education programs for the purpose of establishing training requirements, developing materials, and developing training activities. The target audience of the training and education programs shall be Bulk Power System operating personnel including system operations personnel, operations support personnel (engineering and information technology), supervisors and managers, training personnel, and other personnel directly responsible for complying with NERC Reliability Standards who, through their actions or inactions, may impact the real-time, or day-ahead reliability of the Bulk Power System.

NERC shall also develop and provide appropriate training and education for industry participants and regulators affected by new or changed Reliability Standards or compliance Requirements.

To accomplish those objectives:

1. NERC shall periodically conduct job task analyses for targeted Bulk Power System personnel to ensure that the training program content is properly aligned to the job tasks performed by those personnel.
2. NERC shall develop and maintain personnel training program curriculum requirements based on valid job-task analysis.
3. NERC shall periodically conduct performance surveys to determine the effectiveness of the training program and identify areas for further training development and improvement.
4. NERC shall develop training and education materials and activities to assist Bulk Power System entities implementing new or revised Reliability Standard Requirements or other NERC-related changes.
5. NERC shall develop and provide training to people who participate in NERC and Regional Entity evaluations, audits, and investigations for the Compliance Monitoring and Enforcement Program, Organization Certification Program, and the continuing education program.

### **902. Continuing Education Program**

NERC shall develop and maintain a continuing education program to foster the improvement of training and to promote quality in the training programs used by and

implemented by Bulk Power System entities. The program shall approve or accredit those activities and entities meeting NERC continuing education requirements.

1. NERC shall develop and implement continuing education program requirements that promote excellence in training programs and advance improved performance for Bulk Power System personnel identified in Section 901.
2. NERC shall develop and maintain a process to approve or accredit continuing education Providers and activities seeking approval or accreditation and meeting NERC-approved continuing education requirements.
3. NERC shall perform periodic audits on continuing education Providers and training activities to ensure that the approved or accredited Providers and training activities satisfy NERC continuing education requirements.
4. NERC shall develop and maintain an appeals process for disputed application reviews, interpretations of guidelines and standards, probation or suspension of NERC-approved Provider status, or Continuing Education Hour disputes.

## **SECTION 1000 — SITUATION AWARENESS AND INFRASTRUCTURE SECURITY**

### **1001. Situation Awareness**

NERC shall through the use of Reliability Coordinators and available tools, monitor present conditions on the Bulk Power System and provide leadership coordination, technical expertise, and assistance to the industry in responding to events as necessary. To accomplish these goals, NERC will:

1. Maintain real-time situation awareness of conditions on the Bulk Power System;
2. Notify the industry of significant Bulk Power System events that have occurred in one area, and which have the potential to impact reliability in other areas;
3. Maintain and strengthen high-level communication, coordination, and cooperation with governments and government agencies regarding real-time conditions; and
4. Enable the Reliable Operation of interconnected Bulk Power Systems by facilitating information exchange and coordination among reliability service organizations.

### **1002. Reliability Support Services**

NERC may assist in the development of tools and other support services for the benefit of Reliability Coordinators and other system operators to enhance reliability, operations and planning. NERC will work with the industry to identify new tools, collaboratively develop requirements, support development, provide an incubation period, and at the end of that period, transition the tool or service to another group or owner for long term operation of the tool or provision of the service. To accomplish this goal, NERC will:

1. Collaborate with industry to determine the necessity of new tools or services to enhance reliability;
2. For those tools that the collaborative process determines should proceed to a development phase, provide a start-up mechanism and development system;
3. Implement the tool either on its own or through an appropriate group or organization; and
4. Where NERC conducts the implementation phase of a new tool or service, develop a transition plan to turn maintenance and provision of the tool or service over to an organization identified in the development stage.

In addition to tools developed as a result of a collaborative process with industry, NERC may develop reliability tools on its own, but will consult with industry concerning the need for the tool prior to proceeding to development.

Tools and services being maintained by NERC as of January 1, 2012, will be reviewed and, as warranted, transitioned to an appropriate industry group or organization. NERC will develop and maintain a strategic reliability tools plan that will list the tools and services being maintained by NERC, and, where applicable, the plans for transition to an appropriate industry group or organization.

### **1003. Infrastructure Security Program**

NERC shall coordinate electric industry activities to promote Critical Infrastructure protection of the Bulk Power System in North America by taking a leadership role in Critical Infrastructure protection of the electricity sector so as to reduce vulnerability and improve mitigation and protection of the electricity sector's Critical Infrastructure. To accomplish these goals, NERC shall perform the following functions.

1. Electric Sector Information Sharing and Analysis Center (ESISAC)
  - 1.1 NERC shall serve as the electricity sector's sector coordinator and operate its Information Sharing and Analysis Center to gather information and communicate security-related threats and incidents within the sector, with United States and Canadian government agencies, and with other Critical Infrastructure sectors.
  - 1.2 NERC shall improve the capability of the ESISAC to analyze security threats and incident information and provide situational assessments for the electricity sector and governments.
  - 1.3 NERC shall work closely with the United States Department of Homeland Security, Department of Energy, Natural Resources Canada, and Public Safety and Emergency Preparedness Canada.
  - 1.4 NERC shall strengthen and expand these functions and working relationships with the electricity sector, other Critical Infrastructure industries, governments, and government agencies throughout North America to ensure the protection of the infrastructure of the Bulk Power System.
  - 1.5 NERC shall fill the role of the Electricity Sector Coordinating Council and coordinate with the Government Coordinating Council.
  - 1.6 NERC shall coordinate with other Critical Infrastructure sectors through active participation with the other Sector Coordinating Councils, the other ISACs, and the National Infrastructure Advisory Committee.
  - 1.7 NERC shall encourage and participate in coordinated Critical Infrastructure protection exercises, including interdependencies with other Critical Infrastructure sectors.
2. Security Planning



- 2.1 NERC shall take a risk management approach to Critical Infrastructure protection, considering probability and severity, and recognizing that mitigation and recovery can be practical alternatives to prevention.
- 2.2 NERC shall keep abreast of the changing threat environment through collaboration with government agencies.
- 2.3 NERC shall develop criteria to identify critical physical assets and Critical Cyber Assets, assess security threats, identify risk assessment methodologies, and assess effectiveness of physical and cyber protection measures.
- 2.4 NERC shall enhance and maintain the Bulk Power System critical spare transformer program, encourage increased participation by asset owners, and continue to assess the need to expand this program to include other critical Bulk Power System equipment.
- 2.5 NERC shall support implementation of the Critical Infrastructure Protection Standards through education and outreach.
- 2.6 NERC shall review and improve existing security guidelines, develop new security guidelines to meet the needs of the electricity sector, and consider whether any guidelines should be developed into Reliability Standards.
- 2.7 NERC shall conduct education and outreach initiatives to increase awareness and respond to the needs of the electricity sector.
- 2.8 NERC shall strengthen relationships with federal, state, and provincial government agencies on Critical Infrastructure protection matters.
- 2.9 NERC shall maintain and improve mechanisms for the sharing of sensitive or classified information with federal, state, and provincial government agencies on Critical Infrastructure protection matters; work with DOE and DHS to implement the National Infrastructure Protection Plan, as applicable to the electricity sector; and coordinate this work with PSEPC.
- 2.10 NERC shall improve methods to better assess the impact of a possible physical attack on the Bulk Power System and means to deter, mitigate, and respond following an attack.
- 2.11 NERC shall assess the results of vulnerability assessments and enhance the security of system control and data acquisition (SCADA) and process control systems by developing methods to detect an emerging cyber attack and the means to mitigate impacts on the Bulk Power Systems.
- 2.12 NERC shall work with the National SCADA Test Bed and the Process Control Systems Forum to accelerate the development of technology that



will enhance the security, safety, and reliability of process control and SCADA systems.

## **SECTION 1100 — ANNUAL NERC BUSINESS PLANS AND BUDGETS**

### **1101. Scope of Business Plans and Budgets**

The Board shall determine the content of the budgets to be submitted to the Applicable Governmental Authorities with consultation from the members of the Member Representatives Committee, Regional Entities, and others in accordance with the Bylaws. The Board shall identify any activities outside the scope of NERC's statutory reliability functions, if any, and the appropriate funding mechanisms for those activities.

### **1102. NERC Funding and Cost Allocation**

1. In order that NERC's costs shall be fairly allocated among Interconnections and among Regional Entities, the NERC funding mechanism for all statutory functions shall be based on Net Energy for Load (NEL).
2. NERC's costs shall be allocated so that all **Load** (or, in the case of costs for an Interconnection or Regional Entity, all **Load** within that Interconnection or Regional Entity) bears an equitable share of such costs based on NEL.
3. Costs shall be equitably allocated between countries or Regional Entities thereof for which NERC has been designated or recognized as the Electric Reliability Organization.
4. Costs incurred to accomplish the statutory functions for one Interconnection, Regional Entity, or group of entities will be directly assigned to that Interconnection, Regional Entity, or group of entities provided that such costs are allocated equitably to end-users based on Net Energy for Load.

### **1103. NERC Budget Development**

1. The NERC annual budget process shall be scheduled and conducted for each calendar year so as to allow a sufficient amount of time for NERC to receive Member inputs, develop the budget, and receive Board and, where authorized by applicable legislation or agreement, Applicable Governmental Authority approval of the NERC budget for the following fiscal year, including timely submission of the proposed budget to FERC for approval in accordance with FERC regulations.
2. The NERC budget submittal to Applicable Governmental Authorities shall include provisions for all ERO functions, all Regional Entity delegated functions as specified in delegation agreements and reasonable reserves and contingencies.
3. The NERC annual budget submittal to Applicable Governmental Authorities shall include description and explanation of NERC's proposed ERO program activities for the year; budget component justification based on statutory or other authorities; explanation of how each budgeted activity lends itself to the accomplishment of the statutory or other authorities; sufficiency of resources

provided for in the budget to carry out the ERO program responsibilities; explanation of the calculations and budget estimates; identification and explanation of changes in budget components from the previous year's budget; information on staffing and organization charts; and such other information as is required by FERC and other Applicable Governmental Authorities having authority to approve the proposed budget.

4. NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, to allow a meaningful comparison of actual results at the NERC and Regional Entity level by the Applicable Governmental Authorities.

#### **1104. Submittal of Regional Entity Budgets to NERC**

1. Each Regional Entity shall submit its proposed annual budget for carrying out its delegated authority functions as well as all other activities and funding to NERC in accordance with a schedule developed by NERC and the Regional Entities, which shall provide for the Regional Entity to submit its final budget that has been approved by its board of directors or other governing body no later than July 1 of the prior year, in order to provide sufficient time for NERC's review and comment on the proposed budget and approval of the Regional Entity budget by the NERC Board of Trustees in time for the NERC and Regional Entity budgets to be submitted to FERC and other Applicable Governmental Authorities for approval in accordance with their regulations. The Regional Entity's budget shall include supporting materials in accordance with the budget and reporting format developed by NERC and the Regional Entities, including the Regional Entity's complete business plan and organization chart, explaining the proposed collection of all dues, fees, and charges and the proposed expenditure of funds collected in sufficient detail to justify the requested funding collection and budget expenditures.
2. NERC shall review and approve each Regional Entity's budget for meeting the requirements of its delegated authority. Concurrent with approving the NERC budget, NERC shall review and approve, or reject, each Regional Entity budget for filing.
3. NERC shall also have the right to review from time to time, in reasonable intervals but no less frequently than every three years, the financial books and records of each Regional Entity having delegated authority in order to ensure that the documentation fairly represents in all material aspects appropriate funding of delegated functions.

#### **1105. Submittal of NERC and Regional Entity Budgets to Governmental Authorities for Approval**

1. NERC shall file for approval by the Applicable Governmental Authorities at least 130 days in advance of the start of each fiscal year. The filing shall include: (1) the complete NERC and Regional Entity budgets including the business plans and organizational charts approved by the Board, (2) NERC's annual funding requirement (including Regional Entity costs for delegated functions), and (3) the

mechanism for assessing charges to recover that annual funding requirement, together with supporting materials in sufficient detail to support the requested funding requirement.

2. NERC shall seek approval from each Applicable Governmental Authority requiring such approval for the funding requirements necessary to perform ERO activities within their jurisdictions.

**1106. NERC and Regional Entity Billing and Collections**

1. NERC shall request the Regional Entities to identify all Load-Serving Entities<sup>3</sup> within each Regional Entity and the NEL assigned to each Load-Serving Entity, and the Regional Entities shall supply the requested information. The assignment of a funding requirement to an entity shall not be the basis for determining that the entity must be registered in the Compliance Registry.
2. NERC shall accumulate the NEL by Load-Serving Entities for each Applicable Governmental Authority and submit the proportional share of NERC funding requirements to each Applicable Governmental Authority for approval together with supporting materials in sufficient detail to support the requested funding requirement.
3. NEL reported by Balancing Authorities within a Region shall be used to rationalize and validate amounts allocated for collection through Regional Entity processes.
4. The billing and collection processes shall provide:
  - 4.1 A clear validation of billing and application of payments.
  - 4.2 A minimum of data requests to those being billed.
  - 4.3 Adequate controls to ensure integrity in the billing determinants including identification of entities responsible for funding NERC's activities.
  - 4.4 Consistent billing and collection terms.
5. NERC will bill and collect all budget requirements approved by Applicable Governmental Authorities (including the funds required to support those functions assigned to the Regional Entities through the delegation agreements) directly from the Load-Serving Entities or their designees or as directed by particular Applicable Governmental Authorities, except where the Regional Entity is required to collect the budget requirements for NERC, in which case the Regional Entity will collect directly from the Load-Serving Entities or as otherwise

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<sup>3</sup> A Regional Entity may allocate funding obligations using an alternative method approved by NERC and by FERC and other Applicable Governmental Authorities, as provided for in the regional delegation agreement.

provided by agreement and submit funds to NERC. Alternatively, a load-serving entity may pay its allocated ERO costs through a Regional Entity managed collection mechanism.

6. NERC shall set a minimum threshold limit on the billing of small LSEs to minimize the administrative burden of collection.
7. NERC shall pursue any non-payments and shall request assistance from Applicable Governmental Authorities as necessary to secure collection.
8. In the case where a Regional Entity performs the collection for ERO, the Regional Entity will not be responsible for non-payment in the event that a user, owner or operator of the Bulk Power System does not pay its share of dues, fees and charges in a timely manner, provided that such a Regional Entity shall use reasonably diligent efforts to collect dues, fees, and other charges from all entities obligated to pay them. However, any revenues not paid shall be recovered from others within the same Region to avoid cross-subsidization between Regions.
9. Both NERC and the Regional Entities also may bill members or others for functions and services not within statutory requirements or otherwise authorized by the Applicable Governmental Authorities. Costs and revenues associated with these functions and services shall be separately identified and not commingled with billings associated with the funding of NERC or of the Regional Entities for delegated activities.

#### **1107. Penalty Applications**

1. Where NERC or a Regional Entity initiates a compliance monitoring and enforcement process that leads to imposition of a Penalty, the entity that initiated the process shall receive any Penalty monies imposed and collected as a result of that process, unless a different disposition of the Penalty monies is provided for in the delegation agreement, or in a contract or a disposition of the violation that is approved by NERC and FERC.
2. All funds from financial Penalties assessed in the United States received by the entity initiating the compliance monitoring and enforcement process shall be applied as a general offset to the entity's budget requirements for the subsequent fiscal year, if received by July 1, or for the second subsequent fiscal year, if received on or after July 1. Funds from financial Penalties shall not be directly applied to any program maintained by the entity conducting the compliance monitoring and enforcement process. Funds from financial Penalties assessed against a Canadian entity shall be applied as specified by legislation or agreement.
3. In the event that a compliance monitoring and enforcement process is conducted jointly by NERC and a Regional Entity, the Regional Entity shall receive the Penalty monies and offset the Regional Entity's budget requirements for the subsequent fiscal year.

4. Exceptions or alternatives to the foregoing provisions will be allowed if approved by NERC and by FERC or any other Applicable Governmental Authority.

**1108. Special Assessments**

On a demonstration of unforeseen and extraordinary circumstances requiring additional funds prior to the next funding cycle, NERC shall file with the Applicable Governmental Authorities, where authorized by applicable legislation or agreement, for authorization for an amended or supplemental budget for NERC or a Regional Entity and, if necessary under the amended or supplemental budget, to collect a special or additional assessment for statutory functions of NERC or the Regional Entity. Such filing shall include supporting materials to justify the requested funding, including any departure from the approved funding formula or method.

## **SECTION 1200 — REGIONAL DELEGATION AGREEMENTS**

### **1201. Pro Forma Regional Delegation Agreement**

NERC shall develop and maintain a pro forma Regional Entity delegation agreement, which shall serve as the basis for negotiation of consistent agreements for the delegation of ERO functions to Regional Entities.

### **1202. Regional Entity Essential Requirements**

NERC shall establish the essential requirements for an entity to become qualified and maintain good standing as a Regional Entity.

### **1203. Negotiation of Regional Delegation Agreements**

NERC shall, for all areas of North America that have provided NERC with the appropriate authority, negotiate regional delegation agreements for the purpose of ensuring all areas of the North American Bulk Power Systems are within a Regional Entity Region. In the event NERC is unable to reach agreement with Regional Entities for all areas, NERC shall provide alternative means and resources for implementing NERC functions within those areas. No delegation agreement shall take effect until it has been approved by the Applicable Governmental Authority.

### **1204. Conformance to Rules and Terms of Regional Delegation Agreements**

NERC and each Regional Entity shall comply with all applicable ERO Rules of Procedure and the obligations stated in the regional delegation agreement.

### **1205. Sub-delegation**

The Regional Entity shall not sub-delegate any responsibilities and authorities delegated to it by its regional delegation agreement with NERC except with the approval of NERC and FERC and other Applicable Governmental Authorities. Responsibilities and authorities may only be sub-delegated to another Regional Entity. Regional Entities may share resources with one another so long as such arrangements do not result in cross-subsidization or in any sub-delegation of authorities.

### **1206. Nonconformance to Rules or Terms of Regional Delegation Agreement**

If a Regional Entity is unable to comply or is not in compliance with an ERO Rule of Procedure or the terms of the regional delegation agreement, the Regional Entity shall immediately notify NERC in writing, describing the area of nonconformance and the reason for not being able to conform to the Rule of Procedure. NERC shall evaluate each case and inform the affected Regional Entity of the results of the evaluation. If NERC determines that a Rule of Procedure or term of the regional delegation agreement has been violated by a Regional Entity or cannot practically be implemented by a Regional Entity, NERC shall notify the Applicable Governmental Authorities and take any actions necessary to address the situation.

**1207. Regional Entity Audits**

Approximately every five years and more frequently if necessary for cause, NERC shall audit each Regional Entity to verify that the Regional Entity continues to comply with NERC Rules of Procedure and the obligations of NERC delegation agreement. Audits of Regional Entities shall be conducted, to the extent practical, based on professional auditing standards recognized in the U.S., including Generally Accepted Auditing Standards, Generally Accepted Government Auditing Standards, and standards sanctioned by the Institute of Internal Auditors, and if applicable to the coverage of the audit, may be based on Canadian or other international standards. The audits required by this Section 1207 shall not duplicate the audits of Regional Entity Compliance Monitoring and Enforcement Programs provided for in **Appendix 4A**, Audit of Regional Compliance Programs, to these Rules of Procedure.

**1208. Process for Considering Registered Entity Requests to Transfer to Another Regional Entity**

1. A Registered Entity that is registered in the Region of one Regional Entity and believes its registration should be transferred to a different Regional Entity may submit a written request to both Regional Entities requesting that they process the proposed transfer in accordance with this section. The Registered Entity's written request shall set forth the reasons the Registered Entity believes justify the proposed transfer and shall describe any impacts of the proposed transfer on other Bulk Power System owners, operators, and users.
2. After receiving the Registered Entity's written request, the two Regional Entities shall consult with each other as to whether they agree or disagree that the requested transfer is appropriate. The Regional Entities may also consult with affected Reliability Coordinators, Balancing Authorities and Transmission Operators as appropriate. Each Regional Entity shall post the request on its website for public comment period of 21 days. In evaluating the proposed transfer, the Regional Entities shall consider the location of the Registered Entity's Bulk Power System facilities in relation to the geographic and electrical boundaries of the respective Regions; the impacts of the proposed transfer on other Bulk Power System owners, operators; and users, the impacts of the proposed transfer on the current and future staffing, resources, budgets and assessments to other Load-Serving Entities of each Regional Entity, including the sufficiency of the proposed transferee Regional Entity's staffing and resources to perform compliance monitoring and enforcement activities with respect to the Registered Entity; the Registered Entity's compliance history with its current Regional Entity; and the manner in which pending compliance monitoring and enforcement matters concerning the Registered Entity would be transitioned from the current Regional Entity to the transferee Regional Entity; along with any other reasons for the proposed transfer stated by the Registered Entity and any other reasons either Regional Entity considers relevant. The Regional Entities may



request that the Registered Entity provide additional data and information concerning the proposed transfer for the Regional Entities' use in their evaluation. The Registered Entity's current Regional Entity shall notify the Registered Entity in writing as to whether (i) the two Regional Entities agree that the requested transfer is appropriate, (ii) the two Regional Entities agree that the requested transfer is not appropriate and should not be processed further, or (iii) the two Regional Entities disagree as to whether the proposed transfer is appropriate.

3. If the two Regional Entities agree that the requested transfer is appropriate, they shall submit a joint written request to NERC requesting that the proposed transfer be approved and that the delegation agreement between NERC and each of the Regional Entities be amended accordingly. The Regional Entities' joint written submission to NERC shall describe the reasons for the proposed transfer; the location of the Registered Entity's Bulk Power System Facilities in relation to the geographic and electrical boundaries of the respective Regions; the impacts of the proposed transfer on other Bulk Power System owners, operators, and users; the impacts of the proposed transfer on the current and future staffing, resources, budgets and assessments of each Regional Entity, including the sufficiency of the proposed transferee Regional Entity's staffing and resources to perform compliance monitoring and enforcement activities with respect to the Registered Entity; the Registered Entity's compliance history with its current Regional Entity; and the manner in which pending compliance monitoring and enforcement matters concerning the Registered Entity will be transitioned from the current Regional Entity to the transferee Regional Entity. The NERC Board of Trustees shall consider the proposed transfer based on the submissions of the Regional Entities and any other information the Board considers relevant, and shall approve or disapprove the proposed transfer and the related delegation agreement amendments. The NERC Board may request that the Regional Entities provide additional information, or obtain additional information from the Registered Entity, for the use of the NERC Board in making its decision. If the NERC Board approves the proposed transfer, NERC shall file the related delegation agreements with FERC for approval.
4. If the two Regional Entities do not agree with each other that the proposed transfer is appropriate, the Regional Entity supporting the proposed transfer shall, if requested by the Registered Entity, submit a written request to NERC to approve the transfer and the related delegation agreement amendments. The Regional Entity's written request shall include the information specified in Section 1208.3. The Regional Entity that does not believe the proposed transfer is appropriate will be allowed to submit a written statement to NERC explaining why the Regional Entity believes the transfer is not appropriate and should not be approved. The NERC Board of Trustees shall consider the proposed transfer based on the submissions of the Regional Entities and any other information the Board considers relevant, and shall approve or disapprove the proposed transfer and the related delegation agreement amendments. The NERC Board may request that the Regional Entities provide additional information, or obtain additional

information from the Registered Entity, for the use of the NERC Board in making its decision. If the NERC Board approves the proposed transfer, NERC shall file the related delegation agreements with FERC for approval.

5. Prior to action by the NERC Board of Trustees on a proposed transfer of registration under Section 1208.3 or 1208.4, NERC shall post information concerning the proposed transfer, including the submissions from the Regional Entities, on its website for at least twenty-one (21) days for the purpose of receiving public comment.
6. If the NERC Board of Trustees disapproves a proposed transfer presented to it pursuant to either Section 1208.3 or 1208.4, the Regional Entity or Regional Entities that believe the transfer is appropriate may, if requested to do so by the Registered Entity, file a petition with FERC pursuant to 18 C.F.R. section 39.8(f) and (g) requesting that FERC order amendments to the delegation agreements of the two Regional Entities to effectuate the proposed transfer.
7. No transfer of a Registered Entity from one Regional Entity to another Regional Entity shall be effective (i) unless approved by FERC, and (ii) any earlier than the first day of January of the second calendar year following approval by FERC, unless an earlier effective date is agreed to by both Regional Entities and NERC and approved by FERC.

## **SECTION 1300 — COMMITTEES**

### **1301. Establishing Standing Committees**

The Board may from time to time create standing committees. In doing so, the Board shall approve the charter of each committee and assign specific authority to each committee necessary to conduct business within that charter. Each standing committee shall work within its Board-approved charter and shall be accountable to the Board for performance of its Board-assigned responsibilities. A NERC standing committee may not delegate its assigned work to a member forum, but, in its deliberations, may request the opinions of and consider the recommendations of a member forum.

### **1302. Committee Membership**

Each committee shall have a defined membership composition that is explained in its charter. Committee membership may be unique to each committee, and can provide for balanced decision-making by providing for representatives from each Sector or, where Sector representation will not bring together the necessary diversity of opinions, technical knowledge and experience in a particular subject area, by bringing together a wide diversity of opinions from industry experts with outstanding technical knowledge and experience in a particular subject area. Committee membership shall also provide the opportunity for an equitable number of members from the United States and Canada, based approximately on proportionate Net Energy for Load. All committees and other subgroups (except for those organized on other than a Sector basis because Sector representation will not bring together the necessary diversity of opinions, technical knowledge and experience in a particular subject area) must ensure that no two stakeholder Sectors are able to control the vote on any matter, and no single Sector is able to defeat a matter. With regard to committees and subgroups pertaining to development of, interpretation of, or compliance with Reliability Standards, NERC shall provide a reasonable opportunity for membership from Sectors desiring to participate. Committees and subgroups organized on other than a Sector basis shall be reported to the NERC Board and the Member Representatives Committee, along with the reasons for constituting the committee or subgroup in the manner chosen. In such cases and subject to reasonable restrictions necessary to accomplish the mission of such committee or subgroup, NERC shall provide a reasonable opportunity for additional participation, as members or official observers, for Sectors not represented on the committee or subgroup.

### **1303. Procedures for Appointing Committee Members**

Committee members shall be nominated and selected in a manner that is open, inclusive, and fair. Unless otherwise stated in these Rules of Procedure or approved by the Board, all committee member appointments shall be approved by the board, and committee officers shall be appointed by the Chairman of the Board.

### **1304. Procedures for Conduct of Committee Business**

1. Notice to the public of the dates, places, and times of meetings of all committees, and all nonconfidential material provided to committee members, shall be posted

on NERC's website at approximately the same time that notice is given to committee members. Meetings of all standing committees shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance enforcement matters, litigation, or commercially sensitive or Critical Energy Infrastructure Information of any entity.

2. NERC shall maintain a set of procedures, approved by the Board, to guide the conduct of business by standing committees.

### **1305. Committee Subgroups**

Standing committees may appoint subgroups using the same principles as in Section 1302.

## **SECTION 1400 — AMENDMENTS TO THE NERC RULES OF PROCEDURE**

### **1401. Proposals for Amendment or Repeal of Rules of Procedure**

In accordance with the Bylaws of NERC, requests to amend or repeal the Rules of Procedure may be submitted by (1) any fifty Members of NERC, which number shall include Members from at least three membership Sectors, (2) the Member Representatives Committee, (3) a committee of NERC to whose function and purpose the Rule of Procedure pertains, or (4) an officer of NERC.

### **1402. Approval of Amendment or Repeal of Rules of Procedure**

Amendment to or repeal of Rules of Procedure shall be approved by the Board after public notice and opportunity for comment in accordance with the Bylaws of NERC. In approving changes to the Rules of Procedure, the Board shall consider the inputs of the Member Representatives Committee, other ERO committees affected by the particular changes to the Rules of Procedure, and other stakeholders as appropriate. After Board approval, the amendment or repeal shall be submitted to the Applicable Governmental Authorities for approval, where authorized by legislation or agreement. No amendment to or repeal of the Rules of Procedure shall be effective until it has been approved by the Applicable Governmental Authorities.

## SECTION 1500 — CONFIDENTIAL INFORMATION

### 1501. Definitions

1. **Confidential Information** means (i) Confidential Business and Market Information; (ii) Critical Energy Infrastructure Information; (iii) personnel information that identifies or could be used to identify a specific individual, or reveals personnel, financial, medical, or other personal information; (iv) work papers, including any records produced for or created in the course of an evaluation or audit; (v) investigative files, including any records produced for or created in the course of an investigation; or (vi) Cyber Security Incident Information; provided, that public information developed or acquired by an entity shall be excluded from this definition.
2. **Confidential Business and Market Information** means any information that pertains to the interests of any entity, that was developed or acquired by that entity, and that is proprietary or competitively sensitive.
3. **Critical Energy Infrastructure Information** means specific engineering, vulnerability, or detailed design information about proposed or existing Critical Infrastructure that (i) relates details about the production, generation, transportation, transmission, or distribution of energy; (ii) could be useful to a person in planning an attack on Critical Infrastructure; and (iii) does not simply give the location of the Critical Infrastructure.
4. **Critical Infrastructure** means existing and proposed systems and assets, whether physical or virtual, the incapacity or destruction of which would negatively affect security, economic security, public health or safety, or any combination of those matters.
5. **Cyber Security Incident Information** means any information related to, describing, or which could be used to plan or cause a Cyber Security Incident.

### 1502. Protection of Confidential Information

1. **Identification of Confidential Information** — An owner, operator, or user of the Bulk Power System and any other party (the “Submitting Entity”) shall mark as confidential any information that it submits to NERC or a Regional Entity (the “Receiving Entity”) that it reasonably believes contains Confidential Information as defined by these Rules of Procedure, indicating the category or categories defined in Section 1501 in which the information falls. If the information is subject to a prohibition on public disclosure in the Commission-approved rules of a regional transmission organization or independent system operator or a similar prohibition in applicable federal, state, or provincial laws, the Submitting Entity shall so indicate and provide supporting references and details.
2. **Confidentiality** — Except as provided herein, a Receiving Entity shall keep in confidence and not copy, disclose, or distribute any Confidential Information or

any part thereof without the permission of the Submitting Entity, except as otherwise legally required.

3. **Information no longer Confidential** – If a Submitting Entity concludes that information for which it had sought confidential treatment no longer qualifies for that treatment, the Submitting Entity shall promptly so notify NERC or the relevant Regional Entity.

### **1503. Requests for Information**

1. **Limitation** — A Receiving Entity shall make information available only to one with a demonstrated need for access to the information from the Receiving Entity.
2. **Form of Request** — A person with such a need may request access to information by using the following procedure:
  - 2.1 The request must be in writing and clearly marked “Request for Information.”
  - 2.2 The request must identify the individual or entity that will use the information, explain the requester’s need for access to the information, explain how the requester will use the information in furtherance of that need, and state whether the information is publicly available or available from another source or through another means. If the requester seeks access to information that is subject to a prohibition on public disclosure in the Commission-approved rules of a regional transmission organization or independent system operator or a similar prohibition in applicable federal, state, or provincial laws, the requester shall describe how it qualifies to receive such information.
  - 2.3 The request must stipulate that, if the requester does not seek public disclosure, the requester will maintain as confidential any information received for which a Submitting Party has made a claim of confidentiality in accordance with NERC’s rules. As a condition to gaining access to such information, a requester shall execute a non-disclosure agreement in a form approved by NERC’s Board of Trustees.
3. **Notice and Opportunity for Comment** — Prior to any decision to disclose information marked as confidential, the Receiving Entity shall provide written notice to the Submitting Entity and an opportunity for the Submitting Entity to either waive objection to disclosure or provide comments as to why the Confidential Information should not be disclosed. Failure to provide such comments or otherwise respond is not deemed waiver of the claim of confidentiality.
4. **Determination by ERO or Regional Entity** — Based on the information provided by the requester under Rule 1503.2, any comments provided by the Submitting Entity, and any other relevant available information, the chief

executive officer or his or her designee of the Receiving Entity shall determine whether to disclose such information.

5. **Appeal** — A person whose request for information is denied in whole or part may appeal that determination to the President of NERC (or the President’s designee) within 30 days of the determination. Appeals filed pursuant to this Section must be in writing, addressed to the President of NERC (or the President’s designee), and clearly marked “Appeal of Information Request Denial.”

NERC will provide written notice of such appeal to the Submitting Entity and an opportunity for the Submitting Entity to either waive objection to disclosure or provide comments as to why the Confidential Information should not be disclosed; provided that any such comments must be received within 30 days of the notice and any failure to provide such comments or otherwise respond is not deemed a waiver of the claim of confidentiality.

The President of NERC (or the President’s designee) will make a determination with respect to any appeal within 30 days. In unusual circumstances, this time limit may be extended by the President of NERC (or the President’s designee), who will send written notice to the requester setting forth the reasons for the extension and the date on which a determination on the appeal is expected.

6. **Disclosure of Information** — In the event the Receiving Entity, after following the procedures herein, determines to disclose information designated as Confidential Information, it shall provide the Submitting Entity no fewer than 21 days’ written notice prior to releasing the Confidential Information in order to enable such Submitting Entity to (a) seek an appropriate protective order or other remedy, (b) consult with the Receiving Entity with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. Should a Receiving Entity be required to disclose Confidential Information, or should the Submitting Entity waive objection to disclosure, the Receiving Entity shall furnish only that portion of the Confidential Information which the Receiving Entity’s counsel advises is legally required.

7. **Posting of Determinations on Requests for Disclosure of Confidential Information** — Upon making its determination on a request for disclosure of Confidential Information, NERC or the Regional Entity, as applicable, shall (i) notify the requester that the request for disclosure is granted or denied, (ii) publicly post any determination to deny the request to disclose Confidential Information, including in such posting an explanation of the reasons for the denial (but without in such explanation disclosing the Confidential Information), and (iii) publicly post any determination that information claimed by the Submitting Entity to be Confidential Information is not Confidential Information (but without in such posting disclosing any information that has been determined to be Confidential Information).



#### **1504. Employees, Contractors and Agents**

A Receiving Entity shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein.

#### **1505. Provision of Information to FERC and Other Governmental Authorities**

1. **Request** — A request from FERC for reliability information with respect to owners, operators, and users of the Bulk Power System within the United States is authorized by Section 215 of the Federal Power Act. Other Applicable Governmental Authorities may have similar authorizing legislation that grants a right of access to such information. Unless otherwise directed by FERC or its staff or the other Applicable Governmental Authority requesting the information, upon receiving such a request, a Receiving Entity shall provide contemporaneous notice to the applicable Submitting Entity. In its response to such a request, a Receiving Entity shall preserve any mark of confidentiality and shall notify FERC or other Applicable Governmental Authorities that the Submitting Entity has marked the information as confidential.
2. **Continued Confidentiality** — Each Receiving Entity shall continue to treat as confidential all Confidential Information that it has submitted to NERC or to FERC or another Applicable Governmental Authority, until such time as FERC or the other Applicable Governmental Authority authorizes disclosure of such information.

#### **1506. Permitted Disclosures**

1. **Confirmed Violations** — Nothing in this Section 1500 shall prohibit the disclosure of a violation at the point when the matter is filed with an Applicable Governmental Authority as a Notice of Penalty, the “violator” admits to the violation, or the alleged violator and NERC or the Regional Entity reach a settlement regarding the violation.
2. **Compliance Information** — NERC and the Regional Entities are authorized to exchange Confidential Information related to evaluations, Compliance Audits, and Compliance Investigations in furtherance of the Compliance Monitoring and Enforcement Program, on condition they continue to maintain the confidentiality of such information.

#### **1507. Remedies for Improper Disclosure**

Any person engaged in NERC or Regional Entity activity under Section 215 of the Federal Power Act or the equivalent laws of other Applicable Governmental Authorities who improperly discloses information determined to be confidential may lose access to Confidential Information on a temporary or permanent basis and may be subject to adverse personnel action, including suspension or termination. Nothing in Section 1500

precludes an entity whose information was improperly disclosed from seeking a remedy in an appropriate court.

## **SECTION 1600 — REQUESTS FOR DATA OR INFORMATION**

### **1601. Scope of a NERC or Regional Entity Request for Data or Information**

Within the United States, NERC and Regional Entities may request data or information that is necessary to meet their obligations under Section 215 of the Federal Power Act, as authorized by Section 39.2(d) of the Commission’s regulations, 18 C.F.R. § 39.2(d). In other jurisdictions NERC and Regional Entities may request comparable data or information, using such authority as may exist pursuant to these Rules of Procedure and as may be granted by Applicable Governmental Authorities in those other jurisdictions. The provisions of Section 1600 shall not apply to Requirements contained in any Reliability Standard to provide data or information; the Requirements in the Reliability Standards govern. The provisions of Section 1600 shall also not apply to data or information requested in connection with a compliance or enforcement action under Section 215 of the Federal Power Act, Section 400 of these Rules of Procedure, or any procedures adopted pursuant to those authorities, in which case the Rules of Procedure applicable to the production of data or information for compliance and enforcement actions shall apply.

### **1602. Procedure for Authorizing a NERC Request for Data or Information**

1. NERC shall provide a proposed request for data or information or a proposed modification to a previously-authorized request, including the information specified in Section 1602.2.1 or 1602.2.2 as applicable, to the Commission’s Office of Electric Reliability at least twenty-one (21) days prior to initially posting the request or modification for public comment. Submission of the proposed request or modification to the Office of Electric Reliability is for the information of the Commission. NERC is not required to receive any approval from the Commission prior to posting the proposed request or modification for public comment in accordance with Section 1602.2 or issuing the request or modification to Reporting Entities following approval by the Board of Trustees.
2. NERC shall post a proposed request for data or information or a proposed modification to a previously authorized request for data or information for a forty-five (45) day public comment period.
  - 2.1. A proposed request for data or information shall contain, at a minimum, the following information: (i) a description of the data or information to be requested, how the data or information will be used, and how the availability of the data or information is necessary for NERC to meet its obligations under applicable laws and agreements; (ii) a description of how the data or information will be collected and validated; (iii) a description of the entities (by functional class and jurisdiction) that will be required to provide the data or information (“Reporting Entities”); (iv) the schedule or due date for the data or information; (v) a description of any restrictions on disseminating the data or information (e.g., “Confidential Information,” “Critical Energy Infrastructure Information,”

“aggregating” or “identity masking”); and (vi) an estimate of the relative burden imposed on the Reporting Entities to accommodate the data or information request.

- 2.2. A proposed modification to a previously authorized request for data or information shall explain (i) the nature of the modifications; (ii) an estimate of the burden imposed on the Reporting Entities to accommodate the modified data or information request, and (iii) any other items from Section 1602.2.1 that require updating as a result of the modifications.
3. After the close of the comment period, NERC shall make such revisions to the proposed request for data or information as are appropriate in light of the comments. NERC shall submit the proposed request for data or information, as revised, along with the comments received, NERC’s evaluation of the comments and recommendations, to the Board of Trustees.
4. In acting on the proposed request for data or information, the Board of Trustees may authorize NERC to issue it, modify it, or remand it for further consideration.
5. NERC may make minor changes to an authorized request for data or information without Board approval. However, if a Reporting Entity objects to NERC in writing to such changes within 21 days of issuance of the modified request, such changes shall require Board approval before they are implemented.
6. Authorization of a request for data or information shall be final unless, within thirty (30) days of the decision by the Board of Trustees, an affected party appeals the authorization under this Section 1600 to the Applicable Governmental Authority.

### **1603. Owners, Operators, and Users to Comply**

Owners, operators, and users of the Bulk Power System registered on the NERC Compliance Registry shall comply with authorized requests for data and information. In the event a Reporting Entity within the United States fails to comply with an authorized request for data or information under Section 1600, NERC may request the Commission to exercise its enforcement authority to require the Reporting Entity to comply with the request for data or information and for other appropriate enforcement action by the Commission. NERC will make any request for the Commission to enforce a request for data or information through a non-public submission to the Commission’s enforcement staff.

### **1604. Requests by Regional Entity for Data or Information**

1. A Regional Entity may request that NERC seek authorization for a request for data or information to be applicable within the Region of the Regional Entity, either as a freestanding request or as part of a proposed NERC request for data or information. Any such request must be consistent with this Section 1600.

2. A Regional Entity may also develop its own procedures for requesting data or information, but any such procedures must include at least the same procedural elements as are included in this Section 1600. Any such Regional Entity procedures or changes to such procedures shall be submitted to NERC for approval. Upon approving such procedures or changes thereto, NERC shall file the proposed procedures or proposed changes for approval by the Commission and any other Applicable Governmental Authorities applicable to the Regional Entity. The Regional Entity procedures or changes to such procedures shall not be effective in a jurisdiction until approved by, and in accordance with any revisions directed by, the Commission or other Applicable Governmental Authority.

### **1605. Confidentiality**

If the approved data or information request includes a statement under Section 1602.1.1(v) that the requested data or information will be held confidential or treated as Critical Energy Infrastructure Information, then the applicable provisions of Section 1500 will apply without further action by a Submitting Entity. A Submitting Entity may designate any other data or information as Confidential Information pursuant to the provisions of Section 1500, and NERC or the Regional Entity shall treat that data or information in accordance with Section 1500. NERC or a Regional Entity may utilize additional protective procedures for handling particular requests for data or information as may be necessary under the circumstances.

### **1606. Expedited Procedures for Requesting Time-Sensitive Data or Information**

1. In the event NERC or a Regional Entity must obtain data or information by a date or within a time period that does not permit adherence to the time periods specified in Section 1602, the procedures specified in Section 1606 may be used to obtain the data or information. Without limiting the circumstances in which the procedures in Section 1606 may be used, such circumstances include situations in which it is necessary to obtain the data or information (in order to evaluate a threat to the reliability or security of the Bulk Power System, or to comply with a directive in an order issued by the Commission or by another Applicable Governmental Authority) within a shorter time period than possible under Section 1602. The procedures specified in Section 1606 may only be used if authorized by the NERC Board of Trustees prior to activation of such procedures.
2. Prior to posting a proposed request for data or information, or a modification to a previously-authorized request, for public comment under Section 1606, NERC shall provide the proposed request or modification, including the information specified in paragraph 1602.2.1 or 1602.2.2 as applicable, to the Commission's Office of Electric Reliability. The submission to the Commission's Office of Electric Reliability shall also include an explanation of why it is necessary to use the expedited procedures of Section 1606 to obtain the data or information. The submission shall be made to the Commission's Office of Electric Reliability as far in advance, up to twenty-one (21) days, of the posting of the proposed request or modification for public comments as is

- reasonably possible under the circumstances, but in no event less than two (2) days in advance of the public posting of the proposed request or modification.
3. NERC shall post the proposed request for data or information or proposed modification to a previously-authorized request for data or information for a public comment period that is reasonable in duration given the circumstances, but in no event shorter than five (5) days. The proposed request for data or information or proposed modification to a previously-authorized request for data or information shall include the information specified in Section 1602.2.1 or 1602.2.2, as applicable, and shall also include an explanation of why it is necessary to use the expedited procedures of Section 1606 to obtain the data or information.
  4. The provisions of Sections 1602.3, 1602.4, 1602.5 and 1602.6 shall be applicable to a request for data or information or modification to a previously-authorized request for data or information developed and issued pursuant to Section 1606, except that (a) if NERC makes minor changes to an authorized request for data or information without Board approval, such changes shall require Board approval if a Reporting Entity objects to NERC in writing to such changes within five (5) days of issuance of the modified request; and (b) authorization of the request for data or information shall be final unless an affected party appeals the authorization of the request by the Board of Trustees to the Applicable Governmental Authority within five (5) days following the decision of the Board of Trustees authorizing the request, which decision shall be promptly posted on NERC's website.

## SECTION 1700 — CHALLENGES TO DETERMINATIONS

### 1701. Scope of Authority

Section 1702 sets forth the procedures to be followed for Registered Entities to challenge determinations made by Planning Coordinators under Reliability Standard PRC-023. Section 1703 sets forth the procedures to be followed when a Submitting Entity or Owner wishes to challenge a determination by NERC to approve or to disapprove an Exception Request or to terminate an Exception under Section 509.

### 1702. Challenges to Determinations by Planning Coordinators Under Reliability Standard PRC-023

1. This Section 1702 establishes the procedures to be followed when a Registered Entity wishes to challenge a determination by a Planning Coordinator of the sub-200 kV circuits in its Planning Coordinator area for which Transmission Owners, Generator Owners, and Distribution Providers (defined as “Registered Entities” for purposes of this Section 1702) must comply with the requirements of Reliability Standard PRC-023.
2. Planning Coordinator Procedures
  - 2.1 Each Planning Coordinator shall establish a procedure for a Registered Entity to submit a written request for an explanation of a determination made by the Planning Coordinator under PRC-023.
  - 2.2 A Registered Entity shall follow the procedure established by the Planning Coordinator for submitting the request for explanation and must submit any such request within 60 days of receiving the determination under PRC-023 from the Planning Coordinator.
  - 2.3 Within 30 days of receiving a written request from a Registered Entity, the Planning Coordinator shall provide the Registered Entity with a written explanation of the basis for its determination under PRC-023, unless the Planning Coordinator provided a written explanation of the basis for its determination when it initially informed the Registered Entity of its determination.
3. A Registered Entity may challenge the determination of the Planning Coordinator by filing with the appropriate Regional Entity, with a copy to the Planning Coordinator, within 60 days of receiving the written explanation from the Planning Coordinator. The challenge shall include the following: (a) an explanation of the technical reasons for its disagreement with the Planning Coordinator’s determination, along with any supporting documentation, and (b) a copy of the Planning Coordinator’s written explanation. Within 30 days of receipt of a challenge, the Planning Coordinator may file a response to the Regional Entity, with a copy to the Registered Entity.



4. The filing of a challenge in good faith shall toll the time period for compliance with PRC-023 with respect to the subject facility until such time as the challenge is withdrawn, settled or resolved.
5. The Regional Entity shall issue its written decision setting forth the basis of its determination within 90 days after it receives the challenge and send copies of the decision to the Registered Entity and the Planning Coordinator. The Regional Entity may convene a meeting of the involved entities and may request additional information. The Regional Entity shall affirm the determination of the Planning Coordinator if it is supported by substantial evidence.
6. A Planning Coordinator or Registered Entity affected by the decision of the Regional Entity may, within 30 days of the decision, file an appeal with NERC, with copies to the Regional Entity and the Planning Coordinator or Registered Entity. The appeal shall state the basis of the objection to the decision of the Regional Entity and shall include the Regional Entity decision, the written explanation of the Planning Coordinator's determination under PRC-023, and the documents and reasoning filed by the Registered Entity with the Regional Entity in support of its objection. The Regional Entity, Planning Coordinator or Registered Entity may file a response to the appeal within 30 days of the appeal.
7. The Board of Trustees shall appoint a panel to decide appeals from Regional Entity decisions under Section 1702.5. The panel, which may contain alternates, shall consist of at least three appointees, one of whom must be a member of the NERC staff, who are knowledgeable about PRC-023 and transmission planning and do not have a direct financial or business interest in the outcome of the appeal. The panel shall decide the appeal within 90 days of receiving the appeal from the decision of the Regional Entity and shall affirm the determination of the Planning Coordinator if it is supported by substantial evidence.
8. The Planning Coordinator or Registered Entity affected by the decision of the panel may request that the Board of Trustees review the decision by filing its request for review and a statement of reasons with NERC's Chief Reliability Officer within 30 days of the panel decision. The Board of Trustees may, in its discretion, decline to review the decision of the panel, in which case the decision of the panel shall be the final NERC decision. Within 90 days of the request for review under this Section 1702.8, the Board of Trustees may either (a) issue a decision on the merits, which shall be the final NERC decision, or (b) issue a notice declining to review the decision of the panel, in which case the decision of the panel shall be the final NERC decision. If no written decision or notice declining review is issued within 90 calendar days, the appeal shall be deemed to have been denied by the Board of Trustees and this will have the same effect as a notice declining review.
9. The Registered Entity or Planning Coordinator may appeal the final NERC decision to the Applicable Governmental Authority within 30 days of receipt of



the Board of Trustees' final decision or notice declining review, or expiration of the 90-day review period without any action by NERC.

10. The Planning Coordinator and Registered Entity are encouraged, but not required, to meet to resolve any dispute, including use of mutually agreed to alternative dispute resolution procedures, at any time during the course of the matter. In the event resolution occurs after the filing of a challenge, the Registered Entity and Planning Coordinator shall jointly provide to the applicable Regional Entity a written acknowledgement of withdrawal of the challenge or appeal, including a statement that all outstanding issues have been resolved.

### **1703. Challenges to NERC Determinations of BES Exception Requests Under Section 509**

1. This Section 1703 establishes the procedures to be followed when a Submitting Entity or Owner wishes to challenge a determination by NERC to approve or to disapprove an Exception Request or to terminate an Exception under Section 509.
2. A Submitting Entity (or Owner if different) aggrieved by the decision of NERC to approve or disapprove an Exception Request or to terminate an Exception with respect to any Element may, within 30 days following the date of the decision, file a written challenge to the decision with the NERC director of compliance operations, with copies to the Regional Entity and the Submitting Entity or Owner if different. The challenge shall state the basis of the objection to the decision of NERC. The Regional Entity, and the Submitting Entity or Owner if different, may file a response to the challenge within 30 days following the date the challenge is filed with NERC.
3. The challenge shall be decided by the Board of Trustees Compliance Committee. Within 90 days of the date of submission of the challenge, the Board of Trustees Compliance Committee shall issue its decision on the challenge. The decision of the Board of Trustees Compliance Committee shall be the final NERC decision; provided, that the Board of Trustees Compliance Committee may extend the deadline date for its decision to a date more than 90 days following submission of the challenge, by issuing a notice to the Submitting Entity, the Owner (if different) and the Regional Entity stating the revised deadline date and the reason for the extension.
4. The Submitting Entity, or Owner if different, may appeal the final NERC decision to, or seek review of the final NERC decision by, the Applicable Governmental Authority(ies), in accordance with the legal authority and rules and procedures of the Applicable Governmental Authority(ies). Any such appeal shall be filed within thirty (30) days following the date of the decision of the Board of Trustees Compliance Committee, or within such other time period as is provided for in the legal authority, rules or procedures of the Applicable Governmental Authority.



## **NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

### **DEFINITIONS USED IN THE RULES OF PROCEDURE**

#### **APPENDIX 2 TO THE RULES OF PROCEDURE**

**Effective: ~~July 1, 2014~~DATE**  
**(as noted below)**

New or revised definitions marked with # will become effective as defined terms on July 1, 2014 in accordance with the Bulk Electric System Order (Order No. 773), the June 13, 2013 Order Granting Extension of Time, and the March 20, 2014 Order Approving Revised Definition.

## General

For purposes of the NERC Rules of Procedure, including all Appendices, the terms defined in this Appendix shall have the meanings set forth herein. For convenience of reference to the user, definitions of terms that are used in a particular Appendix may be repeated in that Appendix.

Where used in the Rules of Procedure, a defined term will be capitalized. Where a term defined in this Appendix appears in the Rules of Procedure but is not capitalized, the term is there being used in its ordinary and commonly understood meaning and not as defined in this Appendix (if different). Other terms that are not defined terms, such as the names of entities, organizations, committees, or programs; position titles; titles of documents or forms; section headings; geographic locations; and other terms commonly presented as proper nouns, may also be capitalized in the Rules of Procedure without being defined in this Appendix.

Definitions of terms in this Appendix that are marked with asterisks (\*\*) are taken from the NERC *Glossary of Terms Used in Reliability Standards*. Definitions of terms in this Appendix that are marked with “pluses” (++) are taken from Section 215 of the Federal Power Act or the Commission’s regulations at 18 C.F.R. Part 39 or Part 388.

Other terms used in the Rules of Procedure but not defined in this Appendix that have commonly understood and used technical meanings in the electric power industry, including applicable codes and standards, shall be construed in accordance with such commonly understood and used technical meanings.

## Specific Definitions

#“Acceptance of the Exception Request” or “Acceptance” means the determination that an eligible Exception Request (i.e., a Request permitted by section 4.1 of Appendix 5C) contains all the Required Information so that it can undergo substantive review.

“Adjacent Balancing Authority” means a Balancing Authority Area that is interconnected to another Balancing Authority Area either directly or via a multi-party agreement or transmission tariff.\*\*

“Adjusted Penalty Amount” means the proposed Penalty for a violation of a Reliability Standard as determined based on application of the adjustment factors identified in Section 4.3 of the *Sanction Guidelines* to the Base Penalty Amount.

“Advisories” or “Level 1 (Advisories)” is a notification issued by NERC in accordance with Section 810.3.1 of the Rules of Procedure.

“Alleged Violation” means a Possible Violation for which the Compliance Enforcement Authority has determined, based on an assessment of the facts and circumstances surrounding the Possible Violation, that evidence exists to indicate a Registered Entity has violated a Reliability Standard.

“Annual Audit Plan” means a plan developed annually by the Compliance Enforcement Authority that includes the Reliability Standards and Registered Entities to be audited and the schedule of Compliance Audits for the calendar year.

“Annual Report” means the annual report to be filed by NERC with FERC and other Applicable Governmental Authorities in accordance with Section 13.0 of Appendix 4D.

“Applicable Governmental Authority” means the FERC within the United States and the appropriate governmental authority with subject matter jurisdiction over reliability in Canada and Mexico.

“Applicable Requirement” means a Requirement of a CIP Standard that (i) expressly provides either (A) that compliance with the terms of the Requirement is required where or as technically feasible, or (B) that technical limitations may preclude compliance with the terms of the Requirement; or (ii) is subject to Appendix 4D by FERC directive.

#“Approval of the Exception Request” or “Approval” means the determination by NERC that an Exception Request meets the criteria to receive the requested Exception.

#“Balancing Authority” means 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.\*\*

#“Balancing Authority Area” means the collection of generation, transmission, and Loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains Load-resource balance within this area.\*\*

“Base Penalty Amount” means the proposed Penalty for a violation of a Reliability Standard as initially determined pursuant to Sections 4.1 and 4.2 of the NERC *Sanction Guidelines*, before application of any adjustment factors.

#“BES Definition” means the NERC definition of the Bulk Electric System as set forth in the NERC *Glossary of Terms Used in Reliability Standards*.

#“Blackstart Resource” means a generating unit(s) and its associated set of equipment which has the ability to be started without support from the System or is designed to remain energized without connection to the remainder of the System, with the ability to energize a bus, meeting the Transmission Operator’s restoration plan needs for Real and Reactive Power capability, frequency and voltage control, and that has been included in the Transmission Operator’s restoration plan.\*\*

“Board” or “Board of Trustees” means the Board of Trustees of NERC.

“Board of Trustees Compliance Committee,” “BOTCC” or “Compliance Committee” means the Compliance Committee of the NERC Board of Trustees.

#“Bulk Electric System” or “BES” means unless modified by the lists shown below, all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher. This does not include facilities used in the local distribution of electric energy.

**Inclusions:**

- **I1** - Transformers with the primary terminal and at least one secondary terminal operated at 100 kV or higher unless excluded by application of Exclusion E1 or E3.
- **I2** - Generating resource(s) including the generator terminals through the high-side of the step-up transformer(s) connected at a voltage of 100 kV or above with:
  - a) Gross individual nameplate rating greater than 20 MVA. Or,
  - b) Gross plant/facility aggregate nameplate rating greater than 75 MVA.
- **I3** - Blackstart Resources identified in the Transmission Operator’s restoration plan.
- **I4** - Dispersed power producing resources that aggregate to a total capacity greater than 75 MVA (gross nameplate rating), and that are connected through a system designed primarily for delivering such capacity to a common point of connection at a voltage of 100 kV or above. Thus, the facilities designated as BES are:
  - a) The individual resources, and
  - b) The system designed primarily for delivering capacity from the point where those resources aggregate to greater than 75 MVA to a common point of connection at a voltage of 100 kV or above.
- **I5** - Static or dynamic devices (excluding generators) dedicated to supplying or absorbing Reactive Power that are connected at 100 kV or higher, or through a dedicated transformer with a high-side voltage of 100 kV or higher, or through a transformer that is designated in Inclusion I1 unless excluded by application of Exclusion E4.

**Exclusions:**

- **E1** - Radial systems: A group of contiguous transmission Elements that emanates from a single point of connection of 100 kV or higher and:
  - a) Only serves Load. Or,
  - b) Only includes generation resources, not identified in Inclusions I2, I3, or I4, with an aggregate capacity less than or equal to 75 MVA (gross nameplate rating). Or,
  - c) Where the radial system serves Load and includes generation resources, not identified in Inclusions I2, I3 or I4, with an aggregate capacity of non-retail generation less than or equal to 75 MVA (gross nameplate rating).

Note 1 – A normally open switching device between radial systems, as depicted on prints or one-line diagrams for example, does not affect this exclusion.

Note 2 – The presence of a contiguous loop, operated at a voltage level of 50 kV or less, between configurations being considered as radial systems, does not affect this exclusion.

- **E2** - A generating unit or multiple generating units on the customer’s side of the retail meter that serve all or part of the retail Load with electric energy if: (i) the net capacity provided to the BES does not exceed 75 MVA, and (ii) standby, back-up, and maintenance power services are provided to the generating unit or multiple generating units or to the retail Load by a Balancing Authority, or provided pursuant to a binding obligation with a Generator Owner or Generator Operator, or under terms approved by the applicable regulatory authority.
- **E3** - Local networks (LN): A group of contiguous transmission Elements operated at less than 300 kV that distribute power to Load rather than transfer bulk power across the interconnected system. LN’s emanate from multiple points of connection at 100 kV or higher to improve the level of service to retail customers and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:
  - a) Limits on connected generation: The LN and its underlying Elements do not include generation resources identified in Inclusions I2, I3, or I4 and do not have an aggregate capacity of non-retail generation greater than 75 MVA (gross nameplate rating);
  - b) Real Power flows only into the LN and the LN does not transfer energy originating outside the LN for delivery through the LN; and
  - c) Not part of a Flowgate or transfer path: The LN does not contain any part of a permanent Flowgate in the Eastern Interconnection, a major transfer path within the Western Interconnection, or a comparable monitored Facility in the ERCOT or Quebec Interconnections, and is not a monitored Facility included in an Interconnection Reliability Operating Limit (IROL).
- **E4** - Reactive Power devices installed for the sole benefit of a retail customer(s).

Note - Elements may be included or excluded on a case-by-case basis through the Rules of Procedure exception process.\*\*

“Bulk Power System” means, depending on the context: (i) Facilities and control systems necessary for operating an interconnected electric energy supply and transmission network (or any portion thereof), and electric energy from generating facilities needed to maintain

transmission system reliability. The term does not include facilities used in the local distribution of electric energy [++]. (ii) Solely for purposes of Appendix 4E, Bulk Electric System.

“Canadian” means one of the following: (a) a company or association incorporated or organized under the laws of Canada, or its designated representative(s) irrespective of nationality; (b) an agency of a federal, provincial, or local government in Canada, or its designated representative(s) irrespective of nationality; or (c) a self-representing individual who is a Canadian citizen residing in Canada.

#“Canadian Entity” means a Registered Entity (or, solely for purposes of Appendix 4D, a Responsible Entity) that is organized under Canadian federal or provincial law.

“Cascading” means the uncontrolled successive loss of System Elements triggered by an incident at any location. Cascading results in widespread electric service interruption that cannot be restrained from sequentially spreading beyond an area predetermined by studies.\*\*

“CCC” means the NERC Compliance and Certification Committee.

“Certification” means, depending on the context, (i) the process undertaken by NERC and a Regional Entity to verify that an entity is capable of responsibilities for tasks associated with a particular function such as a Balancing Authority, Transmission Operator and/or Reliability Coordinator; such Certification activities are further described in Section 500 and Appendix 5A of the NERC Rules of Procedure; or (ii) for purposes of Section 600 of the Rules of Procedure, an official recognition that indicates the recipient has passed a NERC exam or completed a specified number of Continuing Education Hours.

“Certification Staff” means individuals employed or contracted by NERC who have the authority to make initial determinations of Certification of entities performing reliability functions.

“Certification Team” means a team assembled by a Regional Entity that will be responsible for performing the activities included in the Certification process for an entity pursuant to Appendix 5A.

“Classified National Security Information” means Required Information that has been determined to be protected from unauthorized disclosure pursuant to Executive Order No. 12958, as amended, and/or the regulations of the NRC at 10 C.F.R. §95.35; or pursuant to any comparable provision of Canadian federal or provincial law.

“Clerk” means an individual assigned by the Compliance Enforcement Authority to perform administrative tasks relating to the conduct of hearings as described in Attachment 2, Hearing Procedures, to Appendix 4C.

“Commission” means the Federal Energy Regulatory Commission or FERC.

“Complaint” means an allegation that a Registered Entity violated a Reliability Standard.



“Compliance and Certification Manager” means individual/individuals within the Regional Entity that is/are responsible for monitoring compliance of entities with applicable NERC Reliability Standards.

“Compliance Audit” means a systematic, objective review and examination of records and activities to determine whether a Registered Entity meets the Requirements of applicable Reliability Standards.

“Compliance Audit Participants” means Registered Entities scheduled to be audited and the audit team members.

“Compliance Enforcement Authority” means NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.

“Compliance Enforcement Authority’s Area of Responsibility” means the Compliance Enforcement Authority’s Region. If a Regional Entity is the Compliance Enforcement Authority, the Compliance Enforcement Authority’s Area of Responsibility is shown in Exhibit A to the delegation agreement between the Regional Entity and NERC.

“Compliance Investigation” means a comprehensive investigation, which may include an on-site visit with interviews of the appropriate personnel, to determine if a violation of a Reliability Standard has occurred.

“Compliance Monitoring and Enforcement Program” or “CMEP” means, depending on the context (1) the NERC *Uniform Compliance Monitoring and Enforcement Program* (Appendix 4C to the NERC Rules of Procedure) or the Commission-approved program of a Regional Entity, as applicable, or (2) the program, department or organization within NERC or a Regional Entity that is responsible for performing compliance monitoring and enforcement activities with respect to Registered Entities’ compliance with Reliability Standards.

“Compliant Date” means the date by which a Responsible Entity is required to be in compliance with an Applicable Requirement of a CIP Standard.

“Confidential Business and Market Information” means any information that pertains to the interests of any entity, that was developed or acquired by that entity, and that is proprietary or competitively sensitive.

“Confidential Information” means (i) Confidential Business and Market Information; (ii) Critical Energy Infrastructure Information; (iii) personnel information that identifies or could be used to identify a specific individual, or reveals personnel, financial, medical, or other personal information; (iv) work papers, including any records produced for or created in the course of an evaluation or audit; (v) investigative files, including any records produced for or created in the course of an investigation; or (vi) Cyber Security Incident Information; provided, that public information developed or acquired by an entity shall be excluded from this definition; or (vii) for purposes of Appendix 4D, any other information that is designated as Confidential Information in Section 11.0 of Appendix 4D.



“Confirmed Violation” means an Alleged Violation for which (1) the Registered Entity has accepted or not contested the Notice of Alleged Violation and Penalty or Sanction or other notification of the Alleged Violation, or (2) there has been the issuance of a final order from NERC or a Regional Entity Hearing Body finding a violation, Penalty or sanction, or (3) the period for requesting a hearing or an appeal has expired, or (4) the Registered Entity has executed a settlement agreement pursuant to Section 5.6.

“Continuing Education Hour” or “CE Hour” means based on sixty clock minutes, and includes at least fifty minutes of participation in a group or self-study learning activity that meets the criteria of the NERC Continuing Education Program.

“Continuing Education Program Provider” or “Provider” means the individual or organization offering a learning activity to participants and maintaining documentation required by Section 600 of the Rules of Procedure.

“Coordinated Functional Registration” means where two or more entities (parties) agree in writing upon a division of compliance responsibility among the parties for one or more Reliability Standard(s) applicable to a particular function, and/or for one or more Requirement(s)/sub-Requirement(s) within particular Reliability Standard(s).

“Covered Asset” means a Cyber Asset or Critical Cyber Asset that is subject to an Applicable Requirement.

“Credential” means a NERC designation that indicates the level of qualification achieved (i.e., reliability operator; balancing, interchange, and transmission operator; balancing and interchange operator; and transmission operator).

“Critical Assets” means Facilities, systems, and equipment which, if destroyed, degraded, or otherwise rendered unavailable, would affect the reliability or operability of the Bulk Electric System.\*\*

“Critical Cyber Assets” means Cyber Assets critical to the reliable operation of Critical Assets.\*\*

“Critical Energy Infrastructure Information” means specific engineering, vulnerability, or detailed design information about proposed or existing Critical Infrastructure that (i) relates details about the production, generation, transportation, transmission, or distribution of energy; (ii) could be useful to a person in planning an attack on Critical Infrastructure; and (iii) does not simply give the location of the Critical Infrastructure.++

“Critical Infrastructure” means existing and proposed systems and assets, whether physical or virtual, the incapacity or destruction of which would negatively affect security, economic security, public health or safety, or any combination of those matters.++

“Critical Infrastructure Protection Standard” or “CIP Standard” means any of NERC Reliability Standards CIP-002 through CIP-009.

“Cross-Border Regional Entity” means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.++

“Cyber Assets” means programmable electronic devices and communication networks including hardware, software, and data.\*\*

“Cyber Security Incident” means any malicious or suspicious event that disrupts, or was an attempt to disrupt, the operation of those programmable electronic devices and communications networks including hardware, software and data that are essential to the Reliable Operation of the Bulk Power System.++

“Cyber Security Incident Information” means any information related to, describing, or which could be used to plan or cause a Cyber Security Incident.

“Days”, as used in Appendix 5A with respect to the Registration and Certification processes, means calendar days.

“Deactivation,” as used in Appendix 5A with respect to the Registration processes, refers to removal of an entity from the NCR for a specific functional category. As a result of deactivation, the entity is no longer subject to any prospective compliance obligations with respect to Reliability Standards applicable to that functional category.

“Delegate” means a person to whom the Senior Manager of a Responsible Entity has delegated authority pursuant to Requirement R2.3 of CIP Standard CIP-003-1 (or any successor provision).

“Director of Compliance” means the Director of Compliance of NERC or of the Compliance Enforcement Authority, as applicable, or other individual designated by the Compliance Enforcement Authority who is responsible for the management and supervision of Compliance Staff, or his or her designee.

#“Disapproval of the Exception Request” or “Disapproval” means the determination by NERC that an Exception Request does not meet the criteria to receive the requested Exception.

#“Distribution Factor” means the portion of an Interchange Transaction, typically expressed in per unit that flows across a transmission facility (Flowgate).\*\*

“Distribution Provider” means the entity that provides and operates the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the Distribution Provider. Thus, the Distribution Provider is not defined by a specific voltage, but rather as performing the distribution function at any voltage.\*\*

“Document” means, in addition to the commonly understood meaning of the term as information written or printed on paper, any electronically stored information, including writings, drawings, graphs, charts, photographs, sound recordings, images and other data or data compilations stored in any medium from which information can be obtained, and shall be translated by the producing party into reasonably usable form.

“Effective Date” means the date, as specified in a notice disapproving a TFE Request or terminating an approved TFE, on which the disapproval or termination becomes effective.

“Electric Reliability Organization” or “ERO” means the organization that is certified by the Commission under Section 39.3 of its regulations, the purpose of which is to establish and enforce Reliability Standards for the Bulk Power System in the United States, subject to Commission review. The organization may also have received recognition by Applicable Governmental Authorities in Canada and Mexico to establish and enforce Reliability Standards for the Bulk Power Systems of the respective countries.

“Element” means any electrical device with terminals that may be connected to other electrical devices such as a generator, transformer, circuit breaker, bus section, or transmission line. An Element may be comprised of one or more components.\*\*

“Eligible Reviewer” means a person who has the required security clearances or other qualifications, or who otherwise meets the applicable criteria, to have access to Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information, as applicable to the particular information to be reviewed.

“End Date” means the last date of the period to be covered in a Compliance Audit.

“Essential Actions” or “Level 3 (Essential Actions)” is a notification issued by NERC in accordance with Section 810.3.3 of the Rules of Procedure.

“Evidentiary Hearing” means a hearing at which one or more Participants submits evidence for the record. A Testimonial Hearing is an Evidentiary Hearing, but an Evidentiary Hearing does not necessarily include the presentation of testimony by witnesses in person.

#“Exception” means either an Inclusion Exception or an Exclusion Exception.

#“Exception Procedure” means the procedure set forth in Appendix 5C.

“Exception Report” means information provided to the Compliance Enforcement Authority by a Registered Entity indicating that a violation of a Reliability Standard has occurred (e.g., a System Operating Limit has been exceeded) or enabling the Compliance Enforcement Authority to ascertain the Registered Entity’s compliance.

#“Exception Request” means a request made by a Submitting Entity in accordance with Appendix 5C for an Exception.

#“Exception Request Form” means the form adopted by each Regional Entity, in accordance with a template provided by NERC, for use by Submitting Entities in submitting Exception Requests; provided, that the Exception Request Form must include Section III.B as adopted by NERC.

“Exclusion Exception” means a determination that an Element that falls within the BES Definition should be excluded from the BES.

“Expiration Date” means the date on which an approved TFE expires.

“Facility” means a set of electrical equipment that operates as a single Bulk Electric System Element (e.g., a line, a generator, a shunt compensator, transformer, etc.)\*\*

“FERC” means the United States Federal Energy Regulatory Commission.

“Final Penalty Amount” means the final, proposed Penalty for violation of a Reliability Standard, determined in accordance with the *Sanction Guidelines*.

#“Flowgate” means 1.) A portion of the transmission system through which the Interchange Distribution Calculator calculates the power flow from Interchange Transactions. 2.) A mathematical construct, comprised of one or more monitored transmission Facilities and optionally one or more contingency Facilities, used to analyze the impact of power flows upon the Bulk Electric System.\*\*

“FOIA” means the U.S. Freedom of Information Act, 5 U.S.C. §552.

“Footprint” means the geographical or electric area served by an entity.

“Functional Entity” means an entity responsible for a function that is required to ensure the Reliable Operation of the electric grid as identified in the NERC Reliability Standards.

“Generator Operator” means the entity that operates generating ~~Facility~~unit(ies) and performs the functions of supplying energy and Interconnected Operations Services.\*\*

“Generator Owner” means an entity that owns and maintains generating ~~Facility~~unit(ies).\*\*

“Hearing Body” or “Regional Entity Hearing Body” means the body established or designated by the Compliance Enforcement Authority to conduct hearings and issue decisions concerning disputed compliance matters in accordance with Attachment 2, Hearing Procedures, of Appendix 4C.

“Hearing Officer” means, depending on the context, (i) an individual employed or contracted by the Compliance Enforcement Authority and designated by the Compliance Enforcement Authority to preside over hearings conducted pursuant to Attachment 2, Hearing Procedures, of Appendix 4C, or (ii) solely for hearings conducted pursuant to Appendix 4E, (A) a CCC member or (B) an individual employed or contracted by NERC, as designated and approved by the CCC

to preside over hearings conducted pursuant to the Hearing Procedures in Appendix E; the Hearing Officer shall not be a member of the Hearing Panel.

“Hearing Panel” means the five person hearing body established as set forth in the CCC Charter on a case by case basis and that is responsible for adjudicating a matter as set forth in Appendix 4E.

“Hearing Procedures” means, depending on the context, (i) Attachment 2 to the NERC or a Regional Entity CMEP, as applicable, or (ii) the hearing procedures of the NERC Compliance and Certification Committee in Appendix 4E.

#“Inclusion Exception” means a determination that an Element that falls outside the BES Definition should be included in the BES.

“Interchange” means energy transfers that cross Balancing Authority boundaries.\*\*

“Interchange Authority” means the responsible entity that authorizes the implementation of valid and balanced Interchange Schedules between Balancing Authority Areas, and ensures communications of Interchange information for reliability assessment purposes.\*\*

#“Interchange Distribution Calculator” means the mechanism used by Reliability Coordinators in the Eastern Interconnection to calculate the distribution of Interchange Transactions over specific Flowgates. It includes a database of all Interchange Transactions and a matrix of the Distribution Factors for the Eastern Interconnection.\*\*

“Interchange Schedule” means an agreed-upon Interchange Transaction size (megawatts), start and end time, beginning and ending ramp times and rate, and type required for delivery and receipt of power and energy between the Source and Sink Balancing Authorities involved in the transaction.\*\*

“Interchange Transaction” means an agreement to transfer energy from a seller to a buyer that crosses one or more Balancing Authority Area boundaries.\*\*

“Interconnected Operations Service” means a service (exclusive of basic energy and Transmission Services) that is required to support the Reliable Operation of interconnected Bulk Electric Systems.\*\*

“Interconnection” means a geographic area in which the operation of Bulk Power System components is synchronized such that the failure of one or more of such components may adversely affect the ability of the operators of other components within the system to maintain Reliable Operation of the Facilities within their control.++

“Interconnection Reliability Operating Limit” means a System Operating Limit that, if violated, could lead to instability, uncontrolled separation, or Cascading outages that adversely impact the reliability of the Bulk Electric System.\*\*

“Interpretation” means an addendum to a Reliability Standard, developed in accordance with the NERC *Standard Processes Manual* and approved by the Applicable Governmental Authority(ies), that provides additional clarity about one or more Requirements in the Reliability Standard.

“ISO/RTO” means an independent transmission system operator or regional transmission organization approved by the FERC or the Public Utility Commission of Texas.

“Joint Registration Organization” means an entity that registers in the Compliance Registry to perform reliability functions for itself and on behalf of one or more of its members or related entities for which such members or related entities would otherwise be required to register.

#“Lead Entity” means the entity that submits Exception Request information that is common to a group of Submitting Entities that are submitting Exception Requests jointly.

“Lead Mediator” means a member of a mediation team formed pursuant to Appendix 4E who is selected by the members to coordinate the mediation process and serve as the mediation team’s primary contact with the Parties.

#“Load” means an end-user device or customer that receives power from the electric system.\*\*

“Load-Serving Entity” means an entity that secures energy and Transmission Service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.\*\*

“Mapping” means the process of determining whether a Regional Entity’s Footprint is being served by Registered Entities.

“Material Change” means a change in facts that modifies Required Information in connection with an approved TFE. Examples of a Material Change could include, but are not limited to an increase in device count (but not a decrease), change in compensating measures, change in statement of basis for approval for the TFE, a change in the Expiration Date of the TFE, or a Responsible Entity achieving Strict Compliance with the Applicable Requirement.

“Material Change Report” means a report submitted by the Responsible Entity to the Regional Entity in the event there is a Material Change to the facts underlying an approved TFE pursuant to Section 4.0 of Appendix 4D.

“Mediation Settlement Agreement” means a written agreement entered into by the Parties to a mediation pursuant to Appendix 4E that resolves the dispute.

“Member” means a member of NERC pursuant to Article II of its Bylaws.

“Member Representatives Committee” or “MRC” means the body established pursuant to Article VIII of the NERC Bylaws.

#“Mexican Entity” means a Registered Entity that is organized under Mexican law.

“Mitigating Activities” means actions taken by a Registered Entity to correct and prevent recurrence of a noncompliance, whether or not the actions are embodied in a Mitigation Plan.

“Mitigation Plan” means an action plan developed by the Registered Entity to (1) correct a violation of a Reliability Standard and (2) prevent re-occurrence of the violation.

“NERC-Approved Learning Activity” means training that maintains or improves professional competence and has been approved by NERC for use in its Continuing Education Program.

“NERC Compliance Monitoring and Enforcement Program Implementation Plan” or “NERC Implementation Plan” means the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan that specifies the Reliability Standards that are subject to reporting by Registered Entities to the Compliance Enforcement Authority in order to verify compliance and identifies the appropriate monitoring procedures and reporting schedules for each such Reliability Standard.

“NERC Compliance Registry,” “Compliance Registry” or “NCR” means a list, maintained by NERC pursuant to Section 500 of the NERC Rules of Procedure and Appendix 5B, the NERC *Statement of Compliance Registry Criteria*, of the owners, operators and users of the Bulk Power System, and the entities registered as their designees, that perform one or more functions in support of reliability of the Bulk Power System and are required to comply with one or more Requirements of Reliability Standards.

“NERC Identification Number” or “NERC ID” means a number given to NERC Registered Entities that will be used to identify the entity for certain NERC activities. Corporate entities may have multiple NERC IDs to show different corporate involvement in NERC activities.

“NERC Organization Certification” or “Organization Certification” means the process undertaken by NERC and a Regional Entity to verify that a new entity is capable of responsibilities for tasks associated with a particular function such as a Balancing Authority, Transmission Operator, and/or Reliability Coordinator; such certification activities are further described in Section 500 and Appendix 5A of the NERC Rules of Procedure.

“Net Energy for Load” or “NEL” means net generation of an electric system plus energy received from others less energy delivered to others through interchange. It includes system losses but excludes energy required for the storage of energy at energy storage facilities.

“Notice of Alleged Violation and Proposed Penalty or Sanction” means a notice issued by the Compliance Enforcement Authority to a Registered Entity pursuant to Section 5.3 of Appendix 4C.

“Notice of Completion of Enforcement Action” means a notice issued by the Compliance Enforcement Authority to a Registered Entity, pursuant to Section 5.10 of Appendix 4C, stating that an enforcement action is closed.



“Notice of Confirmed Violation” means a notice issued by the Compliance Enforcement Authority to a Registered Entity confirming the violation of one or more Reliability Standards.

“Notice of Penalty” means a notice prepared by NERC and filed with FERC, following approval by NERC of a Notice or other notification of Confirmed Violation or a settlement agreement, stating the Penalty or sanction imposed or agreed to for the Confirmed Violation or as part of the settlement.

“Notice of Possible Violation” means a notice issued by the Compliance Enforcement Authority to a Registered Entity that (1) states a Possible Violation has been identified, (2) provides a brief description of the Possible Violation, including the Reliability Standard Requirement(s) and the date(s) involved, and (3) instructs the Registered Entity to retain and preserve all data and records relating to the Possible Violation.

“NRC” means the United States Nuclear Regulatory Commission.

“NRC Safeguards Information” means Required Information that is subject to restrictions on disclosure pursuant to 42 U.S.C. §2167 and the regulations of the NRC at 10 C.F.R. §73.21-73.23; or pursuant to comparable provisions of Canadian federal or provincial law.

“Open Access Transmission Tariff” means an electronic transmission tariff accepted by the U.S. Federal Energy Regulatory Commission requiring the Transmission Service Provider to furnish to all shippers with non-discriminating service comparable to that provided by Transmission Owners to themselves.\*\*

#“Owner” means the owner(s) of an Element or Elements that is or may be determined to be part of the BES as a result of either the application of the BES Definition or an Exception, or another entity, such as an operator, authorized to act on behalf of the owner of the Element or Elements in the context of an Exception Request.

“Participant” means a Respondent and any other Person who is allowed or required by the Hearing Body or by FERC to participate as an intervenor in a proceeding conducted pursuant to the Hearing Procedures, and as used in the Hearing Procedures shall include, depending on the context, the members of the Compliance Staff that participate in a proceeding or the members of the Certification Staff that participate in a proceeding pursuant to Appendix 4E.

“Party” or “Parties” means a Person or the Persons participating in a mediation pursuant to Appendix 4E.

“Penalty” means and includes all penalties and sanctions, including but not limited to a monetary or non-monetary penalty; a limitation on an activity, function, operation or other appropriate sanction; or the addition of the Registered Entity or Respondent to a reliability watch list composed of major violators. Penalties must be within the range set forth in the NERC *Sanction Guidelines* approved by FERC pursuant to 18 C.F.R. Section 39.7(g)(2), and shall bear a reasonable relation to the seriousness of a Registered Entity’s or Respondent’s violation and take



into consideration any timely efforts made by the Registered Entity or Respondent to remedy the violation.

“Periodic Data Submittals” means modeling, studies, analyses, documents, procedures, methodologies, operating data, process information or other information to demonstrate compliance with Reliability Standards and provided by Registered Entities to the Compliance Enforcement Authority on a time frame required by a Reliability Standard or an ad hoc basis.

“Person” means any individual, partnership, corporation, limited liability company, governmental body, association, joint stock company, public trust, organized group of persons, whether incorporated or not, or any other legal entity.

“Planning Authority” means the responsible entity that coordinates and integrates transmission Facilities and service plans, resource plans, and Protection Systems.\*\*

“Point of Delivery” means a location that a Transmission Service Provider specifies on its transmission system where an Interchange Transaction leaves or a Load-Serving Entity receives its energy.\*\*

“Point of Receipt” means a location that the Transmission Service Provider specifies on its transmission system where an Interchange Transaction enters or a generator delivers its output.

“Possible Violation” means the identification, by the Compliance Enforcement Authority, of a possible failure by a Registered Entity to comply with a Reliability Standard that is applicable to the Registered Entity.

“Preliminary Screen” means an initial evaluation of evidence indicating potential noncompliance with a Reliability Standard has occurred or is occurring, conducted by the Compliance Enforcement Authority for the purpose of determining whether a Possible Violation exists, and consisting of an evaluation of whether (1) the entity allegedly involved in the potential noncompliance is registered, (2) the Reliability Standard Requirement to which the evidence of potential noncompliance relates is applicable to a reliability function for which the entity is registered, and (3) if known, the potential noncompliance is not a duplicate of a Possible Violation or Alleged Violation which is currently being processed.

“Probation” means a step in the disciplinary process pursuant to Section 605 of the Rules of Procedure during which the certificate is still valid. During the probationary period, a subsequent offense of misconduct, as determined through the same process as described above, may be cause for more serious consequences.

“Protected FOIA Information” means Required Information, held by a governmental entity, that is subject to an exemption from disclosure under FOIA (5 U.S.C. §552(e)), under any similar state or local statutory provision, or under any comparable provision of Canadian federal or provincial law, which would be lost were the Required Information to be placed into the public domain.

“Protection System” means protective relays which respond to electrical quantities, communications systems necessary for correct operation of protective functions, voltage and current sensing devices providing inputs to protective relays, station dc supply associated with protective functions (including batteries, battery chargers, and non-battery-based dc supply), and control circuitry associated with protective functions through the trip coil(s) of the circuit breakers or other interrupting devices.\*\*

“Purchasing-Selling Entity” means 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.\*\*

“Reactivation” refers to re-registration pursuant to the NERC Rules of Procedure Section 500 and Appendices 5A and 5B of an entity to the NCR for a specific functional category or the revocation of, or additions to, a sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements) that has been granted to an entity. Reactivation may be initiated by NERC, a Regional Entity or an entity with respect to such entity’s own functional categories or sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements).

#“Reactive Power” means the portion of electricity that establishes and sustains the electric and magnetic fields of alternating-current equipment. Reactive Power must be supplied to most types of magnetic equipment, such as motors and transformers. It also must supply the reactive losses on transmission facilities. Reactive Power is provided by generators, synchronous condensers, or electrostatic equipment such as capacitors and directly influences electric system voltage. It is usually expressed in kilovars (kvar) or megavars (Mvar).\*\*

#“Real Power” means the portion of electricity that supplies energy to the Load.\*\*

“Receiving Entity” means NERC or a Regional Entity receiving Confidential Information from an owner, operator, or user of the Bulk Power System or from any other party.

#“Recommendation” for purposes of Appendix 5C means the report to NERC containing the evaluation prepared in accordance with section 5.2 of Appendix 5C concerning whether or to what extent an Exception Request should be approved.

“Recommendations” or “Level 2 (Recommendations)” is a notification issued by NERC in accordance with Section 810.3.2 of the Rules of Procedure.

“Region” means the geographic area, as specified in a Regional Entity’s delegation agreement with NERC, within which the Regional Entity is responsible for performing delegated functions.

“Regional Criteria” means reliability requirements developed by a Regional Entity that are necessary to implement, to augment, or to comply with Reliability Standards, but which are not Reliability Standards. Such Regional Criteria may be necessary to account for physical differences in the Bulk Power System but are not inconsistent with Reliability Standards nor do they result in lesser reliability. Such Regional Criteria are not enforceable pursuant to NERC-

delegated authorities, but may be enforced through other available mechanisms. Regional Criteria may include specific acceptable operating or planning parameters, guides, agreements, protocols or other documents.

“Regional Entity” means an entity having enforcement authority pursuant to 18 C.F.R. § 39.8.++

“Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan” or “Regional Implementation Plan” means an annual plan, submitted by on or about October 1 of each year to NERC for approval that, in accordance with NERC Rule of Procedure Section 401.6 and the NERC Compliance Monitoring and Enforcement Program Implementation Plan, identifies (1) all Reliability Standards identified by NERC to be actively monitored during each year, (2) other Reliability Standards proposed for active monitoring by the Regional Entity, (3) the methods to be used by the Regional Entity for reporting, monitoring, evaluation, and assessment of performance criteria with each Reliability Standard, and (4) the Regional Entity’s Annual Audit Plan.

“Regional Reliability Standard” means a type of Reliability Standard that is applicable only within a particular Regional Entity or group of Regional Entities. A Regional Reliability Standard may augment, add detail to, or implement another Reliability Standard or cover matters not addressed by other Reliability Standards. Regional Reliability Standards, upon adoption by NERC and approval by the Applicable Governmental Authority(ies), shall be Reliability Standards and shall be enforced within the applicable Regional Entity or Regional Entities pursuant to delegated authorities or to procedures prescribed by the Applicable Governmental Authority.

“Registered Ballot Body” means that aggregation of all entities or individuals that qualify for one of the Segments approved by the Board of Trustees, and are registered with NERC as potential ballot participants in the voting on proposed Reliability Standards.

“Registered Entity” means an owner, operator, or user of the Bulk Power System, or the entity registered as its designee for the purpose of compliance, that is included in the NERC Compliance Registry.

“Registration” or “Organization Registration” means the processes undertaken by NERC and Regional Entities to identify which entities are responsible for reliability functions within the Regional Entity’s Region.

#“Rejection of the Exception Request” or “Rejection” means the determination that an Exception Request is not an eligible Exception Request (i.e., a Request permitted by section 4.1 of Appendix 5C) or does not contain all the Required Information in accordance with section 4.5 of Appendix 5C in order to be reviewed for substance.

“Reliability Coordinator” means 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.\*\*

“Reliability Coordinator Area” means the collection of generation, transmission and loads within the boundaries of the Reliability Coordinator. Its boundary coincides with one or more Balancing Authority Areas.\*\*

“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 the term does not include any requirement to enlarge Bulk Power System Facilities or to construct new transmission capacity or generation capacity. A Reliability Standard shall not be effective in the United States until approved by the Federal Energy Regulatory Commission and shall not be effective in other jurisdictions until made or allowed to become effective by the Applicable Governmental Authority.

“Reliability Standards Development Plan” means the forward-looking plan developed by NERC on an annual basis setting forth the Reliability Standards development projects that are scheduled to be worked on during the ensuing three-year period, as specified in Section 310 of the Rules of Procedure.

“Reliable Operation” means operating the Elements of the Bulk Power System within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or Cascading failures of such system will not occur as a result of a sudden disturbance, including a Cyber Security Incident, or unanticipated failure of system Elements.++

“Remedial Action Directive” means an action (other than a Penalty or sanction) required by a Compliance Enforcement Authority that (1) is to bring a Registered Entity into compliance with a Reliability Standard or to avoid a Reliability Standard violation, and (2) is immediately necessary to protect the reliability of the Bulk Power System from an imminent or actual threat.

“Reporting Entity” means an entity required to provide data or information requested by NERC or a Regional Entity in a request for data or information pursuant to Section 1600 of the Rules of Procedure.

“Requirement” means an explicit statement in a Reliability Standard 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 with which compliance is mandatory.

“Required Date” means the date given a Registered Entity in a notice from the Compliance Enforcement Authority by which some action by the Registered Entity is required.

#“Required Information” means, as applicable, either (i) the information required to be provided in a TFE Request, as specified in Section 4.0 of Appendix 4D; or (ii) the information required to be provided in an Exception Request, as specified in section 4.0 of Appendix 5C.

“Reserve Sharing Group” means a group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply operating reserves required for each Balancing Authority’s use in recovering from contingencies within the group. Scheduling energy from an Adjacent Balancing Authority to aid recovery need not constitute reserve sharing provided the transaction is ramped in over a period the supplying party could reasonably be expected to load generation in (e.g. ten minutes). If the transaction is ramped in quicker, (e.g., between zero and ten minutes), then, for the purposes of disturbance control performance, the areas become a Reserve Sharing Group.\*\*

“Resource Planner” means 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.\*\*

“Respondent” means, depending on the context, the Registered Entity, who is the subject of the Notice of Alleged Violation, contested Mitigation Plan or contested Remedial Action Directive that is the basis for the proceeding, whichever is applicable, or the Registered Entity that is the subject of the Certification decision that is the basis for a proceeding under Appendix 4E.

“Responsible Entity” means an entity that is registered for a reliability function in the NERC Compliance Registry and is responsible for complying with an Applicable Requirement, as specified in the “Applicability” section of the CIP Standard.

“Revoked” means a NERC certificate that has been suspended for more than twelve months. While in this state, a certificate holder can not perform any task that requires an operator to be NERC-certified. The certificate holder will be required to pass an exam to be certified again. Any CE Hours accumulated prior to or during the revocation period will not be counted towards Credential Maintenance.

“Revoke for Cause” means a step in the disciplinary process pursuant to Section 605 of the Rules of Procedure during which the certificate is no longer valid and requiring successfully passing an exam to become certified. However, an exam will not be authorized until the revocation period expires. CE Hours earned before or during this revocation period will not be counted for maintaining a Credential.

#“Scope of Responsibility” means the registered functions of a Planning Authority, Reliability Coordinator, Transmission Operator, Transmission Planner or Balancing Authority and the geographical or electric region in which the Planning Authority, Reliability Coordinator, Transmission Operator, Transmission Planner or Balancing Authority operates to perform its registered functions, or with respect to a Regional Entity, its Regional Entity Region.

#“Section I Required Information” means Required Information that is to be provided in Section I of a Submitting Entity’s Exception Request.

#“Section II Required Information” means Required Information that is to be provided in Section II of a Submitting Entity’s Exception Request.

#“Section III Required Information” means Required Information that is to be provided in Section III of a Submitting Entity’s Exception Request.

“Sector” means a group of Members of NERC that are Bulk Power System owners, operators, or users or other persons and entities with substantially similar interests, including governmental entities, as pertinent to the purposes and operations of NERC and the operation of the Bulk Power System, as defined in Article II, Section 4 of the NERC Bylaws. Each Sector shall constitute a class of Members for purposes of the New Jersey Nonprofit Corporation Act.

“Segment” means one of the subsets of the Registered Ballot Body whose members meet the qualification criteria for the subset.

“Self-Certification” means an attestation by a Registered Entity that it is compliant or non-compliant with a Reliability Standard Requirement that is the subject of the Self-Certification, or that it does not own Facilities that are subject to the Reliability Standard Requirement, or that the Reliability Standard Requirement is not applicable to the Registered Entity.

“Self-Report” means a report by a Registered Entity stating that the Registered Entity believes it has, or may have, violated a Reliability Standard.

“Senior Manager” means the person assigned by the Responsible Entity, in accordance with CIP Standard CIP-003-1 Requirement R2 (or subsequent versions), to have overall responsibility for leading and managing the Responsible Entity’s implementation of, and adherence to, the CIP Standards.

#“Sink Balancing Authority” means the Balancing Authority in which the Load (sink) is located for an Interchange Transaction.\*\*

“Source Balancing Authority” means the Balancing Authority in which the generation (source) is located for an Interchange Transaction.\*\*

#“Special Protection System” means an automatic protection system designed to detect abnormal or predetermined system conditions, and take corrective actions other than and/or in addition to the isolation of faulted components to maintain system reliability. Such action may include changes in demand, generation (MW and Mvar), or system configuration to maintain system stability, acceptable voltage, or power flows. A Special Protection System does not include (a) underfrequency or undervoltage Load shedding or (b) fault conditions that must be isolated, or (c) out-of-step relaying (not designed as an integral part of a Special Protection System).\*\*

“Spot Check” means a process in which the Compliance Enforcement Authority requests a Registered Entity to provide information (1) to support the Registered Entity’s Self-Certification, Self-Report, or Periodic Data Submittal and to assess whether the Registered Entity complies



with Reliability Standards, or (2) as a random check, or (3) in response to operating problems or system events.

“Staff” or “Compliance Staff” means individuals employed or contracted by NERC or the Compliance Enforcement Authority who have the authority to make initial determinations of compliance or violation with Reliability Standards by Registered Entities and associated Penalties and Mitigation Plans.

“Strict Compliance” means compliance with the terms of an Applicable Requirement without reliance on a Technical Feasibility Exception.

#“Submitting Entity” means (i) an owner, operator, or user of the Bulk Power System or any other party that submits information to NERC or a Regional Entity that it reasonably believes contains Confidential Information or, (ii) solely for purposes of Appendix 5C, the entity that submits an Exception Request in accordance with section 4.0 of Appendix 5C.

“Suspended” means certificate status due to an insufficient number of CE Hours being submitted prior to the expiration of a certificate. While in this state, a certificate holder can not perform any task that requires an operator to be NERC-certified.

“System” means a combination of generation, transmission and distribution components.\*\*

“System Operating Limit” means the value (such as MW, Mvar, amperes, frequency or volts) that satisfies the most limiting of the prescribed operating criteria for a specified system configuration to ensure operation within acceptable reliability criteria.\*\*

“Technical Advisor” means any Staff member, third-party contractor, or industry stakeholder who satisfies NERC’s or the Compliance Enforcement Authority’s (as applicable) conflict of interest policy and is selected to assist in a proceeding by providing technical advice to the Hearing Officer and/or the Hearing Body or Hearing Panel.

“Technical Feasibility Exception” or “TFE” means an exception from Strict Compliance with the terms of an Applicable Requirement on grounds of technical feasibility or technical limitations in accordance with one or more of the criteria in section 3.0 of Appendix 4D.

#“Technical Review Panel” means a panel established pursuant to section 5.3 of Appendix 5C.

“Termination of Credential” means a step in the disciplinary process pursuant to Section 605 of the Rules of Procedure whereby a Credential is permanently Revoked.

“Testimonial Hearing” means an Evidentiary Hearing at which the witness or witnesses on behalf of one or more Participants appears in person to present testimony and be subject to cross-examination.

“TFE Request” means a request submitted by a Responsible Entity in accordance with Appendix 4D for an exception from Strict Compliance with an Applicable Requirement.

“Transmission Customer” means 1. any eligible customer (or its designated agent) that can or does execute a Transmission Service agreement or can and does receive Transmission Service.  
2. Any of the following ~~responsible~~—entities: Generator Owner, Load-Serving Entity, or Purchasing-Selling Entity.\*\*

“Transmission Operator” means the entity responsible for the reliability of its “local” transmission system, and that operates or directs the operations of the transmission Facilities.\*\*

“Transmission Owner” means the entity that owns and maintains transmission Facilities.\*\*

“Transmission Planner” means 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.\*\*

“Transmission Service” means services provided to the Transmission Customer by the Transmission Service Provider to move energy from a Point of Receipt to a Point of Delivery.\*\*

“Transmission Service Provider” means the entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable Transmission Service agreements.\*\*

“Variance” means an aspect or element of a Reliability Standard that applies only within a particular Regional Entity or group of Regional Entities, or to a particular entity or class of entities. A Variance allows an alternative approach to meeting the same reliability objective as the Reliability Standard, and is typically necessitated by a physical difference. A Variance is embodied within a Reliability Standard and as such, if adopted by NERC and approved by the Applicable Governmental Authority(ies), shall be enforced within the applicable Regional Entity or Regional Entities pursuant to delegated authorities or to procedures prescribed by the Applicable Governmental Authority.

“Violation Risk Factor” or “VRF” means a factor (lower, medium or high) assigned to each Requirement of a Reliability Standard to identify the potential reliability significance of noncompliance with the Requirement.

“Violation Severity Level” or “VSL” means a measure (lower, moderate, high or severe) of the degree to which compliance with a Requirement was not achieved.

“Wide Area” means the entire Reliability Coordinator Area as well as the critical flow and status information from adjacent Reliability Coordinator Areas as determined by detailed system studies to allow the calculation of Interconnected Reliability Operating Limits.\*\*





## **NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION**

### **DEFINITIONS USED IN THE RULES OF PROCEDURE**

#### **APPENDIX 2 TO THE RULES OF PROCEDURE**

**Effective: July 1, 2014  
(as noted below)**

New or revised definitions marked with # will become effective as defined terms on July 1, 2014 in accordance with the Bulk Electric System Order (Order No. 773), the June 13, 2013 Order Granting Extension of Time, and the March 20, 2014 Order Approving Revised Definition.

## General

For purposes of the NERC Rules of Procedure, including all Appendices, the terms defined in this Appendix shall have the meanings set forth herein. For convenience of reference to the user, definitions of terms that are used in a particular Appendix may be repeated in that Appendix.

Where used in the Rules of Procedure, a defined term will be capitalized. Where a term defined in this Appendix appears in the Rules of Procedure but is not capitalized, the term is there being used in its ordinary and commonly understood meaning and not as defined in this Appendix (if different). Other terms that are not defined terms, such as the names of entities, organizations, committees, or programs; position titles; titles of documents or forms; section headings; geographic locations; and other terms commonly presented as proper nouns, may also be capitalized in the Rules of Procedure without being defined in this Appendix.

Definitions of terms in this Appendix that are marked with asterisks (\*\*) are taken from the NERC *Glossary of Terms Used in Reliability Standards*. Definitions of terms in this Appendix that are marked with “pluses” (++) are taken from Section 215 of the Federal Power Act or the Commission’s regulations at 18 C.F.R. Part 39 or Part 388.

Other terms used in the Rules of Procedure but not defined in this Appendix that have commonly understood and used technical meanings in the electric power industry, including applicable codes and standards, shall be construed in accordance with such commonly understood and used technical meanings.

## Specific Definitions

#“Acceptance of the Exception Request” or “Acceptance” means the determination that an eligible Exception Request (i.e., a Request permitted by section 4.1 of Appendix 5C) contains all the Required Information so that it can undergo substantive review.

“Adjacent Balancing Authority” means a Balancing Authority Area that is interconnected to another Balancing Authority Area either directly or via a multi-party agreement or transmission tariff.\*\*

“Adjusted Penalty Amount” means the proposed Penalty for a violation of a Reliability Standard as determined based on application of the adjustment factors identified in Section 4.3 of the *Sanction Guidelines* to the Base Penalty Amount.

“Advisories” or “Level 1 (Advisories)” is a notification issued by NERC in accordance with Section 810.3.1 of the Rules of Procedure.

“Alleged Violation” means a Possible Violation for which the Compliance Enforcement Authority has determined, based on an assessment of the facts and circumstances surrounding the Possible Violation, that evidence exists to indicate a Registered Entity has violated a Reliability Standard.

“Annual Audit Plan” means a plan developed annually by the Compliance Enforcement Authority that includes the Reliability Standards and Registered Entities to be audited and the schedule of Compliance Audits for the calendar year.

“Annual Report” means the annual report to be filed by NERC with FERC and other Applicable Governmental Authorities in accordance with Section 13.0 of Appendix 4D.

“Applicable Governmental Authority” means the FERC within the United States and the appropriate governmental authority with subject matter jurisdiction over reliability in Canada and Mexico.

“Applicable Requirement” means a Requirement of a CIP Standard that (i) expressly provides either (A) that compliance with the terms of the Requirement is required where or as technically feasible, or (B) that technical limitations may preclude compliance with the terms of the Requirement; or (ii) is subject to Appendix 4D by FERC directive.

#“Approval of the Exception Request” or “Approval” means the determination by NERC that an Exception Request meets the criteria to receive the requested Exception.

#“Balancing Authority” means 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.\*\*

#“Balancing Authority Area” means the collection of generation, transmission, and Loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains Load-resource balance within this area.\*\*

“Base Penalty Amount” means the proposed Penalty for a violation of a Reliability Standard as initially determined pursuant to Sections 4.1 and 4.2 of the NERC *Sanction Guidelines*, before application of any adjustment factors.

#“BES Definition” means the NERC definition of the Bulk Electric System as set forth in the NERC *Glossary of Terms Used in Reliability Standards*.

#“Blackstart Resource” means a generating unit(s) and its associated set of equipment which has the ability to be started without support from the System or is designed to remain energized without connection to the remainder of the System, with the ability to energize a bus, meeting the Transmission Operator’s restoration plan needs for Real and Reactive Power capability, frequency and voltage control, and that has been included in the Transmission Operator’s restoration plan.\*\*

“Board” or “Board of Trustees” means the Board of Trustees of NERC.

“Board of Trustees Compliance Committee,” “BOTCC” or “Compliance Committee” means the Compliance Committee of the NERC Board of Trustees.

#“Bulk Electric System” or “BES” means unless modified by the lists shown below, all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher. This does not include facilities used in the local distribution of electric energy.

**Inclusions:**

- **I1** - Transformers with the primary terminal and at least one secondary terminal operated at 100 kV or higher unless excluded by application of Exclusion E1 or E3.
- **I2** - Generating resource(s) including the generator terminals through the high-side of the step-up transformer(s) connected at a voltage of 100 kV or above with:
  - a) Gross individual nameplate rating greater than 20 MVA. Or,
  - b) Gross plant/facility aggregate nameplate rating greater than 75 MVA.
- **I3** - Blackstart Resources identified in the Transmission Operator’s restoration plan.
- **I4** - Dispersed power producing resources that aggregate to a total capacity greater than 75 MVA (gross nameplate rating), and that are connected through a system designed primarily for delivering such capacity to a common point of connection at a voltage of 100 kV or above. Thus, the facilities designated as BES are:
  - a) The individual resources, and
  - b) The system designed primarily for delivering capacity from the point where those resources aggregate to greater than 75 MVA to a common point of connection at a voltage of 100 kV or above.
- **I5** - Static or dynamic devices (excluding generators) dedicated to supplying or absorbing Reactive Power that are connected at 100 kV or higher, or through a dedicated transformer with a high-side voltage of 100 kV or higher, or through a transformer that is designated in Inclusion I1 unless excluded by application of Exclusion E4.

**Exclusions:**

- **E1** - Radial systems: A group of contiguous transmission Elements that emanates from a single point of connection of 100 kV or higher and:
  - a) Only serves Load. Or,
  - b) Only includes generation resources, not identified in Inclusions I2, I3, or I4, with an aggregate capacity less than or equal to 75 MVA (gross nameplate rating). Or,
  - c) Where the radial system serves Load and includes generation resources, not identified in Inclusions I2, I3 or I4, with an aggregate capacity of non-retail generation less than or equal to 75 MVA (gross nameplate rating).

Note 1 – A normally open switching device between radial systems, as depicted on prints or one-line diagrams for example, does not affect this exclusion.

Note 2 – The presence of a contiguous loop, operated at a voltage level of 50 kV or less, between configurations being considered as radial systems, does not affect this exclusion.

- **E2** - A generating unit or multiple generating units on the customer’s side of the retail meter that serve all or part of the retail Load with electric energy if: (i) the net capacity provided to the BES does not exceed 75 MVA, and (ii) standby, back-up, and maintenance power services are provided to the generating unit or multiple generating units or to the retail Load by a Balancing Authority, or provided pursuant to a binding obligation with a Generator Owner or Generator Operator, or under terms approved by the applicable regulatory authority.
- **E3** - Local networks (LN): A group of contiguous transmission Elements operated at less than 300 kV that distribute power to Load rather than transfer bulk power across the interconnected system. LN’s emanate from multiple points of connection at 100 kV or higher to improve the level of service to retail customers and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:
  - a) Limits on connected generation: The LN and its underlying Elements do not include generation resources identified in Inclusions I2, I3, or I4 and do not have an aggregate capacity of non-retail generation greater than 75 MVA (gross nameplate rating);
  - b) Real Power flows only into the LN and the LN does not transfer energy originating outside the LN for delivery through the LN; and
  - c) Not part of a Flowgate or transfer path: The LN does not contain any part of a permanent Flowgate in the Eastern Interconnection, a major transfer path within the Western Interconnection, or a comparable monitored Facility in the ERCOT or Quebec Interconnections, and is not a monitored Facility included in an Interconnection Reliability Operating Limit (IROL).
- **E4** - Reactive Power devices installed for the sole benefit of a retail customer(s).

Note - Elements may be included or excluded on a case-by-case basis through the Rules of Procedure exception process.\*\*

“Bulk Power System” means, depending on the context: (i) Facilities and control systems necessary for operating an interconnected electric energy supply and transmission network (or any portion thereof), and electric energy from generating facilities needed to maintain

transmission system reliability. The term does not include facilities used in the local distribution of electric energy [++]. (ii) Solely for purposes of Appendix 4E, Bulk Electric System.

“Canadian” means one of the following: (a) a company or association incorporated or organized under the laws of Canada, or its designated representative(s) irrespective of nationality; (b) an agency of a federal, provincial, or local government in Canada, or its designated representative(s) irrespective of nationality; or (c) a self-representing individual who is a Canadian citizen residing in Canada.

#“Canadian Entity” means a Registered Entity (or, solely for purposes of Appendix 4D, a Responsible Entity) that is organized under Canadian federal or provincial law.

“Cascading” means the uncontrolled successive loss of System Elements triggered by an incident at any location. Cascading results in widespread electric service interruption that cannot be restrained from sequentially spreading beyond an area predetermined by studies.\*\*

“CCC” means the NERC Compliance and Certification Committee.

“Certification” means, depending on the context, (i) the process undertaken by NERC and a Regional Entity to verify that an entity is capable of responsibilities for tasks associated with a particular function such as a Balancing Authority, Transmission Operator and/or Reliability Coordinator; such Certification activities are further described in Section 500 and Appendix 5A of the NERC Rules of Procedure; or (ii) for purposes of Section 600 of the Rules of Procedure, an official recognition that indicates the recipient has passed a NERC exam or completed a specified number of Continuing Education Hours.

“Certification Staff” means individuals employed or contracted by NERC who have the authority to make initial determinations of Certification of entities performing reliability functions.

“Certification Team” means a team assembled by a Regional Entity that will be responsible for performing the activities included in the Certification process for an entity pursuant to Appendix 5A.

“Classified National Security Information” means Required Information that has been determined to be protected from unauthorized disclosure pursuant to Executive Order No. 12958, as amended, and/or the regulations of the NRC at 10 C.F.R. §95.35; or pursuant to any comparable provision of Canadian federal or provincial law.

“Clerk” means an individual assigned by the Compliance Enforcement Authority to perform administrative tasks relating to the conduct of hearings as described in Attachment 2, Hearing Procedures, to Appendix 4C.

“Commission” means the Federal Energy Regulatory Commission or FERC.

“Complaint” means an allegation that a Registered Entity violated a Reliability Standard.

“Compliance and Certification Manager” means individual/individuals within the Regional Entity that is/are responsible for monitoring compliance of entities with applicable NERC Reliability Standards.

“Compliance Audit” means a systematic, objective review and examination of records and activities to determine whether a Registered Entity meets the Requirements of applicable Reliability Standards.

“Compliance Audit Participants” means Registered Entities scheduled to be audited and the audit team members.

“Compliance Enforcement Authority” means NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.

“Compliance Enforcement Authority’s Area of Responsibility” means the Compliance Enforcement Authority’s Region. If a Regional Entity is the Compliance Enforcement Authority, the Compliance Enforcement Authority’s Area of Responsibility is shown in Exhibit A to the delegation agreement between the Regional Entity and NERC.

“Compliance Investigation” means a comprehensive investigation, which may include an on-site visit with interviews of the appropriate personnel, to determine if a violation of a Reliability Standard has occurred.

“Compliance Monitoring and Enforcement Program” or “CMEP” means, depending on the context (1) the NERC *Uniform Compliance Monitoring and Enforcement Program* (Appendix 4C to the NERC Rules of Procedure) or the Commission-approved program of a Regional Entity, as applicable, or (2) the program, department or organization within NERC or a Regional Entity that is responsible for performing compliance monitoring and enforcement activities with respect to Registered Entities’ compliance with Reliability Standards.

“Compliant Date” means the date by which a Responsible Entity is required to be in compliance with an Applicable Requirement of a CIP Standard.

“Confidential Business and Market Information” means any information that pertains to the interests of any entity, that was developed or acquired by that entity, and that is proprietary or competitively sensitive.

“Confidential Information” means (i) Confidential Business and Market Information; (ii) Critical Energy Infrastructure Information; (iii) personnel information that identifies or could be used to identify a specific individual, or reveals personnel, financial, medical, or other personal information; (iv) work papers, including any records produced for or created in the course of an evaluation or audit; (v) investigative files, including any records produced for or created in the course of an investigation; or (vi) Cyber Security Incident Information; provided, that public information developed or acquired by an entity shall be excluded from this definition; or (vii) for purposes of Appendix 4D, any other information that is designated as Confidential Information in Section 11.0 of Appendix 4D.

“Confirmed Violation” means an Alleged Violation for which (1) the Registered Entity has accepted or not contested the Notice of Alleged Violation and Penalty or Sanction or other notification of the Alleged Violation, or (2) there has been the issuance of a final order from NERC or a Regional Entity Hearing Body finding a violation, Penalty or sanction, or (3) the period for requesting a hearing or an appeal has expired, or (4) the Registered Entity has executed a settlement agreement pursuant to Section 5.6.

“Continuing Education Hour” or “CE Hour” means based on sixty clock minutes, and includes at least fifty minutes of participation in a group or self-study learning activity that meets the criteria of the NERC Continuing Education Program.

“Continuing Education Program Provider” or “Provider” means the individual or organization offering a learning activity to participants and maintaining documentation required by Section 600 of the Rules of Procedure.

“Coordinated Functional Registration” means where two or more entities (parties) agree in writing upon a division of compliance responsibility among the parties for one or more Reliability Standard(s) applicable to a particular function, and/or for one or more Requirement(s)/sub-Requirement(s) within particular Reliability Standard(s).

“Covered Asset” means a Cyber Asset or Critical Cyber Asset that is subject to an Applicable Requirement.

“Credential” means a NERC designation that indicates the level of qualification achieved (i.e., reliability operator; balancing, interchange, and transmission operator; balancing and interchange operator; and transmission operator).

“Critical Assets” means Facilities, systems, and equipment which, if destroyed, degraded, or otherwise rendered unavailable, would affect the reliability or operability of the Bulk Electric System.\*\*

“Critical Cyber Assets” means Cyber Assets critical to the reliable operation of Critical Assets.\*\*

“Critical Energy Infrastructure Information” means specific engineering, vulnerability, or detailed design information about proposed or existing Critical Infrastructure that (i) relates details about the production, generation, transportation, transmission, or distribution of energy; (ii) could be useful to a person in planning an attack on Critical Infrastructure; and (iii) does not simply give the location of the Critical Infrastructure.++

“Critical Infrastructure” means existing and proposed systems and assets, whether physical or virtual, the incapacity or destruction of which would negatively affect security, economic security, public health or safety, or any combination of those matters.++



“Critical Infrastructure Protection Standard” or “CIP Standard” means any of NERC Reliability Standards CIP-002 through CIP-009.

“Cross-Border Regional Entity” means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.++

“Cyber Assets” means programmable electronic devices and communication networks including hardware, software, and data.\*\*

“Cyber Security Incident” means any malicious or suspicious event that disrupts, or was an attempt to disrupt, the operation of those programmable electronic devices and communications networks including hardware, software and data that are essential to the Reliable Operation of the Bulk Power System.++

“Cyber Security Incident Information” means any information related to, describing, or which could be used to plan or cause a Cyber Security Incident.

“Days”, as used in Appendix 5A with respect to the Registration and Certification processes, means calendar days.

“Deactivation,” as used in Appendix 5A with respect to the Registration processes, refers to removal of an entity from the NCR for a specific functional category. As a result of deactivation, the entity is no longer subject to any prospective compliance obligations with respect to Reliability Standards applicable to that functional category.

“Delegate” means a person to whom the Senior Manager of a Responsible Entity has delegated authority pursuant to Requirement R2.3 of CIP Standard CIP-003-1 (or any successor provision).

“Director of Compliance” means the Director of Compliance of NERC or of the Compliance Enforcement Authority, as applicable, or other individual designated by the Compliance Enforcement Authority who is responsible for the management and supervision of Compliance Staff, or his or her designee.

#“Disapproval of the Exception Request” or “Disapproval” means the determination by NERC that an Exception Request does not meet the criteria to receive the requested Exception.

#“Distribution Factor” means the portion of an Interchange Transaction, typically expressed in per unit that flows across a transmission facility (Flowgate).\*\*

“Distribution Provider” means the entity that provides and operates the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the Distribution Provider. Thus, the Distribution Provider is not defined by a specific voltage, but rather as performing the distribution function at any voltage.\*\*

“Document” means, in addition to the commonly understood meaning of the term as information written or printed on paper, any electronically stored information, including writings, drawings, graphs, charts, photographs, sound recordings, images and other data or data compilations stored in any medium from which information can be obtained, and shall be translated by the producing party into reasonably usable form.

“Effective Date” means the date, as specified in a notice disapproving a TFE Request or terminating an approved TFE, on which the disapproval or termination becomes effective.

“Electric Reliability Organization” or “ERO” means the organization that is certified by the Commission under Section 39.3 of its regulations, the purpose of which is to establish and enforce Reliability Standards for the Bulk Power System in the United States, subject to Commission review. The organization may also have received recognition by Applicable Governmental Authorities in Canada and Mexico to establish and enforce Reliability Standards for the Bulk Power Systems of the respective countries.

“Element” means any electrical device with terminals that may be connected to other electrical devices such as a generator, transformer, circuit breaker, bus section, or transmission line. An Element may be comprised of one or more components.\*\*

“Eligible Reviewer” means a person who has the required security clearances or other qualifications, or who otherwise meets the applicable criteria, to have access to Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information, as applicable to the particular information to be reviewed.

“End Date” means the last date of the period to be covered in a Compliance Audit.

“Essential Actions” or “Level 3 (Essential Actions)” is a notification issued by NERC in accordance with Section 810.3.3 of the Rules of Procedure.

“Evidentiary Hearing” means a hearing at which one or more Participants submits evidence for the record. A Testimonial Hearing is an Evidentiary Hearing, but an Evidentiary Hearing does not necessarily include the presentation of testimony by witnesses in person.

#“Exception” means either an Inclusion Exception or an Exclusion Exception.

#“Exception Procedure” means the procedure set forth in Appendix 5C.

“Exception Report” means information provided to the Compliance Enforcement Authority by a Registered Entity indicating that a violation of a Reliability Standard has occurred (e.g., a System Operating Limit has been exceeded) or enabling the Compliance Enforcement Authority to ascertain the Registered Entity’s compliance.

#“Exception Request” means a request made by a Submitting Entity in accordance with Appendix 5C for an Exception.

#“Exception Request Form” means the form adopted by each Regional Entity, in accordance with a template provided by NERC, for use by Submitting Entities in submitting Exception Requests; provided, that the Exception Request Form must include Section III.B as adopted by NERC.

“Exclusion Exception” means a determination that an Element that falls within the BES Definition should be excluded from the BES.

“Expiration Date” means the date on which an approved TFE expires.

“Facility” means a set of electrical equipment that operates as a single Bulk Electric System Element (e.g., a line, a generator, a shunt compensator, transformer, etc.)\*\*

“FERC” means the United States Federal Energy Regulatory Commission.

“Final Penalty Amount” means the final, proposed Penalty for violation of a Reliability Standard, determined in accordance with the *Sanction Guidelines*.

#“Flowgate” means 1.) A portion of the transmission system through which the Interchange Distribution Calculator calculates the power flow from Interchange Transactions. 2.) A mathematical construct, comprised of one or more monitored transmission Facilities and optionally one or more contingency Facilities, used to analyze the impact of power flows upon the Bulk Electric System.\*\*

“FOIA” means the U.S. Freedom of Information Act, 5 U.S.C. §552.

“Footprint” means the geographical or electric area served by an entity.

“Functional Entity” means an entity responsible for a function that is required to ensure the Reliable Operation of the electric grid as identified in the NERC Reliability Standards.

“Generator Operator” means the entity that operates generating ~~Facility~~unit(ies) and performs the functions of supplying energy and Interconnected Operations Services.\*\*

“Generator Owner” means an entity that owns and maintains generating ~~Facility~~unit(ies).\*\*

“Hearing Body” or “Regional Entity Hearing Body” means the body established or designated by the Compliance Enforcement Authority to conduct hearings and issue decisions concerning disputed compliance matters in accordance with Attachment 2, Hearing Procedures, of Appendix 4C.

“Hearing Officer” means, depending on the context, (i) an individual employed or contracted by the Compliance Enforcement Authority and designated by the Compliance Enforcement Authority to preside over hearings conducted pursuant to Attachment 2, Hearing Procedures, of Appendix 4C, or (ii) solely for hearings conducted pursuant to Appendix 4E, (A) a CCC member or (B) an individual employed or contracted by NERC, as designated and approved by the CCC

to preside over hearings conducted pursuant to the Hearing Procedures in Appendix E; the Hearing Officer shall not be a member of the Hearing Panel.

“Hearing Panel” means the five person hearing body established as set forth in the CCC Charter on a case by case basis and that is responsible for adjudicating a matter as set forth in Appendix 4E.

“Hearing Procedures” means, depending on the context, (i) Attachment 2 to the NERC or a Regional Entity CMEP, as applicable, or (ii) the hearing procedures of the NERC Compliance and Certification Committee in Appendix 4E.

#“Inclusion Exception” means a determination that an Element that falls outside the BES Definition should be included in the BES.

“Interchange” means energy transfers that cross Balancing Authority boundaries.\*\*

“Interchange Authority” means the responsible entity that authorizes the implementation of valid and balanced Interchange Schedules between Balancing Authority Areas, and ensures communications of Interchange information for reliability assessment purposes.\*\*

#“Interchange Distribution Calculator” means the mechanism used by Reliability Coordinators in the Eastern Interconnection to calculate the distribution of Interchange Transactions over specific Flowgates. It includes a database of all Interchange Transactions and a matrix of the Distribution Factors for the Eastern Interconnection.\*\*

“Interchange Schedule” means an agreed-upon Interchange Transaction size (megawatts), start and end time, beginning and ending ramp times and rate, and type required for delivery and receipt of power and energy between the Source and Sink Balancing Authorities involved in the transaction.\*\*

“Interchange Transaction” means an agreement to transfer energy from a seller to a buyer that crosses one or more Balancing Authority Area boundaries.\*\*

“Interconnected Operations Service” means a service (exclusive of basic energy and Transmission Services) that is required to support the Reliable Operation of interconnected Bulk Electric Systems.\*\*

“Interconnection” means a geographic area in which the operation of Bulk Power System components is synchronized such that the failure of one or more of such components may adversely affect the ability of the operators of other components within the system to maintain Reliable Operation of the Facilities within their control.++

“Interconnection Reliability Operating Limit” means a System Operating Limit that, if violated, could lead to instability, uncontrolled separation, or Cascading outages that adversely impact the reliability of the Bulk Electric System.\*\*

“Interpretation” means an addendum to a Reliability Standard, developed in accordance with the NERC *Standard Processes Manual* and approved by the Applicable Governmental Authority(ies), that provides additional clarity about one or more Requirements in the Reliability Standard.

“ISO/RTO” means an independent transmission system operator or regional transmission organization approved by the FERC or the Public Utility Commission of Texas.

“Joint Registration Organization” means an entity that registers in the Compliance Registry to perform reliability functions for itself and on behalf of one or more of its members or related entities for which such members or related entities would otherwise be required to register.

#“Lead Entity” means the entity that submits Exception Request information that is common to a group of Submitting Entities that are submitting Exception Requests jointly.

“Lead Mediator” means a member of a mediation team formed pursuant to Appendix 4E who is selected by the members to coordinate the mediation process and serve as the mediation team’s primary contact with the Parties.

#“Load” means an end-user device or customer that receives power from the electric system.\*\*

“Load-Serving Entity” means an entity that secures energy and Transmission Service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.\*\*

“Mapping” means the process of determining whether a Regional Entity’s Footprint is being served by Registered Entities.

“Material Change” means a change in facts that modifies Required Information in connection with an approved TFE. Examples of a Material Change could include, but are not limited to an increase in device count (but not a decrease), change in compensating measures, change in statement of basis for approval for the TFE, a change in the Expiration Date of the TFE, or a Responsible Entity achieving Strict Compliance with the Applicable Requirement.

“Material Change Report” means a report submitted by the Responsible Entity to the Regional Entity in the event there is a Material Change to the facts underlying an approved TFE pursuant to Section 4.0 of Appendix 4D.

“Mediation Settlement Agreement” means a written agreement entered into by the Parties to a mediation pursuant to Appendix 4E that resolves the dispute.

“Member” means a member of NERC pursuant to Article II of its Bylaws.

“Member Representatives Committee” or “MRC” means the body established pursuant to Article VIII of the NERC Bylaws.

#“Mexican Entity” means a Registered Entity that is organized under Mexican law.

“Mitigating Activities” means actions taken by a Registered Entity to correct and prevent recurrence of a noncompliance, whether or not the actions are embodied in a Mitigation Plan.

“Mitigation Plan” means an action plan developed by the Registered Entity to (1) correct a violation of a Reliability Standard and (2) prevent re-occurrence of the violation.

“NERC-Approved Learning Activity” means training that maintains or improves professional competence and has been approved by NERC for use in its Continuing Education Program.

“NERC Compliance Monitoring and Enforcement Program Implementation Plan” or “NERC Implementation Plan” means the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan that specifies the Reliability Standards that are subject to reporting by Registered Entities to the Compliance Enforcement Authority in order to verify compliance and identifies the appropriate monitoring procedures and reporting schedules for each such Reliability Standard.

“NERC Compliance Registry,” “Compliance Registry” or “NCR” means a list, maintained by NERC pursuant to Section 500 of the NERC Rules of Procedure and Appendix 5B, the NERC *Statement of Compliance Registry Criteria*, of the owners, operators and users of the Bulk Power System, and the entities registered as their designees, that perform one or more functions in support of reliability of the Bulk Power System and are required to comply with one or more Requirements of Reliability Standards.

“NERC Identification Number” or “NERC ID” means a number given to NERC Registered Entities that will be used to identify the entity for certain NERC activities. Corporate entities may have multiple NERC IDs to show different corporate involvement in NERC activities.

“NERC Organization Certification” or “Organization Certification” means the process undertaken by NERC and a Regional Entity to verify that a new entity is capable of responsibilities for tasks associated with a particular function such as a Balancing Authority, Transmission Operator, and/or Reliability Coordinator; such certification activities are further described in Section 500 and Appendix 5A of the NERC Rules of Procedure.

“Net Energy for Load” or “NEL” means net generation of an electric system plus energy received from others less energy delivered to others through interchange. It includes system losses but excludes energy required for the storage of energy at energy storage facilities.

“Notice of Alleged Violation and Proposed Penalty or Sanction” means a notice issued by the Compliance Enforcement Authority to a Registered Entity pursuant to Section 5.3 of Appendix 4C.

“Notice of Completion of Enforcement Action” means a notice issued by the Compliance Enforcement Authority to a Registered Entity, pursuant to Section 5.10 of Appendix 4C, stating that an enforcement action is closed.

“Notice of Confirmed Violation” means a notice issued by the Compliance Enforcement Authority to a Registered Entity confirming the violation of one or more Reliability Standards.

“Notice of Penalty” means a notice prepared by NERC and filed with FERC, following approval by NERC of a Notice or other notification of Confirmed Violation or a settlement agreement, stating the Penalty or sanction imposed or agreed to for the Confirmed Violation or as part of the settlement.

“Notice of Possible Violation” means a notice issued by the Compliance Enforcement Authority to a Registered Entity that (1) states a Possible Violation has been identified, (2) provides a brief description of the Possible Violation, including the Reliability Standard Requirement(s) and the date(s) involved, and (3) instructs the Registered Entity to retain and preserve all data and records relating to the Possible Violation.

“NRC” means the United States Nuclear Regulatory Commission.

“NRC Safeguards Information” means Required Information that is subject to restrictions on disclosure pursuant to 42 U.S.C. §2167 and the regulations of the NRC at 10 C.F.R. §73.21-73.23; or pursuant to comparable provisions of Canadian federal or provincial law.

“Open Access Transmission Tariff” means an electronic transmission tariff accepted by the U.S. Federal Energy Regulatory Commission requiring the Transmission Service Provider to furnish to all shippers with non-discriminating service comparable to that provided by Transmission Owners to themselves.\*\*

#“Owner” means the owner(s) of an Element or Elements that is or may be determined to be part of the BES as a result of either the application of the BES Definition or an Exception, or another entity, such as an operator, authorized to act on behalf of the owner of the Element or Elements in the context of an Exception Request.

“Participant” means a Respondent and any other Person who is allowed or required by the Hearing Body or by FERC to participate as an intervenor in a proceeding conducted pursuant to the Hearing Procedures, and as used in the Hearing Procedures shall include, depending on the context, the members of the Compliance Staff that participate in a proceeding or the members of the Certification Staff that participate in a proceeding pursuant to Appendix 4E.

“Party” or “Parties” means a Person or the Persons participating in a mediation pursuant to Appendix 4E.

“Penalty” means and includes all penalties and sanctions, including but not limited to a monetary or non-monetary penalty; a limitation on an activity, function, operation or other appropriate sanction; or the addition of the Registered Entity or Respondent to a reliability watch list composed of major violators. Penalties must be within the range set forth in the NERC *Sanction Guidelines* approved by FERC pursuant to 18 C.F.R. Section 39.7(g)(2), and shall bear a reasonable relation to the seriousness of a Registered Entity’s or Respondent’s violation and take

into consideration any timely efforts made by the Registered Entity or Respondent to remedy the violation.

“Periodic Data Submittals” means modeling, studies, analyses, documents, procedures, methodologies, operating data, process information or other information to demonstrate compliance with Reliability Standards and provided by Registered Entities to the Compliance Enforcement Authority on a time frame required by a Reliability Standard or an ad hoc basis.

“Person” means any individual, partnership, corporation, limited liability company, governmental body, association, joint stock company, public trust, organized group of persons, whether incorporated or not, or any other legal entity.

“Planning Authority” means the responsible entity that coordinates and integrates transmission Facilities and service plans, resource plans, and Protection Systems.\*\*

“Point of Delivery” means a location that a Transmission Service Provider specifies on its transmission system where an Interchange Transaction leaves or a Load-Serving Entity receives its energy.\*\*

“Point of Receipt” means a location that the Transmission Service Provider specifies on its transmission system where an Interchange Transaction enters or a generator delivers its output.

“Possible Violation” means the identification, by the Compliance Enforcement Authority, of a possible failure by a Registered Entity to comply with a Reliability Standard that is applicable to the Registered Entity.

“Preliminary Screen” means an initial evaluation of evidence indicating potential noncompliance with a Reliability Standard has occurred or is occurring, conducted by the Compliance Enforcement Authority for the purpose of determining whether a Possible Violation exists, and consisting of an evaluation of whether (1) the entity allegedly involved in the potential noncompliance is registered, (2) the Reliability Standard Requirement to which the evidence of potential noncompliance relates is applicable to a reliability function for which the entity is registered, and (3) if known, the potential noncompliance is not a duplicate of a Possible Violation or Alleged Violation which is currently being processed.

“Probation” means a step in the disciplinary process pursuant to Section 605 of the Rules of Procedure during which the certificate is still valid. During the probationary period, a subsequent offense of misconduct, as determined through the same process as described above, may be cause for more serious consequences.

“Protected FOIA Information” means Required Information, held by a governmental entity, that is subject to an exemption from disclosure under FOIA (5 U.S.C. §552(e)), under any similar state or local statutory provision, or under any comparable provision of Canadian federal or provincial law, which would be lost were the Required Information to be placed into the public domain.



“Protection System” means protective relays which respond to electrical quantities, communications systems necessary for correct operation of protective functions, voltage and current sensing devices providing inputs to protective relays, station dc supply associated with protective functions (including batteries, battery chargers, and non-battery-based dc supply), and control circuitry associated with protective functions through the trip coil(s) of the circuit breakers or other interrupting devices.\*\*

“Purchasing-Selling Entity” means 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.\*\*

“Reactivation” refers to re-registration pursuant to the NERC Rules of Procedure Section 500 and Appendices 5A and 5B of an entity to the NCR for a specific functional category or the revocation of, or additions to, a sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements) that has been granted to an entity. Reactivation may be initiated by NERC, a Regional Entity or an entity with respect to such entity’s own functional categories or sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements).

#“Reactive Power” means the portion of electricity that establishes and sustains the electric and magnetic fields of alternating-current equipment. Reactive Power must be supplied to most types of magnetic equipment, such as motors and transformers. It also must supply the reactive losses on transmission facilities. Reactive Power is provided by generators, synchronous condensers, or electrostatic equipment such as capacitors and directly influences electric system voltage. It is usually expressed in kilovars (kvar) or megavars (Mvar).\*\*

#“Real Power” means the portion of electricity that supplies energy to the Load.\*\*

“Receiving Entity” means NERC or a Regional Entity receiving Confidential Information from an owner, operator, or user of the Bulk Power System or from any other party.

#“Recommendation” for purposes of Appendix 5C means the report to NERC containing the evaluation prepared in accordance with section 5.2 of Appendix 5C concerning whether or to what extent an Exception Request should be approved.

“Recommendations” or “Level 2 (Recommendations)” is a notification issued by NERC in accordance with Section 810.3.2 of the Rules of Procedure.

“Region” means the geographic area, as specified in a Regional Entity’s delegation agreement with NERC, within which the Regional Entity is responsible for performing delegated functions.

“Regional Criteria” means reliability requirements developed by a Regional Entity that are necessary to implement, to augment, or to comply with Reliability Standards, but which are not Reliability Standards. Such Regional Criteria may be necessary to account for physical differences in the Bulk Power System but are not inconsistent with Reliability Standards nor do they result in lesser reliability. Such Regional Criteria are not enforceable pursuant to NERC-

delegated authorities, but may be enforced through other available mechanisms. Regional Criteria may include specific acceptable operating or planning parameters, guides, agreements, protocols or other documents.

“Regional Entity” means an entity having enforcement authority pursuant to 18 C.F.R. § 39.8.++

“Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan” or “Regional Implementation Plan” means an annual plan, submitted by on or about October 1 of each year to NERC for approval that, in accordance with NERC Rule of Procedure Section 401.6 and the NERC Compliance Monitoring and Enforcement Program Implementation Plan, identifies (1) all Reliability Standards identified by NERC to be actively monitored during each year, (2) other Reliability Standards proposed for active monitoring by the Regional Entity, (3) the methods to be used by the Regional Entity for reporting, monitoring, evaluation, and assessment of performance criteria with each Reliability Standard, and (4) the Regional Entity’s Annual Audit Plan.

“Regional Reliability Standard” means a type of Reliability Standard that is applicable only within a particular Regional Entity or group of Regional Entities. A Regional Reliability Standard may augment, add detail to, or implement another Reliability Standard or cover matters not addressed by other Reliability Standards. Regional Reliability Standards, upon adoption by NERC and approval by the Applicable Governmental Authority(ies), shall be Reliability Standards and shall be enforced within the applicable Regional Entity or Regional Entities pursuant to delegated authorities or to procedures prescribed by the Applicable Governmental Authority.

“Registered Ballot Body” means that aggregation of all entities or individuals that qualify for one of the Segments approved by the Board of Trustees, and are registered with NERC as potential ballot participants in the voting on proposed Reliability Standards.

“Registered Entity” means an owner, operator, or user of the Bulk Power System, or the entity registered as its designee for the purpose of compliance, that is included in the NERC Compliance Registry.

“Registration” or “Organization Registration” means the processes undertaken by NERC and Regional Entities to identify which entities are responsible for reliability functions within the Regional Entity’s Region.

#“Rejection of the Exception Request” or “Rejection” means the determination that an Exception Request is not an eligible Exception Request (i.e., a Request permitted by section 4.1 of Appendix 5C) or does not contain all the Required Information in accordance with section 4.5 of Appendix 5C in order to be reviewed for substance.

“Reliability Coordinator” means 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.\*\*

“Reliability Coordinator Area” means the collection of generation, transmission and loads within the boundaries of the Reliability Coordinator. Its boundary coincides with one or more Balancing Authority Areas.\*\*

“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 the term does not include any requirement to enlarge Bulk Power System Facilities or to construct new transmission capacity or generation capacity. A Reliability Standard shall not be effective in the United States until approved by the Federal Energy Regulatory Commission and shall not be effective in other jurisdictions until made or allowed to become effective by the Applicable Governmental Authority.

“Reliability Standards Development Plan” means the forward-looking plan developed by NERC on an annual basis setting forth the Reliability Standards development projects that are scheduled to be worked on during the ensuing three-year period, as specified in Section 310 of the Rules of Procedure.

“Reliable Operation” means operating the Elements of the Bulk Power System within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or Cascading failures of such system will not occur as a result of a sudden disturbance, including a Cyber Security Incident, or unanticipated failure of system Elements.++

“Remedial Action Directive” means an action (other than a Penalty or sanction) required by a Compliance Enforcement Authority that (1) is to bring a Registered Entity into compliance with a Reliability Standard or to avoid a Reliability Standard violation, and (2) is immediately necessary to protect the reliability of the Bulk Power System from an imminent or actual threat.

“Reporting Entity” means an entity required to provide data or information requested by NERC or a Regional Entity in a request for data or information pursuant to Section 1600 of the Rules of Procedure.

“Requirement” means an explicit statement in a Reliability Standard 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 with which compliance is mandatory.

“Required Date” means the date given a Registered Entity in a notice from the Compliance Enforcement Authority by which some action by the Registered Entity is required.

#“Required Information” means, as applicable, either (i) the information required to be provided in a TFE Request, as specified in Section 4.0 of Appendix 4D; or (ii) the information required to be provided in an Exception Request, as specified in section 4.0 of Appendix 5C.

“Reserve Sharing Group” means a group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply operating reserves required for each Balancing Authority’s use in recovering from contingencies within the group. Scheduling energy from an Adjacent Balancing Authority to aid recovery need not constitute reserve sharing provided the transaction is ramped in over a period the supplying party could reasonably be expected to load generation in (e.g. ten minutes). If the transaction is ramped in quicker, (e.g., between zero and ten minutes), then, for the purposes of disturbance control performance, the areas become a Reserve Sharing Group.\*\*

“Resource Planner” means 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.\*\*

“Respondent” means, depending on the context, the Registered Entity, who is the subject of the Notice of Alleged Violation, contested Mitigation Plan or contested Remedial Action Directive that is the basis for the proceeding, whichever is applicable, or the Registered Entity that is the subject of the Certification decision that is the basis for a proceeding under Appendix 4E.

“Responsible Entity” means an entity that is registered for a reliability function in the NERC Compliance Registry and is responsible for complying with an Applicable Requirement, as specified in the “Applicability” section of the CIP Standard.

“Revoked” means a NERC certificate that has been suspended for more than twelve months. While in this state, a certificate holder can not perform any task that requires an operator to be NERC-certified. The certificate holder will be required to pass an exam to be certified again. Any CE Hours accumulated prior to or during the revocation period will not be counted towards Credential Maintenance.

“Revoke for Cause” means a step in the disciplinary process pursuant to Section 605 of the Rules of Procedure during which the certificate is no longer valid and requiring successfully passing an exam to become certified. However, an exam will not be authorized until the revocation period expires. CE Hours earned before or during this revocation period will not be counted for maintaining a Credential.

#“Scope of Responsibility” means the registered functions of a Planning Authority, Reliability Coordinator, Transmission Operator, Transmission Planner or Balancing Authority and the geographical or electric region in which the Planning Authority, Reliability Coordinator, Transmission Operator, Transmission Planner or Balancing Authority operates to perform its registered functions, or with respect to a Regional Entity, its Regional Entity Region.

#“Section I Required Information” means Required Information that is to be provided in Section I of a Submitting Entity’s Exception Request.

#“Section II Required Information” means Required Information that is to be provided in Section II of a Submitting Entity’s Exception Request.

#“Section III Required Information” means Required Information that is to be provided in Section III of a Submitting Entity’s Exception Request.

“Sector” means a group of Members of NERC that are Bulk Power System owners, operators, or users or other persons and entities with substantially similar interests, including governmental entities, as pertinent to the purposes and operations of NERC and the operation of the Bulk Power System, as defined in Article II, Section 4 of the NERC Bylaws. Each Sector shall constitute a class of Members for purposes of the New Jersey Nonprofit Corporation Act.

“Segment” means one of the subsets of the Registered Ballot Body whose members meet the qualification criteria for the subset.

“Self-Certification” means an attestation by a Registered Entity that it is compliant or non-compliant with a Reliability Standard Requirement that is the subject of the Self-Certification, or that it does not own Facilities that are subject to the Reliability Standard Requirement, or that the Reliability Standard Requirement is not applicable to the Registered Entity.

“Self-Report” means a report by a Registered Entity stating that the Registered Entity believes it has, or may have, violated a Reliability Standard.

“Senior Manager” means the person assigned by the Responsible Entity, in accordance with CIP Standard CIP-003-1 Requirement R2 (or subsequent versions), to have overall responsibility for leading and managing the Responsible Entity’s implementation of, and adherence to, the CIP Standards.

#“Sink Balancing Authority” means the Balancing Authority in which the Load (sink) is located for an Interchange Transaction.\*\*

“Source Balancing Authority” means the Balancing Authority in which the generation (source) is located for an Interchange Transaction.\*\*

#“Special Protection System” means an automatic protection system designed to detect abnormal or predetermined system conditions, and take corrective actions other than and/or in addition to the isolation of faulted components to maintain system reliability. Such action may include changes in demand, generation (MW and Mvar), or system configuration to maintain system stability, acceptable voltage, or power flows. A Special Protection System does not include (a) underfrequency or undervoltage Load shedding or (b) fault conditions that must be isolated, or (c) out-of-step relaying (not designed as an integral part of a Special Protection System).\*\*

“Spot Check” means a process in which the Compliance Enforcement Authority requests a Registered Entity to provide information (1) to support the Registered Entity’s Self-Certification, Self-Report, or Periodic Data Submittal and to assess whether the Registered Entity complies

with Reliability Standards, or (2) as a random check, or (3) in response to operating problems or system events.

“Staff” or “Compliance Staff” means individuals employed or contracted by NERC or the Compliance Enforcement Authority who have the authority to make initial determinations of compliance or violation with Reliability Standards by Registered Entities and associated Penalties and Mitigation Plans.

“Strict Compliance” means compliance with the terms of an Applicable Requirement without reliance on a Technical Feasibility Exception.

#“Submitting Entity” means (i) an owner, operator, or user of the Bulk Power System or any other party that submits information to NERC or a Regional Entity that it reasonably believes contains Confidential Information or, (ii) solely for purposes of Appendix 5C, the entity that submits an Exception Request in accordance with section 4.0 of Appendix 5C.

“Suspended” means certificate status due to an insufficient number of CE Hours being submitted prior to the expiration of a certificate. While in this state, a certificate holder can not perform any task that requires an operator to be NERC-certified.

“System” means a combination of generation, transmission and distribution components.\*\*

“System Operating Limit” means the value (such as MW, Mvar, amperes, frequency or volts) that satisfies the most limiting of the prescribed operating criteria for a specified system configuration to ensure operation within acceptable reliability criteria.\*\*

“Technical Advisor” means any Staff member, third-party contractor, or industry stakeholder who satisfies NERC’s or the Compliance Enforcement Authority’s (as applicable) conflict of interest policy and is selected to assist in a proceeding by providing technical advice to the Hearing Officer and/or the Hearing Body or Hearing Panel.

“Technical Feasibility Exception” or “TFE” means an exception from Strict Compliance with the terms of an Applicable Requirement on grounds of technical feasibility or technical limitations in accordance with one or more of the criteria in section 3.0 of Appendix 4D.

#“Technical Review Panel” means a panel established pursuant to section 5.3 of Appendix 5C.

“Termination of Credential” means a step in the disciplinary process pursuant to Section 605 of the Rules of Procedure whereby a Credential is permanently Revoked.

“Testimonial Hearing” means an Evidentiary Hearing at which the witness or witnesses on behalf of one or more Participants appears in person to present testimony and be subject to cross-examination.

“TFE Request” means a request submitted by a Responsible Entity in accordance with Appendix 4D for an exception from Strict Compliance with an Applicable Requirement.

“Transmission Customer” means 1. any eligible customer (or its designated agent) that can or does execute a Transmission Service agreement or can and does receive Transmission Service.  
2. Any of the following ~~responsible~~—entities: Generator Owner, Load-Serving Entity, or Purchasing-Selling Entity.\*\*

“Transmission Operator” means the entity responsible for the reliability of its “local” transmission system, and that operates or directs the operations of the transmission Facilities.\*\*

“Transmission Owner” means the entity that owns and maintains transmission Facilities.\*\*

“Transmission Planner” means 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.\*\*

“Transmission Service” means services provided to the Transmission Customer by the Transmission Service Provider to move energy from a Point of Receipt to a Point of Delivery.\*\*

“Transmission Service Provider” means the entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable Transmission Service agreements.\*\*

“Variance” means an aspect or element of a Reliability Standard that applies only within a particular Regional Entity or group of Regional Entities, or to a particular entity or class of entities. A Variance allows an alternative approach to meeting the same reliability objective as the Reliability Standard, and is typically necessitated by a physical difference. A Variance is embodied within a Reliability Standard and as such, if adopted by NERC and approved by the Applicable Governmental Authority(ies), shall be enforced within the applicable Regional Entity or Regional Entities pursuant to delegated authorities or to procedures prescribed by the Applicable Governmental Authority.

“Violation Risk Factor” or “VRF” means a factor (lower, medium or high) assigned to each Requirement of a Reliability Standard to identify the potential reliability significance of noncompliance with the Requirement.

“Violation Severity Level” or “VSL” means a measure (lower, moderate, high or severe) of the degree to which compliance with a Requirement was not achieved.

“Wide Area” means the entire Reliability Coordinator Area as well as the critical flow and status information from adjacent Reliability Coordinator Areas as determined by detailed system studies to allow the calculation of Interconnected Reliability Operating Limits.\*\*

# NERC

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NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

## **Appendix 5A**

# **Organization Registration and Certification Manual**

**Effective: October 4, 2013**



**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Appendix 5A

## Organization Registration and Certification Manual

Effective Date: TBD

**RELIABILITY | ACCOUNTABILITY**



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# Table of Contents

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Section I — Executive Summary .....	1
Overview .....	1
To Whom Does This Document Apply? .....	1
When did These Processes Begin?.....	2
Where to Access and Submit Form(s)?.....	2
Service.....	2
Roles and Responsibilities.....	2
NERC.....	2
Regional Entity .....	3
Entity Submitting the Application .....	3
Section II — Introduction to Organization Registration and Organization Certification Processes.....	4
Organization Registration — Entities Required to Register.....	4
Organization Certification.....	5
Section III — Organization Registration Process .....	6
Purpose and Scope .....	6
Overview .....	6
Section IV — Organization Certification Process.....	<a href="#">181818181817</a>
Purpose and Scope .....	<a href="#">181818181817</a>
Overview .....	<a href="#">181818181817</a>
Organization Certification Process .....	<a href="#">181818181817</a>
Section V — NERC Organization Registration Appeals Process .....	<a href="#">242424242423</a>
Purpose and Scope .....	<a href="#">242424242423</a>
Overview .....	<a href="#">242424242423</a>
Organization Registration Appeals Procedure.....	<a href="#">242424242423</a>
Section VI — NERC Organization Certification Appeals Process .....	<a href="#">282828282827</a>
Purpose and Scope .....	<a href="#">282828282827</a>
Overview .....	<a href="#">282828282827</a>
Organization Certification Appeals Procedure .....	<a href="#">282828282827</a>
Definitions .....	<a href="#">323232323231</a>

---

<b>Section I — Executive Summary</b> .....	<b>1</b>
Overview .....	1
To Whom Does This Document Apply? .....	1
When did These Processes Begin? .....	2
Where to Access and Submit Form(s)? .....	2
Roles and Responsibilities .....	2
<b>Section II — Introduction to Organization Registration and Organization Certification Processes</b> .....	<b>4</b>
Organization Registration — Entities Required to Register .....	4
Organization Certification .....	5
<b>Section III — Organization Registration Process</b> .....	<b>6</b>
<b>Section IV — Organization Certification Process</b> .....	<b><a href="#">181818181817</a></b>
<b>Section V — NERC Organization Registration Appeals Process</b> .....	<b><a href="#">242424242423</a></b>
<b>Section VI — NERC Organization Certification Appeals Process</b> .....	<b><a href="#">282828282827</a></b>
<b>Definitions</b> .....	<b><a href="#">323232323231</a></b>

## Section I — Executive Summary

### Overview

The purpose of this document is twofold: (1) to define the process utilized in the Organization Registration Program ~~by~~for identifying which functional entities must register as owners, operators, and users of the Bulk Power System (BPS) for compliance with Reliability Standards; and (2) to define the process utilized in the Organization Certification Program for certifying the following entities: Reliability Coordinator (RC), Balancing Authority (BA), and Transmission Operator (TOP). ~~The~~ North American Electric Reliability Corporation (NERC) Compliance and Certification Committee (CCC) is responsible for approving and forwarding these processes to the NERC Board of Trustees (Board) for its approval. Where a proposal for revisions to these processes comes to the Board ~~of Trustees~~ from sources other than the CCC, the Board ~~of Trustees~~ will seek the concurrence of the CCC before taking action on the proposal.

### To Whom Does This Document Apply?

All industry participants responsible for or intending to be responsible for, the following functions must register with NERC through the Organization Registration process. The entities are defined in the Glossary of Terms Used In NERC Reliability Standards (Glossary Statement of Compliance Registry Criteria, set forth in Appendix 5B to the NERC Rules of Terms) Procedure (ROP), with responsibilities designated by the individual Reliability Standards or by a sub-set list of the otherwise applicable Reliability Standards. Such sub-set list will specify the Reliability Standards and may specify Requirements/sub-Requirements by NERC, in which case the entity will be responsible for compliance with only such sub-set list, in accordance with Appendix 5B to the NERC ROP.

	Entities that Must Register	Entities that Need to be Certified
Reliability Coordinator (RC)	√	√
Transmission Operator (TOP)	√	√
Balancing Authority (BA)	√	√
Planning Authority (PA)	√	
Transmission Planner (TP)	√	
Transmission Service Provider (TSP)	√	
Transmission Owner (TO)	√	
Resource Planner (RP)	√	
Distribution Provider (DP)	√	
Generator Owner (GO)	√	
Generator Operator (GOP)	√	
<del>Load-Serving Entity (LSE)</del>	<del>√</del>	
<del>Purchasing-Selling Entity (PSE)</del>	<del>√</del>	
<del>Interchange Authority (IA)</del>	<del>√</del>	
Reserve Sharing Group (RSG)	√	

## When did These Processes Begin?

The initial Registration process began in January of 2006. Registration of new entities is an ongoing process. If a Registered Entity's information changes, these changes must be submitted to the applicable Regional Entity(s).

Certification is ongoing for new entities in accordance with Section IV of this manual.

## Where to Access and Submit Form(s)?

Registration and Certification forms are provided on each Regional Entity's website. Completed forms are to be sent electronically to the Compliance and Certification Manager of the applicable Regional Entity(s). It is desirable that entities operate within a single Regional Entity Region; however, if an entity operates in more than one Region, separate Registration applications must be completed and submitted to each of the Regional Entities.

## Service

Unless otherwise provided, service may be made by personal delivery, email, deposit in the United States mail properly addressed with first class postage prepaid, registered mail properly addressed with postage prepaid or deposit with a private express courier service properly addressed with charges prepaid or payment arrangements made.

## Roles and Responsibilities

The following is a high-level overview of the roles and responsibilities in the Registration and Certification processes:

### NERC

1. Oversight of entity processes performed by the Regional Entities, including:
  - a. Governance per the Regional Entity's delegation agreement with NERC.
  - b. Coordination of process execution when an entity is registering and/or certifying with multiple Regional Entities.
2. Manage each entity's NERC Compliance Registry identification number (NERC ID) including:
  - a. Sending a Registration or Certification letter that contains the NERC ID to the applicable Regional Entity(ies) for review and approval. If the Regional Entity(ies) agrees with all the information provided, it will notify NERC to issue the NERC ID to the Registered Entity and will send a copy of the notification being ~~provided~~ to the Regional Entity(ies).
  - b. Ensuring each Registered Entity has only one NERC ID for all Regional Entities in which registered.
3. Make modeling changes based on Registration information.
4. Maintain accurate Registration and Certification records including granting Certification certificates for the Registered Entity(ies) responsible for compliance (including ~~JRO/CFR~~ Joint Registration Organization (JRO)/Coordinated Functional Registration (CFR)).
5. Maintain published up-to-date list of Registered Entities (i.e. the NERC Compliance Registry) ~~(NCR)~~ on the NERC website. NERC maintains the NCR, which identifies each Registered Entity and the applicable functional categories for which it is registered.

6. Lead panel reviews in accordance with **Appendix 5A, Organization Registration and Organization Certification Manual, Section III.D** and **Appendix 5B, Statement of Compliance Registry Criteria.**

### **Regional Entity**

1. Performs data collection and Mapping of ~~Bulk Power System~~**BPS** Facilities and those Facilities that have a material impact on the ~~Bulk Power System~~**BPS** within its Regional Entity defined reliability Region boundaries.
2. Approves or disapproves entity Registration applications.
3. Reviews entity Certification applications for completeness.
4. Notifies NERC of entities registered with the Regional Entity.
5. Approves or denies Certification Team (CT) recommendations and notifies the entity and NERC of the decision.
6. Provides leadership to the CT throughout the Certification process.

### **Entity Submitting the Application**

1. Completes and submits Registration and/or Certification application.
2. Submits updates to Registration and/or Certification information as necessary and/or requested.
3. Responds to Regional Entity and/or NERC questions pertaining to Registration and/or Certification.
4. Provides documentation or other evidence requested or required to verify compliance with Certification requirements.

## Section II — Introduction to Organization Registration and Organization Certification Processes

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The processes utilized to implement the Organization Registration and Organization Certification Programs are administered by each Regional Entity. Pursuant to its delegation agreement with NERC, each Regional Entity is responsible for registering and certifying industry participants within its Regional Entity reliability Region boundaries. Each Regional Entity must use the following NERC processes.

### Organization Registration — Entities Required to Register

All industry participants responsible for one or more of the functions below must register for each function through the Organization Registration Program. These entities are defined in the ~~Glossary of Terms with responsibilities designated by the individual Reliability Standards and the~~ NERC Statement of Compliance Registry Criteria ~~document~~.

- ~~• Reliability Coordinator~~
- ~~• Transmission Operator~~
- ~~• Balancing Authority~~
- ~~• Planning Authority~~
- ~~• Transmission Planner~~
- ~~• Transmission Service Provider~~
- ~~• Transmission Owner~~
- ~~• Resource Planner~~
- ~~• Distribution Provider~~
- ~~• Generator Owner~~
- ~~• Generator Operator~~
- ~~• Load Serving Entity~~
- ~~• Purchasing-Selling Entity~~
- ~~• Interchange Authority~~
- ~~• Reserve Sharing Group~~
- RC
- TOP
- BA
- PA
- TP
- TSP
- TO
- RP
- DP
- GO

- GOP
- RSG

The Registration procedure is in Section III of this manual.

## Organization Certification

All Registered Entities registered in the ~~NERC Compliance Registry (NCR)~~NCR for the RC, TOP, and/or BA functions shall be certified. Certification requires the Registered Entity to start operation within 12 months of being NERC certified. This Certification process is described in Section IV of this manual.



## Section III – Organization Registration Process

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### Purpose and Scope

The purpose and scope of this process is to provide guidance on how a user, owner, and/or operator of the ~~Bulk Power System~~BPS should be registered in the NCR.

### Overview

Section 39.2 of the Commission’s regulations, and Title 18 of the C.F.R. § 39.2, requires each owner, operator, and user of the ~~Bulk Power System~~BPS to be registered with NERC and to comply with approved Reliability Standards.

Owners, operators, and users of the ~~Bulk Power System~~BPS will be registered by function(s) and are:

1. Responsible for compliance with all applicable Requirements/sub-Requirements within Reliability Standards approved by Applicable Governmental Authorities, for the applicable functions for which the Registered Entity is registered, except to the extent that an entity is granted a sub-set list of applicable Reliability Standards, which specifies the Reliability Standards and may specify Requirements/sub-Requirements by NERC, in which case the entity will be responsible for compliance with only such sub-set list; and,
2. Subject to the compliance monitoring and enforcement requirements of Section 400 of the ~~Rules of Procedure~~ROP.

See Figure 11A Organization Registration Process Overview.

#### A. Organization Registration Process

1. Applicable entities shall begin the Registration process by submitting a completed Registration application to the Regional Entity(ies) of the reliability Region(s) where the entity intends to perform its function(s) (Registration forms are provided on each Regional Entity’s website).
  - a. At any time, an entity may recommend in writing, with supporting documentation, to the Regional Entity(ies) that an entity be added to or removed from the Compliance Registry.
  - b. The Registration process for an entity may also be initiated by a Regional Entity, NERC, or Applicable Governmental Authority.
  - c. With respect to: (i) entities to be registered for the first time; (ii) currently-registered entities or (iii) previously-registered entities, for which registration status changes are sought, including availability and composition of a sub-set list of applicable Reliability Standards (which specifies the Reliability Standards and may specify Requirements/sub-Requirements), the registration process steps in Section III of **Appendix 5A** apply.
  - d. At any time, an entity whose registration is at issue may request expedited treatment and waiver of applicable timelines. NERC, in its sole discretion, shall determine if such a request will be granted and alternative timelines. NERC’s decision is not a final decision that is subject to appeal.
2. NERC shall coordinate Registration of entities that are required to register with multiple Regional Entities in order to ensure consistency of the Registration process.
3. For entities that are required to be certified, the applicable Regional Entity(ies) shall ensure that the Registration information provided is accurate for updating the NCR per items 4 through 12 below and notifies the entity to initiate the Certification process per Section IV of this manual.

4. Entities that have a NERC ID shall use it on the form.
  - a. If an entity does not have a NERC ID, NERC shall assign one.
  - b. An entity responsible for more than one function will use a single NERC ID.
5. Regional Entities shall evaluate the submitted information and determine if the information is complete/correct. If the information is not complete/correct, the entity will be notified to complete/correct or clarify the Registration information.
6. A single entity must register for all functions that it performs itself. In addition, that entity may register as a ~~Joint Registration Organization (JRO)~~ on behalf of one or more of its members or related entities for one or more functions for which such members or related entities would otherwise be required to register and, thereby, accept on behalf of such members or related entities all compliance responsibility for all Requirements/sub-Requirements of Reliability Standards applicable to that function or those functions including reporting requirements. (~~Rules of Procedure~~ROP Section 507)
7. Multiple entities may each register using a ~~Coordinated Functional Registration (CFR)~~ for one or more Reliability Standard(s) and/or for one or more Requirements/sub-Requirements within particular Reliability Standard(s) applicable to a specific function. (~~Rules of Procedure~~ROP Section 508)
8. In completing the Regional Entity responsibilities for the Registration process, the following are key items the Regional Entity must verify:
  - a. That Regional Entity registrations meet the geographical and electrical Registration boundaries requirements of the ~~Rules of Procedure~~ROP Section 501(1.4).
  - b. The Registration submission includes all data requested by NERC that is necessary for accurately identifying and contacting the Registered Entity.
9. The Regional Entity shall forward all Registration information to NERC for inclusion of an entity on the NCR:
  - a. If the Registration determination involves (i) the materiality test set forth in the notes in Appendix 5B, Statement of Compliance Registry Criteria; (ii) a sub-set list of Reliability Standards (which specifies Requirements and may specify sub-Requirements);<sup>1</sup> or (iii) a dispute by an entity whose registration status is at issue regarding the Regional Entity's application of Appendix 5B, Statement of Compliance Registry Criteria, a NERC forwards-led review panel will be convened in accordance with Appendix 5A, Organization Registration and Organization Certification Manual, Section III.D.
  - ~~a-b.~~ Within five business Days of a Registration determination by NERC or the NERC-led review panel, as applicable, NERC will forward the proposed additions or changes to the NCR to the Regional Entity for review and ~~comments~~comment.
  - ~~b-c.~~ The Regional Entity has ~~5-working~~five business Days to respond to the proposed changes.

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<sup>1</sup> If NERC has established clearly defined criteria for eligibility for a sub-set list of applicable Reliability Standards and has identified the sub-set list that may apply to similarly situated entities, such criteria shall govern the applicability of such sub-set list and such a matter shall not proceed to the NERC-led review panel, unless there is a dispute by the entity whose sub-set list treatment is at issue. (See, e.g., UFLS-Only DPs.)

- e.d. If NERC does not receive any comments, the NCR will be revised. If NERC does receive comments, NERC will work with the Regional Entity to the extent changes are needed to the NCR and will revise the NCR accordingly.
10. NERC updates the NCR and notifies the applicable Registered Entity(ies) within five business Days of the update.
  11. The Registered Entity may appeal the final registration determination by NERC in accordance with the Rules of Procedure ROP Section 500 and Section V of **Appendix 5A**.
  12. The NCR shall be dynamic and will be revised as necessary to take account of changing circumstances such as corrections, revisions, and or deletions. Per the Regional Entity's delegation agreement, the Regional Entity will take any recommendation received under Section 1.a, and other applicable information, under advisement as it determines whether an entity should be on the NCR.
    - a. Each Registered Entity identified in the NCR shall notify its corresponding Regional Entity and/or NERC of any corrections, revisions, deletions, changes in ownership, corporate structure, or similar matters that affect the Registered Entity's responsibilities with respect to the Reliability Standards. Failure to notify will not relieve the Registered Entity from any responsibility to comply with the Reliability Standards or shield it from any Penalties or sanctions associated with failing to comply with the Reliability Standards. (~~Rules of Procedure~~ ROP Section 400).
    - b. Each Regional Entity has an independent obligation, even in the absence of a notification by a Registered Entity, to review and submit updates to the NCR to NERC, consistent with the procedures in this Section III, with appropriate notification to the affected entities, to the extent the Regional Entity is aware of, or possesses information that the NCR should be updated. These updates include, but are not limited to, conditions on which the sub-set list are no longer applicable, or where a new and emerging risk to reliability is identified that changes the basis upon which the entity was deactivated, deregistered, or upon which a sub-set list of requirements was made applicable, in addition to deactivation<sup>2</sup> of entities that no longer meet the applicable registration thresholds. This does not excuse the Registered Entity from its obligation to provide such required notifications.
  13. Entities registered or subject to registration as a DP that qualify as Underfrequency Load Shedding (UFLS)-Only DPs shall submit Registration information to the Regional Entity. The UFLS-Only DP shall be subject only to the sub-set list of Reliability Standards identified in **Appendix 5B**. Within 50 Days of the entity's submission of the Registration information to the Regional Entity, the Regional Entity shall issue a decision as to whether UFLS-Only DP treatment is appropriate. If the Regional Entity concludes that it is, then the Regional Entity shall forward the information to NERC and NERC will forward the proposed additions or changes to the NCR to the Regional Entity for review and comment. The Regional Entity has five business Days to respond to the proposed changes. If NERC does not receive any comments, the NCR will be revised. If NERC receives comments, NERC will work with the Regional Entity to the extent changes are needed to the NCR and will revise the NCR accordingly. NERC updates the NCR and notifies the applicable Registered Entity(ies) within five business Days of the update. If the entity whose registration is at issue does not agree with the Regional Entity's decision regarding UFLS-Only DP treatment, the entity may, within 30 Days of issuance of the decision, seek review by the NERC-led review panel in **Appendix 5A, Organization Registration and Organization Certification Manual**, Section III.D. If the entity whose registration is at issue does not agree with the determination of the NERC-led review panel,

<sup>2</sup> See Figure 1B: Deactivation Process Overview

the entity may file an appeal with the NERC Board Compliance Committee (BOTCC) in accordance with the provisions set forth in Section V of this **Appendix 5A**.

14. The Registered Entity may file a registration appeal with the NERC BOTCC in accordance with the provisions set forth in Section V of **Appendix 5A** if it does not agree with the determination of the NERC-led review panel.
15. NERC may extend the timelines for good cause shown. Requests should be sent to the Director of Compliance.<sup>3</sup> NERC shall notify the Registered Entity and the Regional Entity of such time extensions.

## **B. Deactivation Process**

1. The term Deactivation refers to removal of an entity from the NCR for a specific functional category.
2. As a result of Deactivation, the entity is no longer subject to any prospective compliance obligations with respect to Reliability Standards applicable to that functional category.
3. If all functional categories have been deactivated for a given entity, such entity would be deregistered and removed from the NCR. However, the entity's compliance history will be retained. In its letter notifying the entity of its Deactivation or deregistration, as applicable, NERC will notify the entity of the required retention period, in accordance with the NERC ROP.
4. A Registered Entity may submit a request for Deactivation and supporting information to the Regional Entity at any time. Such information shall include:
  - a. Entity name and NCR ID number;
  - b. Functions for which Deactivation is requested; and
  - c. The basis on which Deactivation is requested, including supporting documentation, which may be limited to an attestation, if appropriate.
5. The Regional Entity shall request any additional information from the Registered Entity within 10 Days of receipt of the request for Deactivation.
6. The Registered Entity shall provide the additional information within 20 Days of its request for Deactivation.
7. The Regional Entity will issue a decision within 50 Days of the date of receipt of all requested information from the Registered Entity.
8. If the Regional Entity agrees with the request for Deactivation, it shall forward its Deactivation determination to NERC within five business Days of issuance of the decision.
9. If NERC accepts the Deactivation determination and the Registered Entity agrees with the determination, NERC will forward within five business Days of receipt of the Deactivation determination from the Regional Entity, the proposed additions or changes to the NCR to the Regional Entity for review and comment.
  - a. The Regional Entity has five business Days to respond to the proposed changes.
  - b. If NERC does not receive any comments, the NCR will be revised. If NERC receives comments, NERC will work with the Regional Entity to the extent changes are needed to the NCR and will revise the NCR accordingly.

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<sup>3</sup> References to the term Director of Compliance in the NERC ROP should be read to include an equivalent position.

10. If the Regional Entity or NERC does not agree with the request for Deactivation, the Registered Entity may seek review by the NERC-led review panel in **Appendix 5A, Organization Registration and Organization Certification Manual, Section III.D.**
11. If the Deactivation determination involves (i) the materiality test set forth in the notes in **Appendix 5B, Statement of Compliance Registry Criteria**; (ii) a determination that a sub-set list of Reliability Standards (which will specify Reliability Standards and may specify Requirements/sub-Requirements) should apply as an alternative to Deactivation;<sup>4</sup> or (iii) the Registered Entity disagrees with the Regional Entity determination, the determination will be submitted to the NERC-led review panel process in **Appendix 5A, Organization Registration and Organization Certification Manual, Section III.D** within 30 Days after issuance of the determination.
12. If the NERC-led review panel approves the request for Deactivation, NERC will forward within five business Days of the panel decision, the proposed additions or changes to the NCR to the Regional Entity for review and comment.
  - a. The Regional Entity has five business Days to respond to the proposed changes.
  - b. If NERC does not receive any comments, the NCR will be revised. If NERC receives comments, NERC will work with the Regional Entity to the extent changes are needed to the NCR and will revise the NCR accordingly.
13. The Registered Entity may file a registration appeal with the NERC BOTCC in accordance with the provisions set forth in Section V of **Appendix 5A** if it does not agree with the determination of the NERC-led review panel.
14. NERC may extend the timelines for good cause shown. Requests should be sent to the Director of Compliance. NERC shall notify the Registered Entity and the Regional Entity of such time extensions.

### **C. Reactivation Process**

1. NERC maintains the NCR, which identifies each Registered Entity and the applicable functional categories for which it is registered.
2. The term Reactivation refers to re-registration pursuant to the NERC ROP Section 500 and **Appendices 5A and 5B** of an entity to the NCR for a specific functional category or the revocation of, or additions to, a sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements) that has been granted to an entity. Reactivation may be initiated by NERC, a Regional Entity or an entity with respect to such entity's own functional categories or sub-set list of Reliability Standards (which specifies Reliability Standards and may specify Requirements/sub-Requirements).
3. Reactivation shall be governed by the procedures in the NERC ROP Section 500 and Section III.A and, as applicable, Section III.D of this **Appendix 5A.**
4. As a result of Reactivation, and consistent with the implementation plan to be developed pursuant to this paragraph, the entity shall prospectively comply with all Reliability Standards applicable to that functional category, or with the sub-set list specified in the Reactivation determination, unless otherwise notified. Within 30 days of a final Reactivation determination, the entity shall

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<sup>4</sup> If NERC has established clearly defined criteria for eligibility for a sub-set list of applicable Reliability Standards and has identified the sub-set list that may apply to similarly situated entities, such criteria shall govern the applicability of such sub-set list and such a matter shall not proceed to the NERC-led review panel, unless there is a dispute by the entity whose sub-set list treatment is at issue. (See, e.g., UFLS-Only DPs.)

submit a proposed implementation plan to the Regional Entity detailing the schedule for complying with any Reliability Standards applicable to the Reactivation. The Regional Entity and Registered Entity shall confer to agree upon such schedule. If the Regional Entity and Registered Entity are unable to agree on the implementation plan, the Regional Entity shall notify the NERC Director of Compliance of the disagreement, and shall provide statements of the Regional Entity's and the Registered Entity's positions, and NERC shall specify a reasonable implementation schedule.

5. The entity's prior compliance history will be retained and shall apply with respect to the Reactivation. In its letter notifying the entity of its Reactivation, NERC will notify the entity of its registration in accordance with the NERC ROP.
6. The Registered Entity may file a registration appeal with the NERC BOTCC in accordance with the provisions set forth in Section V of **Appendix 5A** if it does not agree with the determination of the NERC-led review panel.
7. NERC may extend the timelines for good cause shown. Requests should be sent to the Director of Compliance. NERC shall notify the Registered Entity and the Regional Entity of such time extensions.

#### **D. NERC-led Review Panel**

1. NERC shall establish a NERC-led, centralized review panel, comprised of a NERC lead with Regional Entity participants, to vet requests for Deactivation of, or decisions not to register, an entity that meets Sections I through IV of the Registry Criteria or requests to add an entity that does not meet (i.e., falls below) Sections I through IV of the Registry Criteria, as well as disputes regarding the application of Sections I through IV of the Registration Criteria and requests for a sub-set list of applicable Reliability Standards (which may specify the Requirements/sub-Requirements).
  - a. The NERC-led review panel will be comprised of a standing pool of individuals with relevant expertise from NERC and each of the Regional Entities. Individuals with relevant expertise shall be appointed by the Regional Entity senior executive (CEO, President, General Manager, etc.) and individuals with relevant expertise shall be appointed by the NERC senior executive (CEO, President, General Manager, etc.). NERC shall select the panel members for a given matter from the standing pool.
  - b. Panel members for a given matter shall comply with Subsection 7 of Section 403 of the NERC ROP, shall not be employed by the Regional Entity whose determination is being reviewed or have otherwise participated in the review of the registration matter, and shall have the required technical background to evaluate registration matters.
2. With respect to review of the application of the criteria contained in the Statement of Compliance Registry Criteria Sections I through IV, the burden of proof is on NERC and the Regional Entity to demonstrate that an entity meets the Registry Criteria for registration.
3. The burden of proof with respect to the materiality test, set forth in **Appendix 5B**, *Statement of Compliance Registry Criteria*, is on the entity making the request, i.e., the entity asking to be excluded from the NCR (despite satisfying the threshold criteria)<sup>5</sup> and the Regional Entity seeking to include an entity in the NCR (that does not satisfy the threshold criteria).

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<sup>5</sup> By way of example, the Registered Entity whose Deactivation request was denied by the Regional Entity bears the burden of proof (i.e., on materiality) and both requests panel review and makes the submissions required, under 6(a) and (c), unless the issue involves the Regional Entity's application of the threshold



4. The burden of proof with respect to a determination as to whether an entity's compliance obligations should be limited to only a specified sub-set of otherwise applicable Reliability Standards is on the entity requesting such treatment, provided, however, that where NERC has established clearly defined criteria for eligibility for a sub-set of applicable Reliability Standards (which may specify Requirements/sub-Requirements) and has identified the sub-set list that may apply to similarly situated entities (e.g., UFLS-Only DPs), the burden of proof to demonstrate that an entity does not meet the criteria for such a sub-set list is on the Regional Entity and NERC.
5. The entity who bears the burden of proof with respect to application of the materiality test, or a sub-set list of applicable Reliability Standards (which may specify Requirements/sub-Requirements) must submit to NERC, in writing, details of the issues and identification of the Responding Entity,<sup>6</sup> and the applicable Regional Entity(ies), RC, BA, PA and TOP that have (or will have upon registration of the entity) the entity whose registration status is at issue within their respective Scope of Responsibility. NERC will send a notification to the Regional Entity(ies), the entity whose registration status or sub-set list treatment is at issue, and the referenced RC, BA, PA and TOP acknowledging receipt of the notification of panel review.
  - a. To ensure there is no confusion with respect to the rights and responsibilities of a Registered Entity during the panel review process, the notification will confirm whether the Registered Entity will remain on the NCR and will be responsible for compliance with approved Reliability Standards applicable to the function under review.
6. The panel review process timelines with respect to application of the materiality test, or sub-set list treatment of applicable Reliability Standards (which may specify Requirements/sub-Requirements) are as follows:
  - a. Within 10 Days of the date of the NERC-led review panel notification, the entity with the burden of proof will provide any additional data supporting its request to NERC (who will forward to the NERC-led review panel), the Responding Entity, the applicable Regional Entity(ies), and the RC, BA, PA and TOP that has (or will have upon registration of the entity) the entity whose registration status at issue within their respective Scope of Responsibility.
  - b. The Responding Entity will provide a copy of its assessment directly to all parties, as well as to NERC, within 20 Days of the date of the NERC panel review notification. If the RC, BA, PA and TOP provide an assessment, they must provide a copy to all parties, as well as NERC, within 20 Days of the date of the NERC panel review notification.
  - c. The entity with the burden of proof may submit a response to the Responding Entity assessment, and any assessment submitted by the RC, BA, PA and TOP, with copies to all parties and NERC, within 30 Days of the date of the NERC panel review notification.
  - d. The standard of proof in any proceeding under these procedures shall be by a preponderance of the evidence.
  - e. The NERC-led review panel will render its decision within 60 Days of the final submission to the panel.

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criteria. If the issue involves the Regional Entity's application of the threshold criteria, then the Regional Entity bears the burden of proof and makes the submissions required by sections 6(a) and (c), although it is the Registered Entity who makes the request for panel review.

<sup>6</sup> By way of example, if a Registered Entity is seeking to be deactivated based on the materiality test and therefore bears the burden of proof, then the Responding Entity is the Regional Entity. If a Regional Entity bears the burden of proof in a materiality test case, then the entity whose registration status is at issue is the Responding Entity.

7. With respect to threshold disputes regarding application of Sections I through IV of **Appendix 5B, Statement of Compliance Registry Criteria**, the entity whose registration status is at issue must submit to NERC, in writing, details of the issues and identification of the applicable Regional Entity(ies), RC, BA, PA and TOP that have (or will have upon registration of the entity) the entity whose registration status is at issue within their respective Scope of Responsibility, NERC will send a notification to the Regional Entity(ies), the entity whose registration status is at issue, and the referenced RC, BA, PA and TOP acknowledging receipt of the notification of panel review.
  - a. To ensure there is no confusion with respect to the rights and responsibilities of a Registered Entity during the panel review process, the notification will confirm whether the Registered Entity will remain on the NCR and will be responsible for compliance with approved Reliability Standards applicable to the function under review.
8. The panel review process timelines for threshold disputes regarding application off Sections I through IV of **Appendix 5B, Statement of Compliance Registry Criteria** are as follows:
  - a. The entity whose registration status is at issue will provide NERC (who will forward to the NERC-led review panel), the applicable Regional Entity(ies), and the RC, BA, PA and TOP that has (or will have upon registration of the entity) the entity whose registration status at issue within their respective Scope of Responsibility, any additional data supporting its request within 10 Days of the date of the NERC panel review notification. In such a case, the Regional Entity has the burden of proof on application of the threshold criteria.
  - b. The Regional Entity will provide a copy of its assessment directly to all parties, as well as to NERC, within 20 Days of the date of the NERC panel review notification. If the RC, BA, PA and TOP provide an assessment, they must provide a copy to all parties, as well as NERC, within 20 Days of the date of the NERC panel review notification.
  - c. The entity whose registration status is at issue may submit a response to the Regional Entity assessment, and any assessment submitted by the RC, BA, PA and TOP, with copies to all parties and NERC, within 30 Days of the date of the NERC panel review notification.
  - d. The standard of proof in any proceeding under these procedures shall be by a preponderance of the evidence.
  - e. The NERC-led review panel will render its decision within 60 Days of the final submission to the panel.
9. In reaching a decision, the NERC-led review panel will apply the materiality test and other criteria and notes, as applicable, set forth in **Appendix 5B, Statement of Compliance Registry Criteria**. The NERC-led review panel may also include a review of individual and aggregate system-wide risks to, and considerations of, reliability of the BPS, as well as the BES Definition, as applicable.
10. NERC may extend the timelines for good cause shown. Requests should be sent to the Director of Compliance. NERC shall notify the entity whose registration status or sub-set list treatment is at issue and the Regional Entity of such time extensions, as well as the RC, BA, PA and TOP, of such time extensions.
11. Once a decision is made, it will be issued to the entity whose registration status or sub-set list treatment is at issue, the Regional Entity and the referenced RC, BA, PA and TOP. The decision (including its basis) will be posted on the NERC website, with confidential information redacted in accordance with Section 1500 of the NERC ROP.
12. NERC will forward within five business Days the proposed additions or changes to the NCR to the Regional Entity for review and comment.
  - a. The Regional Entity has 5 business Days to respond to the proposed changes.



b. If NERC does not receive any comments, the NCR will be revised. If NERC receives comments, NERC will work with the Regional Entity to the extent changes are needed to the NCR and will revise the NCR accordingly.

13. The BOTCC will resolve appeals of registration disputes in accordance with NERC ROP Section 500 and **Appendix 5A**, *Organization Registration and Organization Certification Manual*, Section V.

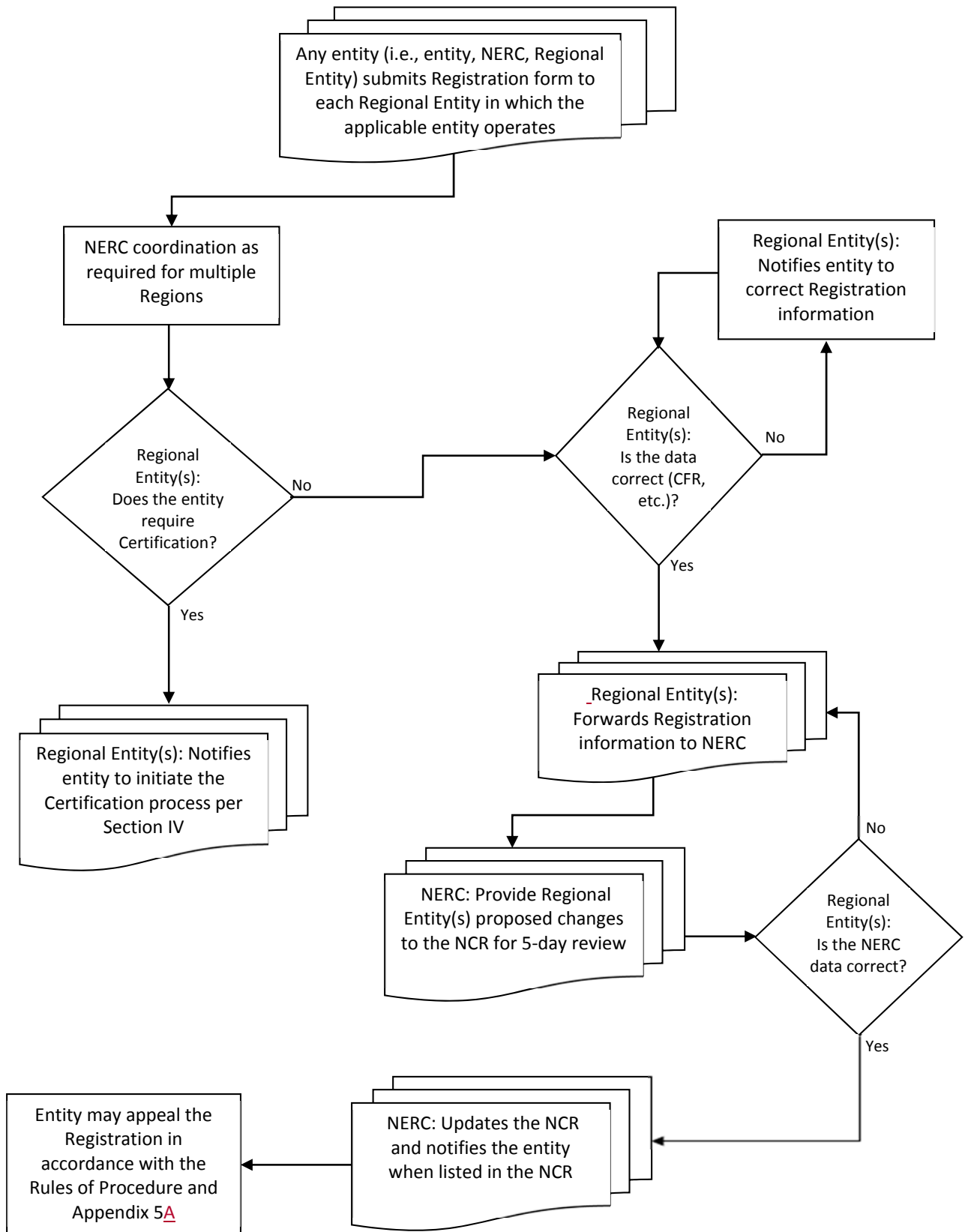
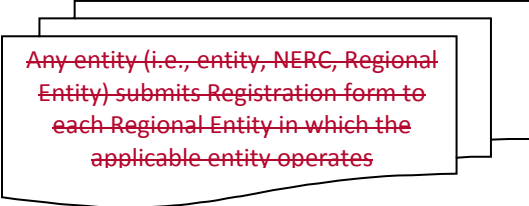
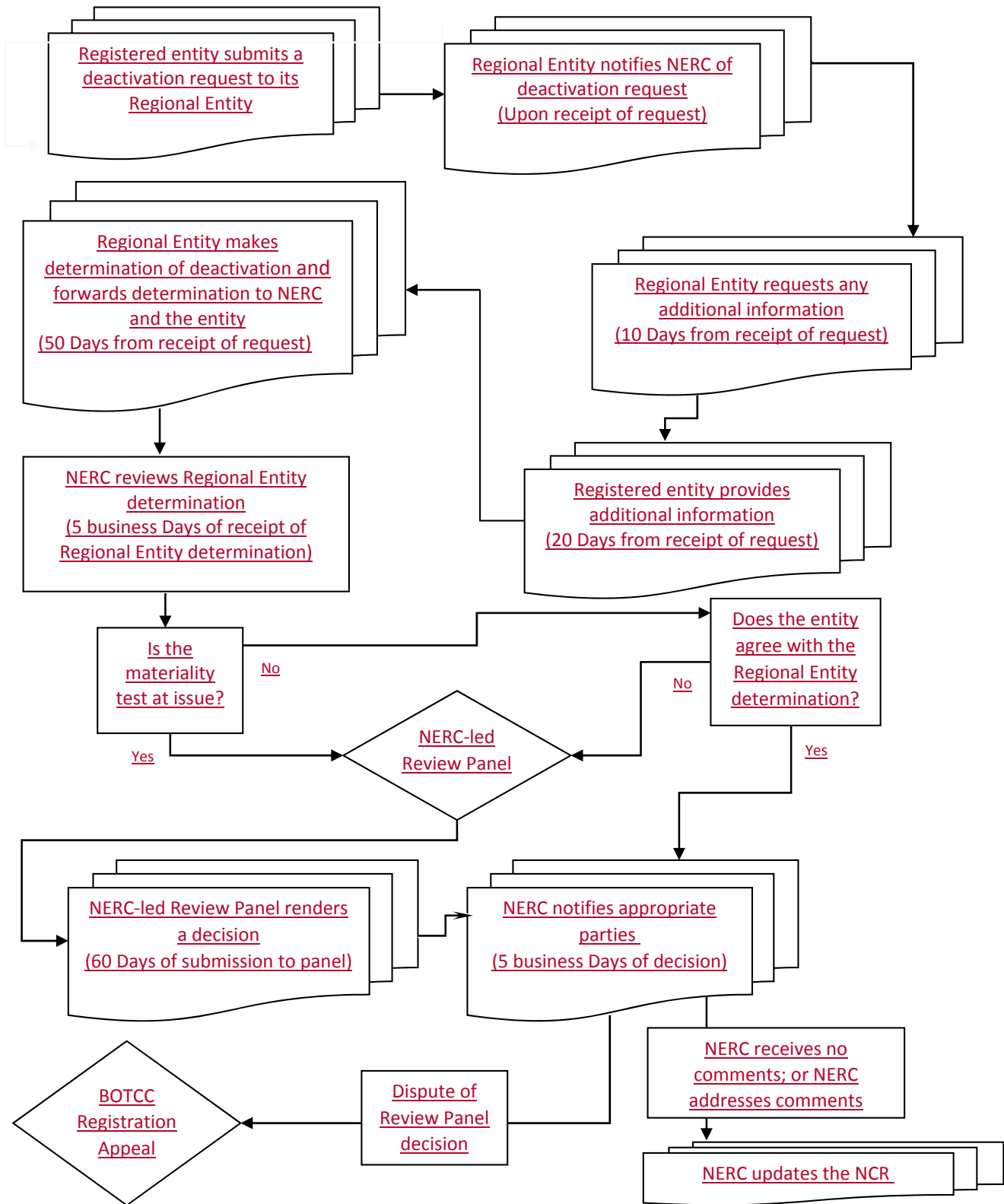


Figure 1:A: Organization Registration Process Overview



Any entity (i.e., entity, NERC, Regional Entity) submits Registration form to each Regional Entity in which the applicable entity operates



**Figure 1B: Deactivation Process Overview**

## Section IV — Organization Certification Process

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### Purpose and Scope

The purpose and scope of this process is to provide guidance for completing the Certification of a new entity that will become NERC certified and registered as an RC, TOP, or BA.

### Overview

See Figure 2 *Organization Certification Process Overview* for an overview of the Certification process.

### Organization Certification Process

1. Certification:
  - a. An entity in a single Regional Entity reliability Region shall initiate the Certification process by completing a Certification application (Certification applications are provided on each Regional Entity's website) and sending it to the Regional Entity which will manage the Certification process.
  - b. An entity in multiple Regional Entity reliability Regions shall initiate the Certification process by completing a Certification application (Certification applications are provided on each Regional Entity's website) and sending it to the Regional Entities in those reliability Regions. Each Regional Entity will inform NERC of the request. The Regional Entities will determine which Regional Entity will provide the leadership to manage the Certification process.
  - c. Provisional Certification Process - All ~~Reliability Coordinators, Balancing Authorities~~ RCs, BAs, and/or ~~Transmission Operators~~ TOPs that were already registered and operating on June 18, 2007 become "NERC Certified" upon completion of (1) a NERC readiness evaluation (on site activities completed by the evaluation team); and (2) a CMEP Compliance Audit (on site activities completed by the Compliance Audit team) after June 18, 2007. Recertification on a periodic basis of these Registered Entities will not be required. Demonstration of ongoing satisfactory performance of applicable RC, BA, and TOP functional Requirements shall be accomplished by completion of a CMEP Compliance Audit every three years per the requirements of the NERC ~~Rules of Procedure~~ ROP.
2. For an entity that is not required to be certified, the Regional Entity(ies) shall reject the application and notify the entity that Certification is not required.
3. If the application is not complete or accurate, the Regional Entity will notify the entity to revise the application as needed. When the application is deemed complete and accurate, it will be accepted. The entity and the Regional Entity shall agree to a timeline including specific milestones for the Certification process.
4. The decision to certify changes to an already operating and certified Registered Entity is a collaborative decision between the affected Regional Entity(s) and NERC. NERC has the final authority regarding this decision. Items to consider for this decision include one or more of the following:
  - a. Changes to a Registered Entity's Footprint or operational challenges (i.e., TLRs) due to the changes
  - b. Organizational restructuring that could impact the ~~Bulk Power System~~ BPS reliability
  - c. Relocation of the control center
  - d. Changes to Registered Entity ownership requiring major operating procedure changes

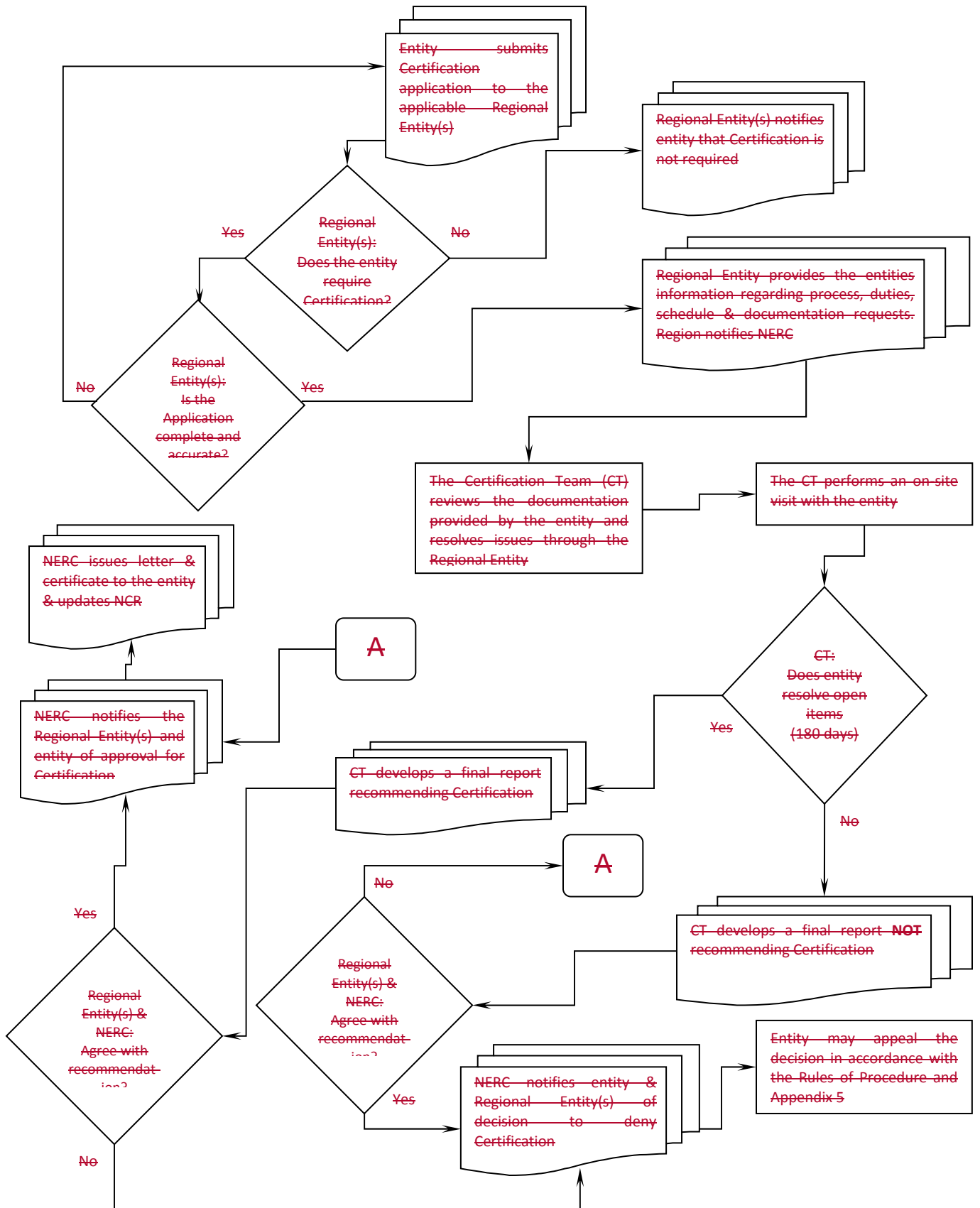
- e. Significant changes to JRO~~/~~CFR assignments or agreements changes
  - f. Addition or removal of member JRO~~/~~CFR utilities or entities
  - g. Complete replacement of a Supervisory, Control and Data Acquisition (SCADA~~/~~) / Energy Management System (EMS) system
5. The Certification process shall be completed within nine months of the date of acceptance of the application unless agreed to by all parties involved in the process and approved by NERC.
  6. The Regional Entity(ies) shall notify NERC that the Certification process has begun to enable NERC to carry out its roles and responsibilities.
  7. The Regional Entity will send a questionnaire with a submission deadline and a statement of expectations to all entities participating in the Certification process. These questionnaires and other related documents are located on the NERC website. The Regional Entity shall distribute questionnaires and other related documents to the following entities, as required:
    - a. Entity seeking Certification.
    - b. Participating BAs, RCs, and TOPs in Footprints in which the entity intends to operate or with which the entity intends to interconnect transmission Facilities.
    - c. Participating TOs, TSPs, PAs, GOs, ~~IAs~~, GOPs, TPs, DPs, and/or other applicable entities.
  8. The Regional Entity shall assemble a ~~Certification Team (CT)~~ that will be responsible for performing the activities included in the Certification process.
    - a. The CT members shall adhere to NERC's confidentiality agreements for any data or information made available to the CT member through the Certification process. Team members shall not be employees of or have a direct financial interest in the entity or any of its affiliates.
    - b. The Regional Entity, with concurrence of NERC, may increase or decrease the distribution of the questionnaires and other related documents based upon the complexity of the Certification.
    - c. If the entity objects to any member of the CT, the entity must make that known, in writing, to the Regional Entity listing the reasons for the objection. The Regional Entity will either replace the team member or respond with written justification for keeping the member on the team.
    - d. CT composition
      - i. The BA CT shall consist of representatives from an existing BA, the entity's proposed RC, TOP, each affected Regional Entity, and NERC.
      - ii. The RC CT shall consist of representatives from an existing RC, a BA and a TOP in the proposed RC Area, each affected Regional Entity, and NERC.
      - iii. The TOP CT shall consist of representatives from an existing TOP, the entity's proposed RC, each affected Regional Entity, and NERC.
      - iv. Additional CT members with expertise in the any of the NERC Compliance Registry functional areas can be added as necessary.
      - v. Additional CT members from NERC or Regional Entity staff may be added as necessary.
      - vi. Entities such as government representatives or other stakeholders may be observers in the Certification process.
  9. Each CT member must complete the NERC auditor training prior to participation.

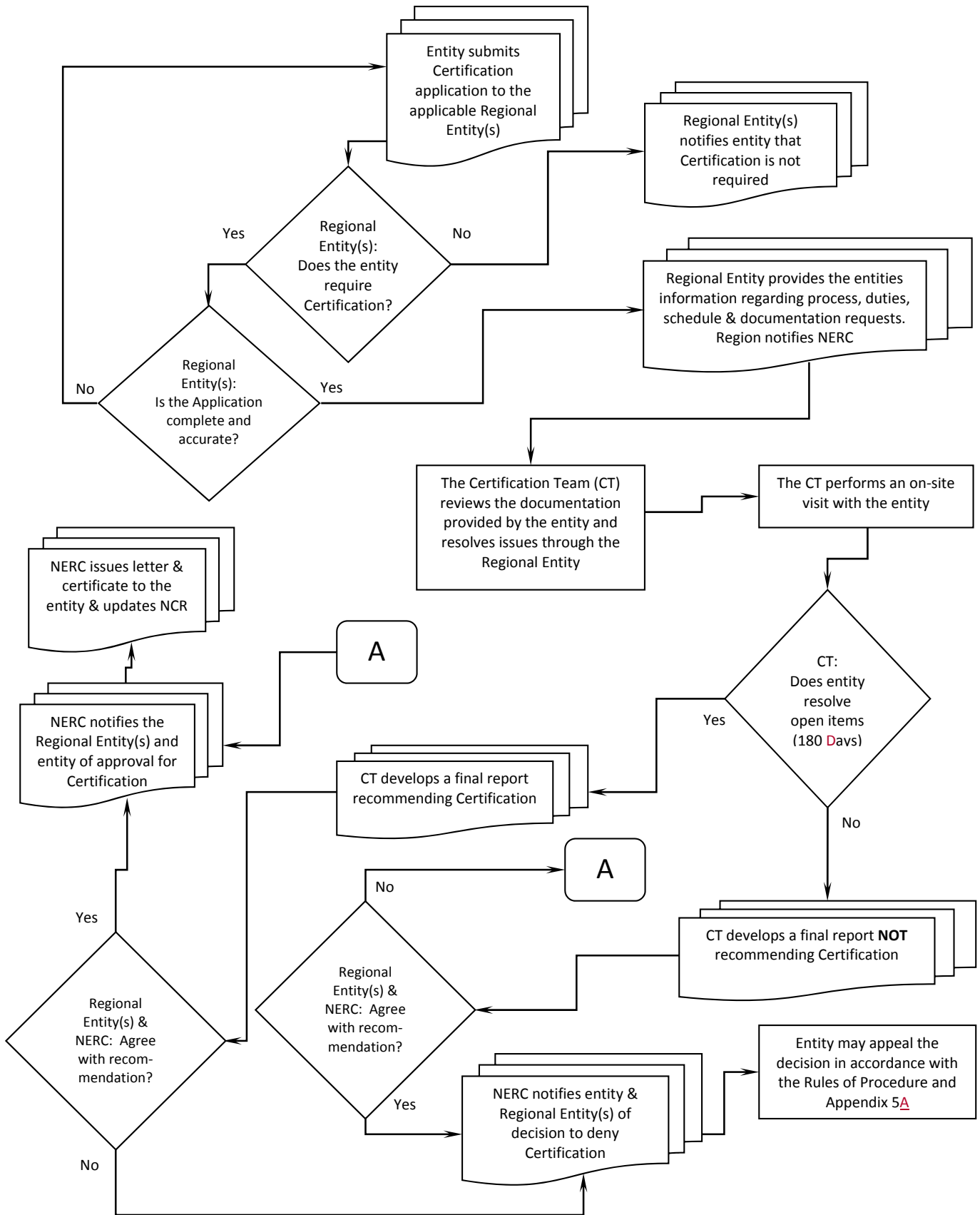
10. The CT will review the entity's submitted documentation and address any issues prior to the site visit.
11. The CT shall inform the entity before the on-site visit of any documentation or clarification that is necessary to support the questionnaires.
12. The entity shall identify to the CT prior to the on-site visit all Reliability Standards or Requirements/sub-Requirements which have been delegated to another entity.
  - a. The CT will review the entity(ies) ability to perform those delegated Requirements/sub-Requirements or Reliability Standards.
13. The CT shall conduct at least one on-site visit to the entity's Facilities. At a minimum, the team will:
  - a. Review with the entity the data collected through the questionnaires, and such data that is available only onsite;
  - b. Interview the operations and management personnel;
  - c. Inspect the Facilities and equipment associated with the applicable Reliability Standards referenced in the questionnaire;
  - d. Request demonstration of all tools identified in the Certification process;
  - e. Review documents and data including agreements, processes, and procedures identified in the Certification process;
  - f. Verify operating personnel NERC Certification documents and proposed work schedules; and,
  - g. Review any additional documentation resulting from inquiries arising during the site-visit.
14. The entity, in conjunction with the CT, shall attempt to resolve any deficiencies prior to issuance of the draft report.
15. The draft report is provided to the entity for review for ~~fourteen (14)~~ Days and any resulting comments will be assessed by the CT for possible inclusion in the report.
16. The Regional Entity(ies) may grant a time extension, not to exceed 180 Days, to the entity to allow the entity to resolve any open Certification issues.
17. The CT shall provide a Certification recommendation and identification of audit deficiencies in the final written report. All members of the CT shall have an equal voice in the Certification recommendation. This allows for a minority opinion if the review team cannot reach a consensus. The final written Certification report is distributed to NERC, the entity, and the other affected Regional Entities, as applicable.
18. The following is the format for the final report:
  - Title page
  - Table of Contents
  - Introduction – A brief discussion on the Regional Entity(ies) involved, the entity being certified, a description of the function the entity(ies) are being certified for, and a brief timeline of the Certification project.
  - ~~Certification Team (CT)~~ – Provide the ~~Certification Team~~CT makeup.
  - Objective and Scope – Discussion on entity application (who, what, when, & how).
  - Overall Conclusion – Recommendation being made by the CT.

- ~~Certification Team~~CT Findings – Any item(s) needing to be closed prior to operation that do not hinder the ~~Certification Team~~CT from making a recommendation.
  - Positive Observations.
  - Company History – Discussion on the applicant’s company history.
  - Company Details– Specific details regarding why the entity is being certified and its relationship with other entities (BAs, RCs, and TOPs etc~~-.).~~).
  - Documentation List – Provide a list of critical documentation reviewed by the CT used to make the CT’s conclusion and the documentation retention requirements.
  - Attachments – Describe those attachments that are for public viewing and those that are separated from the report due to confidentiality issues such as Critical Infrastructure documentation.
19. Certification recommendation and approval.
- a. If the entity intends to operate in a single Regional Entity’s reliability Region, the CT shall make a Certification recommendation to that Regional Entity. The Regional Entity shall approve or disapprove the recommendation. The Regional Entity shall notify the entity and NERC of the Certification decision.
  - b. If the entity intends to operate in multiple Regional Entities, the CT shall make a Certification recommendation to all applicable Regional Entities in a single report. Certification recommendation by the Regional Entities must be unanimous. The Regional Entities shall notify the entity and NERC of the Certification decision.
  - c. NERC shall approve or disapprove all final Certification recommendations and notify the entity of the decision.
20. The entity may appeal the decision in accordance with the NERC ~~Rules of Procedure~~ROP and Section VI of this manual.
21. If the entity is approved for Certification, NERC shall provide the entity a Certification letter and a NERC certificate indicating that that entity is NERC certified as a BA, RC, and/or TOP as applicable.
- a. For those CFR entities that agree upon a division of compliance responsibilities for one or more Reliability Standards or Requirements/sub-Requirements, NERC shall provide all entities responsible for BA, RC and/or TOP Requirements/sub-Requirements and approved for Certification as BA, RC and/or TOP a NERC certificate indicating that those entities are NERC certified as a BA, RC, and/or TOP.
  - b. NERC shall update the Compliance Registry prior to the entity(s) going operational.
22. After the entity has been awarded Certification, the Regional Entity(ies) shall notify all applicable entities as to the date that the entity may begin its operation as a certified entity. The entity must commence operation within 12 months of Certification. Failure to begin operation within the 12-month period shall require the entity to reapply for Certification.



**Figure 2: Organization Certification Process Overview**





**Figure 2: Organization Certification Process Overview**

# Section V — NERC Organization Registration Appeals Process

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## Purpose and Scope

This section describes the process that any organization ~~may appeal~~ must use to seek review of its listing and functional assignment on the NCR.

## Overview

NERC has established documented procedures to ensure a fair and impartial appeals process. No one with a direct interest in a dispute may participate in the appeals process except as a party or witness. See Figure 3, *Organization Registration Appeals Process Overview*.

## Organization Registration Appeals Procedure

1. Any Registered Entity included on the NCR may challenge ~~its listing and functional assignments with NERC.~~ final decisions regarding its listing, functional assignments, and determinations regarding the applicability of a sub-set of Reliability Standards (which specifies the specific Reliability Standards and may specify Requirements/sub-Requirements).
- ~~2.~~  
~~1.2.~~ All registration appeals must be filed in writing to NERC, via registered mail. Appeals are sent to:  
Compliance Operations  
3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
Main: (404) 446-2560  
Facsimile: (404) 446-2595
- ~~2.3.~~ Each party in the appeals process shall pay its own expenses for each step in the process.
- ~~3.4.~~ A stipulation of invoking the appeals process is that the Regional Entity or Registered Entity requesting the appeal agrees that NERC (its Members, Board ~~of Trustees~~, committees, subcommittees, and staff), any person assisting in the appeals process, and any company employing a person assisting in the appeals process, shall not be liable for, and shall be held harmless against the consequences of or any action or inaction or of any agreement reached in resolution of the dispute or any failure to reach agreement as a result of the appeals proceeding. This “hold harmless” clause does not extend to matters constituting gross negligence, intentional misconduct, or a breach of confidentiality.
- ~~4.5.~~ Parties retain the right to seek further review of a decision in whatever regulatory agency or court that may have jurisdiction.
- ~~5.6.~~ All appeals must be received within 21 Days of receipt of the NERC ~~letter informing the entity determination that it is listed on the NCR being appealed.~~ The appeal must state why the Registered Entity believes it should not be registered or should be deactivated based on the NERC ~~Rules of Procedure~~ ROP and the *NERC Statement of Compliance Registry Criteria* or why its compliance obligations should be limited only to a sub-set list of otherwise applicable Reliability Standards (which specifies the Reliability Standards and may specify Requirements/sub-Requirements). A copy of the appeal must be concurrently served on the Regional Entity.

~~6.7.~~ After receipt of the appeal, the Registered Entity has a 30 day period to work with the Regional Entity to resolve the appeal, if possible. If the appeal is resolved, the Regional Entity will notify NERC with the details of the resolution and NERC will close the appeal.

~~7.8.~~ At any time through this appeals process, a Registered Entity may agree with the decision and/or agree to close the appeal. NERC shall notify the involved parties and the NERC ~~Board of Trustees Compliance Committee~~ (BOTCC) that the appeal is resolved and update the NCR as applicable.

~~8.9.~~ NERC will notify the Registered Entity and the applicable Regional Entity(ies) regarding the appeal with the following expectations:

- a. The Registered Entity will provide NERC and the applicable Regional Entity(ies) any additional data supporting its appeal within 10 Days of the date of the NERC appeal notification.
- b. The applicable Regional Entity(ies) will provide a copy of its assessment directly to the Registered Entity, as well as to NERC, within 20 Days of the date of the NERC appeal notification.
- c. The Registered Entity may submit a response to the Regional Entity(ies) assessment, with copies to the Regional Entity(ies) and NERC, within 30 Days of the date of the NERC appeal notification.
- d. To ensure there is no confusion with respect to the rights and responsibilities of the Registered Entity during the appeal process, the notification ~~also confirms~~ will confirm whether the Registered Entity will remain on the NERC Compliance Registry and will be responsible for compliance with approved Reliability Standards applicable to the function under appeal during the appeal.
- e. NERC may extend the timelines for good cause shown. Requests should be sent to the Director of Compliance. NERC shall notify the Registered Entity and the Regional Entity of such time extensions.

~~9.10.~~ Hearing and Ruling by the BOTCC

- a. The BOTCC will resolve Registration disputes.
- b. The BOTCC may request additional data from NERC, the relevant Regional Entity(ies) or the Registered Entity, and prescribe the timeframe for the submitting the requested data.
- c. The BOTCC will provide a written decision regarding any appeals, along with the basis for its decision.
- d. If the BOTCC upholds the appeal, NERC will:
  - Notify the Registered Entity and Regional Entity(ies) that the appeal was granted.
  - Update the NCR.
- e. If the BOTCC does not uphold the appeal, NERC will:
  - Notify the Registered Entity and the Regional Entity(ies) that the appeal was denied.
  - The Registered Entity may appeal to Federal Energy Regulatory Commission (FERC) or another Applicable Governmental Authority within 21 Days of the notification of the decision.
- f. A record of the appeals process shall be maintained by NERC. Confidentiality of the record of the appeal will be based on the NERC ~~Rules of Procedure~~ ROP Section 1500.

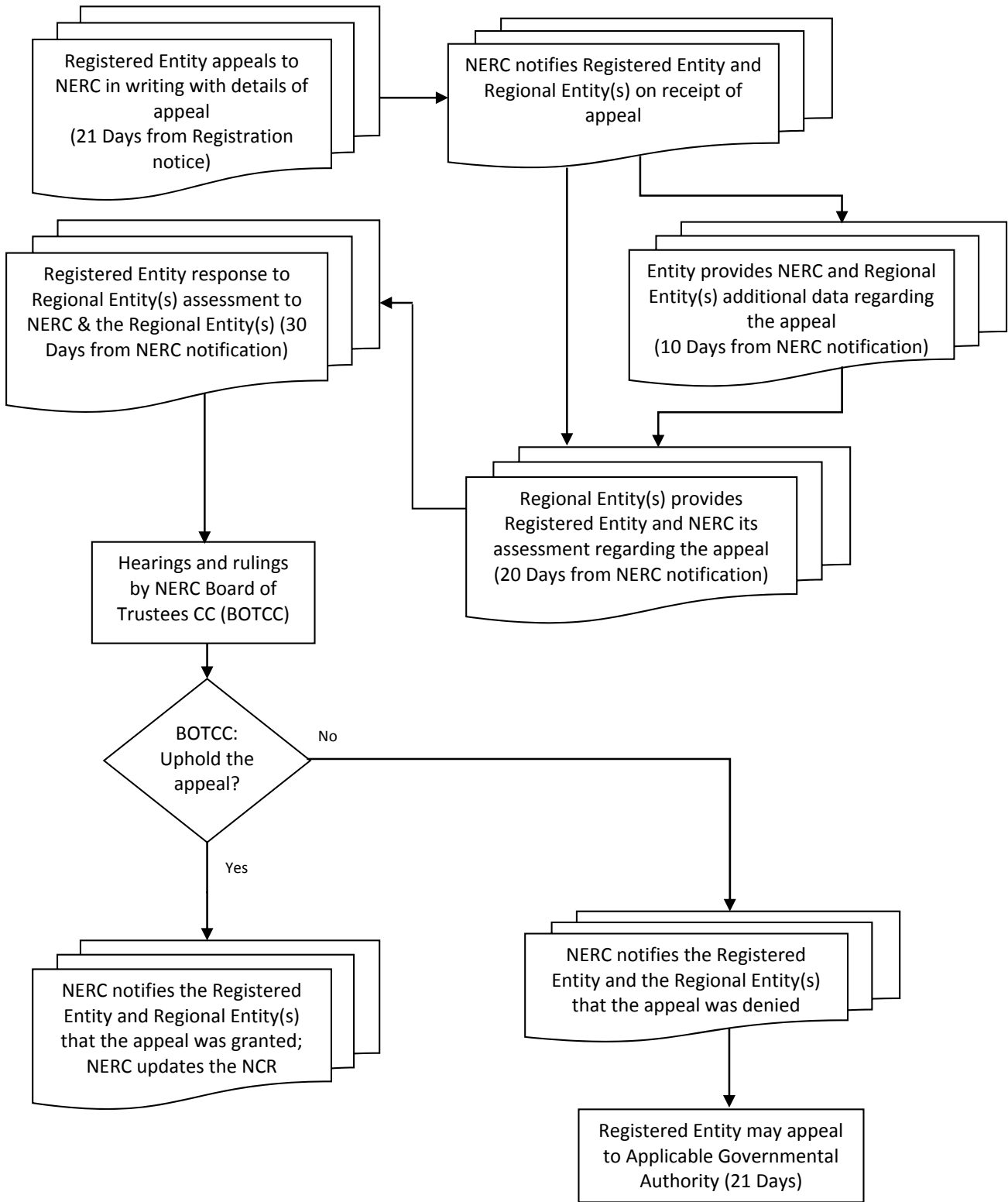
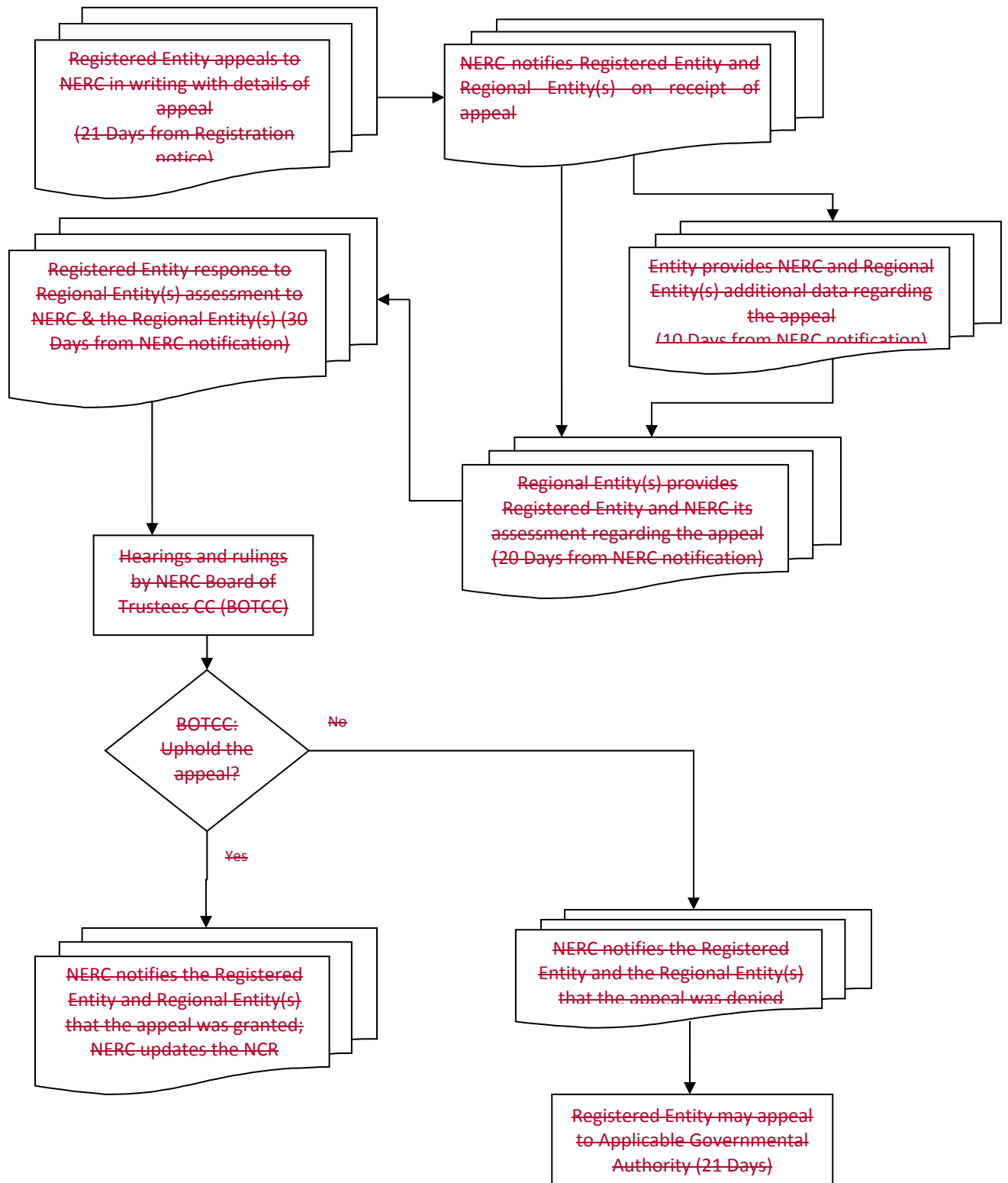


Figure 3: Organization Registration Appeals Process Overview



# Section VI — NERC Organization Certification Appeals Process

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## Purpose and Scope

This section describes the process for an organization to appeal the Certification decision that was determined in the Certification process.

## Overview

The NERC Organization Certification Program provides a key means to fulfill NERC's mission. In conducting this program, NERC has established documented procedures to ensure a fair and impartial appeals process. No one with a direct interest in a dispute may participate in the appeals process except as a party or witness. See Figure 4 *Organization Certification Appeals Process Overview*.

## Organization Certification Appeals Procedure

1. Appeal for an Organization Certification Finding.
2. Any entity can appeal an organization Certification decision issued as a result of the Certification process.
- 2.3. Requirements and Conditions for Appeals.
  - a. For all appeals under the NERC Organization Certification Program, the appeals process begins when an entity notifies the NERC Vice President and Director of Compliance, in writing, that it wishes to use the NERC appeals process.
    - The Director of Compliance is the main contact for all parties in all steps of the appeals process.
    - If an appeal is not filed within ~~twenty one (21)~~ Days of the date that the Certification report or finding is issued, or the final Regional Entity appeals process ruling is made, the finding shall be considered final and un-appealable.
  - b. Each party in the appeals process shall pay its own expenses for each step in the process.
  - c. A stipulation of invoking the appeals process is that the Regional Entity or entity requesting the appeal agrees that NERC (its Members, Board ~~of Trustees~~, committees, subcommittees, and staff), any person assisting in the appeals process, and any company employing a person assisting in the appeals process, shall not be liable, and shall be held harmless against the consequences of or any action or inaction or of any agreement reached in resolution of the dispute or any failure to reach agreement as a result of the appeals proceeding. This "hold harmless" clause does not extend to matters constituting gross negligence, intentional misconduct, or a breach of confidentiality.
  - d. Parties retain the right to seek further review of a decision in whatever regulatory agency or court that may have jurisdiction.
- 3.4. At any time through this appeals process, an entity may withdraw its appeal.
- 4.5. Hearing and Ruling by the Compliance and Certification Committee.
  - a. Within ~~twenty eight (28)~~ Days of receiving notice from the NERC Director of Compliance, the CCC will conduct a hearing where all the parties or representatives of the disputing parties will present the issue in question, in accordance with CCC procedure CCCPP-005, *Hearing Procedures for Use in Appeals of Certification Matters*, which is incorporated in **Appendix 4E** of the ~~Rules of Procedure~~ ROP.
  - b. If the appeal is upheld, NERC notifies the entity and Regional Entity(s), updates the NCR, and issues any appropriate letter and certificate to the entity.
  - c. If the appeal is denied, NERC notifies the entity and Regional Entity(s).

**5.6. Hearings and Ruling by the BOTCC.**

- a. The BOTCC will be asked to resolve a dispute related to the NERC Organization Certification Program if any party to the appeal contests the CCC final order.
- b. The BOTCC may request additional data from NERC, Regional Entity(s) or the entity and prescribe the timeframe for the submitting the requested data.
- c. At the next regularly scheduled BOTCC meeting, or at a special meeting if the Board determines it is necessary, the Chairman of the CCC will present a summary of the dispute and the actions taken to the BOTCC.
  - Each party will have an opportunity to state its case.
  - The BOTCC will then rule on the dispute.
- d. If the BOTCC upholds the appeal, NERC will:
  - Notify the entity and the Regional Entity(ies) that the appeal was upheld.
  - Update the NCR.
  - Issue a Certification letter and a certificate to the entity as applicable.
- e. If the BOTCC does not uphold the appeal, NERC will notify the entity and the Regional Entity(ies) that the appeal was denied.
  - The entity may appeal to Applicable Governmental Authorities within 21 Days of the issuance of the decision.
- f. A record of the appeals process shall be maintained by NERC and available upon request. Confidentiality of the record of the appeal will be based on the NERC Rules of Procedure ROP Section 1500.



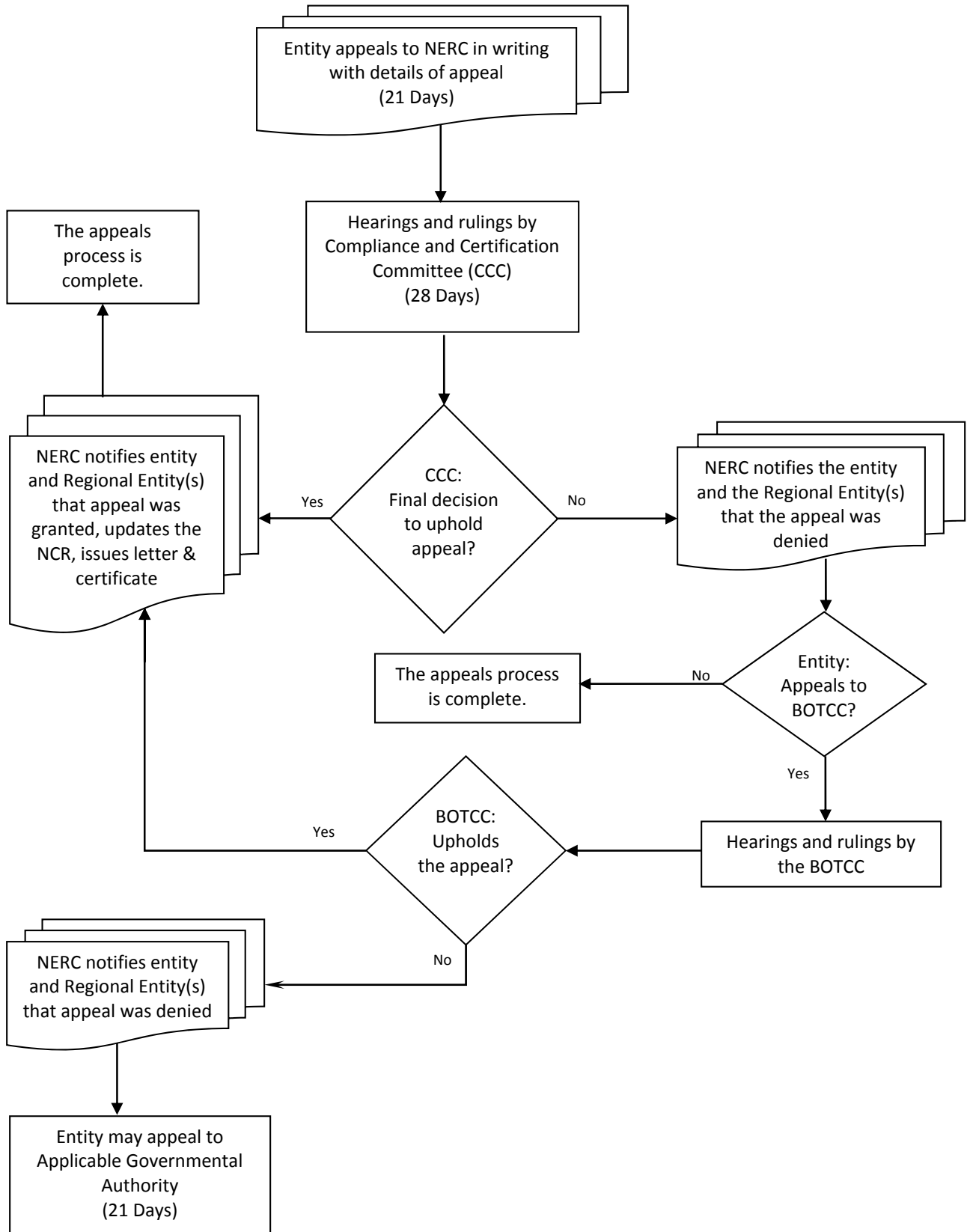
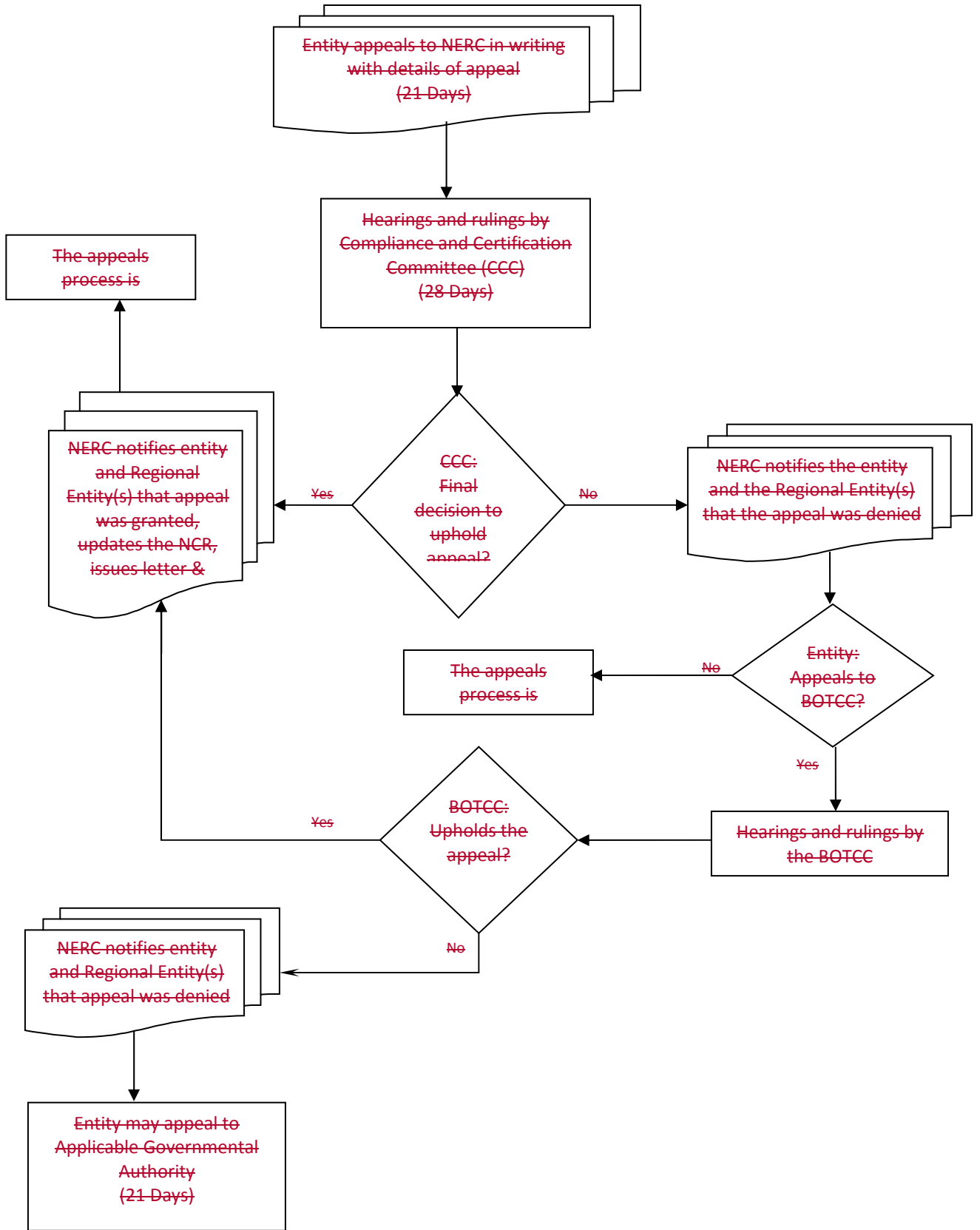


Figure 4: -Organization Certification Appeals Process Overview



## Definitions

Capitalized terms used in this Appendix shall have the definitions set forth in Appendix 2 of the ~~Rules of Procedure~~. For convenience of reference, definitions used in this Appendix are also set forth below:

<b>NERC Organization Certification</b>	The process undertaken by NERC and a Regional Entity to verify that a new entity is capable of responsibilities for tasks associated with a particular function such as a Balancing Authority, Transmission Operator, and/or Reliability Coordinator.
<b>Compliance and Certification Manager</b>	The individual/individuals within the Regional Entity that is/are responsible for monitoring compliance of entities with applicable NERC Reliability Standards.
<b>Days</b>	Days as used in the Registration and Certification processes are defined as calendar days.
<b>Footprint</b>	The geographical or electric area served by an entity.
<b>Functional Entity</b>	An entity responsible for a function that is required to ensure the Reliable Operation of the electric grid as identified in the NERC Reliability Standards.
<b>Mapping</b>	The process of determining whether a Regional Entity's Footprint is being served by Registered Entities.
<b>NERC Identification Number (NERC ID)</b>	A number given to NERC Registered Entities that will be used to identify the entity for certain NERC activities. Corporate entities may have multiple NERC IDs to show different corporate involvement in NERC activities.
<b>Regional Entity</b>	An entity having enforcement authority pursuant to 18 C.F.R. § 39.8.
<b>Registration</b>	Processes undertaken by NERC and Regional Entities to identify which entities are responsible for reliability functions within the Regional Entity's Region.
<b>Coordinated Functional Registration (CFR)</b>	Where two or more entities (parties) agree in writing upon a division of compliance responsibility among the parties for one or more Reliability Standard(s) applicable to a particular function, and/or for one or more Requirement(s)/sub-Requirement(s) within particular Reliability Standard(s).

**NERC**

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RELIABILITY CORPORATION

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## Appendix 5B

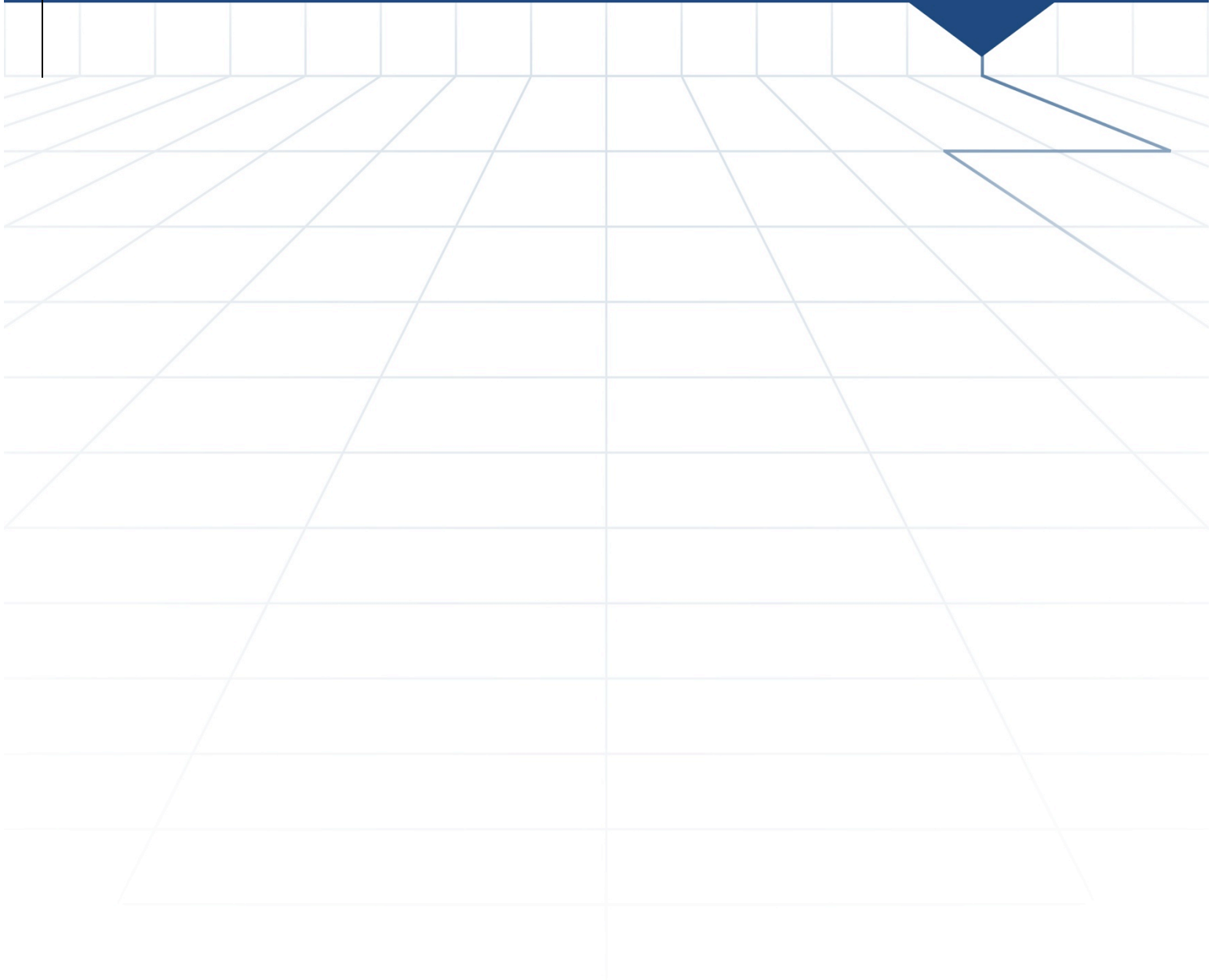
# Statement of Compliance Registry Criteria

Revision 5.~~21~~

Effective: ~~DATE~~ **July 1, 2014**

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION



## Statement of Compliance Registry Criteria (Revision 5.2~~1~~)

### Summary

~~Since becoming the Electric Reliability Organization (ERO), NERC has initiated a program to identify candidate organizations for its Compliance Registry. The program, conducted by NERC and the Regional Entities<sup>1</sup>, will also confirm the functions and information now on file for currently registered organizations. NERC and the Regional Entities have the obligation to identify and register all entities that meet the criteria for inclusion in the Compliance Registry, as further explained in the balance of this document.~~

This document describes how the North American Electric Reliability Corporation (NERC) will identify organizations that may be candidates for Registration and assign them to the Compliance Registry.

NERC and the Regional Entities<sup>2</sup> have the obligation to identify and register all entities that meet the criteria for inclusion in the Compliance Registry, as further explained in the balance of this document.

Organizations will be responsible to register and to comply with approved Reliability Standards to the extent that they are owners, operators, and users of the Bulk Power System (BPS), perform a function listed in the functional types identified in Section II of this document, and are material to the Reliable Operation of the interconnected ~~BPS Bulk Power System~~ as defined by the criteria and notes set forth in this document. NERC will apply the following principles to the Compliance Registry:

- In order to carry out its responsibilities related to enforcement of Reliability Standards, NERC must identify the owners, operators, and users of the ~~BPS Bulk Power System~~ who have a material impact<sup>3</sup> on the ~~BPS Bulk Power System~~ through a Compliance Registry. NERC and the Regional Entities will make their best efforts to identify all owners, users

~~<sup>1</sup> The term "Regional Entities" includes Cross-Border Regional Entities, that have footprints in the U.S., Canada and Mexico, as applicable. Applicable Governmental Authorities in Canadian jurisdictions may have adopted their own Rules of Procedure and Compliance Registry requirements. Registered Entities may be subject to the Compliance Monitoring and Enforcement Programs (CMEP) in their respective jurisdictions, in accordance with applicable laws and regulations.~~

~~<sup>2</sup> The term "Regional Entities" includes Cross-Border Regional Entities, that have footprints in the U.S., Canada and Mexico, as applicable. Applicable Governmental Authorities in Canadian jurisdictions may have adopted their own Rules of Procedure and Compliance Registry requirements. Registered Entities may be subject to the Compliance Monitoring and Enforcement Programs (CMEP) in their respective jurisdictions, in accordance with applicable laws and regulations.~~

~~<sup>3</sup> The criteria for determining whether an entity will be placed on the Compliance Registry are set forth in the balance of this document. At any time a person may recommend in writing, with supporting reasons, to the Director of Compliance (or an equivalent position) that an organization be added to or removed from the Compliance Registry, pursuant to NERC Rules of Procedure Section ROP 501.1.3.5.~~

and operators who have a material ~~reliability~~ impact on the ~~BPS Bulk Power System~~ in order to develop a complete and current Compliance Registry list. The Compliance Registry will be updated as required and maintained on an on-going basis.

- Organizations listed in the Compliance Registry are responsible and will be monitored for compliance with applicable mandatory Reliability Standards. They will be subject to NERC's and the Regional Entities' Compliance Monitoring and Enforcement Programs.
- NERC and Regional Entities will not monitor nor hold those not in the Compliance Registry responsible for compliance with the Reliability Standards. An entity which is not initially placed on the Compliance Registry, but which is identified subsequently as having a material ~~reliability~~ impact, will be added to the Compliance Registry. Such entity will not be subject to a sanction or Penalty by NERC or the Regional Entity for actions or inactions prior to being placed on the Compliance Registry, but may be required to comply with a Remedial Action Directive or Mitigation Plan in order to become compliant with applicable Reliability Standards. After such entity has been placed on the Compliance Registry, it shall be responsible for complying with Reliability Standards and may be subject to sanctions or Penalties as well as any Remedial Action Directives and Mitigation Plans required by the Regional Entities or NERC for future violations, including any failure to follow a Remedial Action Directive or Mitigation Plan to become compliant with Reliability Standards.
- Required compliance by a given organization with the Reliability Standards will begin the later of (i) inclusion of that organization in the Compliance Registry and (ii) approval by the Applicable Governmental Authority of mandatory Reliability Standards applicable to the ~~registered entity~~ Registered Entity.

Entities responsible for funding NERC and the Regional Entities have been identified in the budget documents filed with FERC.<sup>4</sup> Presence on or absence from the Compliance Registry has no bearing on an entity's independent responsibility for funding NERC and the Regional Entities.

### Background

In 2005, NERC and the Regional Entities conducted a voluntary organization registration program limited to Balancing Authorities, Planning Authorities, regional reliability organizations, Reliability Coordinators, Transmission Operators, and Transmission Planners. The list of the entities that were registered constitutes what NERC considered at that time as its Compliance Registry.

NERC ~~has recently~~ initiated a broader program to identify additional organizations potentially eligible to be included in the Compliance Registry and to confirm the information of organizations currently on file, taking into account the following considerations. ~~NERC believes this is a prudent activity at this time because:~~

- As of July 20, 2006, NERC was certified as the Electric Reliability Organization (ERO) created for the U.S. by the Energy Policy Act of 2005 (EPAct) and FERC Order No. 672.

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<sup>4</sup> Budget documents are submitted to Applicable Governmental Authorities in Canada for information.

NERC has ~~received similar recognition by~~ also filed with Canadian authorities ~~for similar recognition~~ in their respective jurisdictions.

- ~~FERC~~ FERC's Order No. 672 directs that owners, operators and users of the BPS in the U.S. Bulk Power System shall be registered with the ERO and the appropriate Regional Entities.
- As the ERO, NERC has filed its current Reliability Standards with FERC and with Canadian authorities. ~~As~~ accepted and approved by FERC and appropriate Canadian authorities, the Reliability Standards are no longer voluntary, and organizations that do not fully comply with them may face Penalties or other sanctions, in accordance with applicable laws, regulations and orders of Applicable Governmental Authorities ~~determined and levied by NERC or the Regional Entities.~~
- NERC's Reliability Standards include compliance Requirements for additional reliability function types beyond the six types registered by earlier registration programs.
- Based on selection as the ERO, ~~the extension and expansion of~~ NERC's Organization ~~current~~ Registration program<sup>5</sup> is the means by which NERC and the Regional Entities ~~will~~ plan, manage and execute Reliability Standard compliance oversight of owners, operators, and users of the BPS Bulk Power System.
- Organizations listed in the Compliance Registry are subject to NERC's and the Regional Entities' Compliance Monitoring and Enforcement Programs.

### Statement of Issue

As the ERO, NERC intends to comprehensively and thoroughly protect the reliability of the grid. To support this goal NERC will include in its Compliance Registry each entity that NERC concludes can materially impact the reliability of the Bulk Power System BPS. ~~However, the potential costs and effort of ensuring that every organization potentially within the scope of "owner, operator, and user of the Bulk Power System" becomes registered while ignoring their impact upon reliability, would be disproportionate to the improvement in reliability that would reasonably be anticipated from doing so.~~

NERC wishes to identify ~~as many organizations as possible~~ those entities that may need to be listed in its Compliance Registry. Identifying these organizations is necessary and prudent ~~at this time~~ for the purpose of determining resource needs, both at the NERC and Regional Entity level, and ~~for to bring the process of~~ communicating with these entities regarding their potential responsibilities and obligations. NERC and the Regional Entities believe that ~~primary~~ candidate entities can be identified at this any time, ~~while other entities can be identified later~~, as and when needed. ~~Selection principles and criteria for the identification of these initial entities are required. This list will become the "Initial Non-binding Organization Registration List". With FERC having made the approved Reliability Standards enforceable, this list becomes the NERC Compliance Registry. The Compliance Registry is available on NERC's website.~~

<sup>5</sup> See: NERC ERO Application; Exhibit C; Section 500 – Organization Registration and Certification.



## Resolution

The potential costs and effort of registering every organization potentially within the scope of “owner, operator, and user of the BPS,” while ignoring their impact upon reliability, would be disproportionate to the improvement in reliability that would reasonably be anticipated from doing so.

NERC and the Regional Entities have identified two principles they believe are key to the entity selection process. These are:

1. There needs to be consistency between Regions and across the continent with respect to which entities are registered; and
2. Any entity reasonably deemed material to the reliability of the ~~BPS Bulk Power System~~ will be registered, irrespective of other considerations.

To address the second principle the Regional Entities, working with NERC, will identify and register any entity they deem material to the reliability of the ~~BPS Bulk Power System~~.

In order to promote consistency, NERC and the Regional Entities ~~intend to~~ use the following criteria as the basis for determining whether particular entities should be identified as candidates for Registration. All organizations meeting or exceeding the criteria will be identified as candidates.

The following four groups of criteria (Sections I-IV) plus the statements in Section V will provide guidance regarding an entity’s Registration status:

- Section I determines if the entity is an owner, operator, or user of the ~~BPS Bulk Power System~~ and, hence, a candidate for organization Registration.
- Section II uses NERC’s current functional type definitions to provide an initial determination of the functional types for which the entities identified in Section I should be considered for Registration.
- Section III lists the criteria regarding smaller entities; these criteria can be used to forego the Registration of entities that were selected to be considered for Registration pursuant to Sections I and II and, if circumstances change, for later removing entities from the ~~Compliance Registry Registration list~~ that no longer meet the relevant criteria.
- Section IV — additional criteria for joint Registration. Joint Registration criteria may be used by joint action agencies, generation and transmission cooperatives and other entities which agree upon a clear division of compliance responsibility for Reliability Standards by written agreement. ~~Rules Pursuant to FERC’s directive in paragraph 107 of Order No. 693, rules~~ pertaining to joint Registration and Joint Registration Organizations, ~~as well as Coordinated Functional Registrations, are will~~ now ~~be~~ found in Sections 501, ~~507~~ and ~~508507~~ of the NERC Rules of Procedure.

- I. Entities that use, own or operate Elements of the Bulk Electric System (**BES**) as established by NERC’s approved definition of ~~BES Bulk Electric System~~ below are (i) owners, operators, and users of the ~~BPS Bulk Power System~~ and (ii) candidates for Registration:

*“Bulk Electric System” or “BES” means unless modified by the lists shown below, all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher. This does not include facilities used in the local distribution of electric energy.*

***Inclusions:***

- ***I1*** - Transformers with the primary terminal and at least one secondary terminal operated at 100 kV or higher unless excluded by application of Exclusion E1 or E3.
- ***I2*** - Generating resource(s) including the generator terminals through the high-side of the step-up transformer(s) connected at a voltage of 100 kV or above with:
  - a) Gross individual nameplate rating greater than 20 MVA. Or,
  - b) Gross plant/facility aggregate nameplate rating greater than 75 MVA.
- ***I3*** - Blackstart Resources identified in the Transmission Operator’s restoration plan.
- ***I4*** - Dispersed power producing resources that aggregate to a total capacity greater than 75 MVA (gross nameplate rating), and that are connected through a system designed primarily for delivering such capacity to a common point of connection at a voltage of 100 kV or above. Thus, the facilities designated as BES are:
  - a) The individual resources, and
  - b) The system designed primarily for delivering capacity from the point where those resources aggregate to a greater than 75 MVA to a common point of connection at a voltage of 100 kV or above.
- ***I5*** - Static or dynamic devices (excluding generators) dedicated to supplying or absorbing Reactive Power that are connected at 100 kV or higher, or through a dedicated transformer with a high-side voltage of 100 kV or higher, or through a transformer that is designated in Inclusion I1 unless excluded by application of Exclusion E4.

Exclusions:

- ***E1*** - Radial systems: A group of contiguous transmission Elements that emanates from a single point of connection of 100 kV or higher and:
  - a) Only serves Load. Or,
  - b) Only includes generation resources, not identified in Inclusions I2, I3, or I4, with an aggregate capacity less than or equal to 75 MVA (gross nameplate rating). Or,

- c) *Where the radial system serves Load and includes generation resources, not identified in Inclusions I2, I3 or I4, with an aggregate capacity of non-retail generation less than or equal to 75 MVA (gross nameplate rating).*

*Note 1 – A normally open switching device between radial systems, as depicted on prints or one-line diagrams for example, does not affect this exclusion.*

*Note 2 – The presence of a contiguous loop operated at a voltage level of 50 kV or less, between configurations being considered as radial systems, does not affect this exclusion.*

- **E2** - *A generating unit or multiple generating units on the customer's side of the retail meter that serve all or part of the retail Load with electric energy if: (i) the net capacity provided to the BES does not exceed 75 MVA, and (ii) standby, back-up, and maintenance power services are provided to the generating unit or multiple generating units or to the retail Load by a Balancing Authority, or provided pursuant to a binding obligation with a Generator Owner or Generator Operator, or under terms approved by the applicable regulatory authority.*
- **E3** - *Local networks (LN): A group of contiguous transmission Elements operated at less than 300 kV that distribute power to Load rather than transfer bulk power across the interconnected system. LN's emanate from multiple points of connection at 100 kV or higher to improve the level of service to retail customers and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:*
  - a) *Limits on connected generation: The LN and its underlying Elements do not include generation resources identified in Inclusions I2, I3, or I4 and do not have an aggregate capacity of non-retail generation greater than 75 MVA (gross nameplate rating);*
  - b) *Real Power flows only into the LN and the LN does not transfer energy originating outside the LN for delivery through the LN; and*
  - c) *Not part of a Flowgate or transfer path: The LN does not contain any part of a permanent Flowgate in the Eastern Interconnection, a major transfer path within the Western Interconnection, or a comparable monitored Facility in the ERCOT or Quebec Interconnections, and is not a monitored Facility included in an Interconnection Reliability Operating Limit (IROL).*
- **E4** - *Reactive Power devices installed for the sole benefit of a retail customer(s).*

*Note - Elements may be included or excluded on a case-by-case basis through the Rules of Procedure exception process.*

- II. Entities identified in ~~Section Part~~ I above will be categorized as Registration candidates who may be subject to Registration under one or more appropriate Functional Entity types based on a comparison of the functions the entity normally performs against the following function

type

definitions: \_\_\_\_\_ 6

Function Type	Acronym	Definition/Discussion
Balancing Authority	BA	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.
Distribution Provider	DP	Provides and operates the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the Distribution Provider. Thus, the Distribution Provider is not defined by a specific voltage, but rather as performing the distribution function at any voltage.  <u>Note: As provided in Section III.b.1 and Note 5 below, a Distribution Provider entity shall be an Underfrequency Load Shedding (UFLS)-Only Distribution Provider if it is the responsible entity that owns, controls or operates UFLS Protection System(s) needed to implement a required UFLS program designed for the protection of the BES, but does not meet any of the other registration criteria for a Distribution Provider.</u>
Generator Operator	GOP	The entity that operates generating <u>Facility(ies)</u> <del>unit(s)</del> and performs the functions of supplying energy and Interconnected Operations Services.
Generator Owner	GO	Entity that owns and maintains generating <u>Facility(ies)</u> <del>units</del> .
Interchange Authority	IA	The responsible entity that authorizes

<sup>6</sup> Exclusion: An entity will not be registered based on these criteria if responsibilities for compliance with approved NERC Reliability Standards or associated Requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, including bilateral agreements and Sections 501, 507 and 508 of the NERC Rules of Procedure.

Function Type	Acronym	Definition/Discussion
	<p>impleme ntation of valid and balanced Interchan ge Schedule s between Balancin g Authority Areas, and ensures communi cation of Interchan ge informati on for reliability assessme nt purposes.</p>	
<p>Load-Serving Entity</p>	<p>L S E</p> <p>Secures energy and Transmis sion Service (and related Interconn ected Operatio ns Services) to serve the electrical demand and</p>	

Function Type	Acronym	Definition/Discussion
	energy requirements of its end-use customers.	
Planning Authority/ <u>Planning Coordinator</u>	PA/ <u>PC</u>	The responsible entity that coordinates and integrates transmission Facilities and service plans, resource plans, and Protection Systems.
<del>Purchasing-Selling Entity</del>	<del>P S E</del> The entity that purchases, or sells, and takes title to, energy, capacity, and Interconnected Operations Services. PSE may be affiliated or unaffiliated merchant s and may or may not own generatin g Facilities.	

Function Type	Acronym	Definition/Discussion
Reliability Coordinator	RC	The entity that is the highest level of authority who is responsible for the Reliable Operation of the <del>BESBulk Electric System</del> , has the Wide Area view of the <del>BESBulk Electric System</del> , 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.
Reserve Sharing Group	RSG	A group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply operating reserves required for each Balancing Authority’s use in recovering from contingencies within the group. Scheduling energy from an Adjacent Balancing Authority to aid recovery need not constitute reserve sharing provided the transaction is ramped in over a period the supplying party could reasonably be expected to load generation in (e.g., ten minutes). If the transaction is ramped in quicker, (e.g., between zero and ten minutes), then, for the purposes of disturbance control performance, the areas become a Reserve Sharing Group.
Resource Planner	RP	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.
Transmission Owner	TO	The entity that owns and maintains transmission Facilities.
Transmission Operator	TOP	The entity responsible for the reliability of its local transmission system and operates or directs the operations of the transmission Facilities.
Transmission Planner	TP	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.

Function Type	Acronym	Definition/Discussion
Transmission Service Provider	TSP	The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable Transmission Service agreements.

III. ~~Entities~~ Except as provided in Section V and the Notes to the Criteria below, entities identified in ~~Section~~ Part II above as being subject to Registration as a Distribution Provider ~~an LSE, DP, GO, GOP, TO, or TOP~~ should be included ~~inexcluded from~~ the Compliance Registry for these functions only if they ~~do not~~ meet any of the criteria listed below:

~~III (a) Load-Serving Entity:~~

~~III.a.1 — Load-Serving Entity peak Load is > 25 MW and is directly connected to the Bulk Power (>100 kV) System, or;~~

~~III.a.2 — Load-Serving Entity is designated as the responsible entity for Facilities that are part of a required underfrequency Load shedding (UFLS) program designed, installed, and operated for the protection of the Bulk Power System, or;~~

~~III.a.3 — Load-Serving Entity is designated as the responsible entity for Facilities that are part of a required undervoltage Load shedding (UVLS) program designed, installed, and operated for the protection of the Bulk Power System.~~

~~*[Exclusion: A Load-Serving Entity will not be registered based on these criteria if responsibilities for compliance with approved NERC Reliability Standards or associated Requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a Load-Serving Entity, Balancing Authority, Transmission Operator, generation and transmission cooperative or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.]*~~

~~III.a.4 — Distribution Providers registered under the criteria in III.b.1 or III.b.2 will be registered as a Load-Serving Entity (LSE) for all Load directly connected to their distribution facilities.~~

~~*[Exclusion: A Distribution Provider will not be registered based on this criterion if responsibilities for compliance with approved NERC Reliability Standards or associated Requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a Load-Serving Entity, Balancing Authority, Transmission Operator, generation and transmission cooperative, or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.]*~~

~~III(b)~~ III(a) Distribution Provider:



~~III.b.1~~ Distribution Provider system serving >7525 MW of peak Load that is directly connected to the ~~BES;~~<sup>7</sup> ~~or Bulk Power System.~~

~~III.a.1~~ *[Exclusion: A Distribution Provider will not be registered based on this criterion if responsibilities for compliance with approved NERC Reliability Standards or associated Requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a Load-Serving Entity, Balancing Authority, Transmission Operator, generation and transmission cooperative, or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.] or;*

~~III.b.2~~III.a.2 -Distribution Provider is the responsible entity that owns, controls, or operates Facilities that are part of any of the following Protection Systems or programs designed, installed, and operated for the protection of the ~~BES;~~<sup>8</sup> ~~Bulk Power System:~~

- ~~• a required UFLS program.~~
- ~~• a required UVLS program.~~ Undervoltage Load Shedding (UVLS) program and/or
- ~~• a required Special Protection System or Remedial Action Scheme and/or-~~
- ~~• a required transmission Protection System; or-~~

~~III.a.3~~ Distribution Provider that is responsible for providing services related to Nuclear Plant Interface Requirements (NPIRs) pursuant to an executed agreement; or

~~III.a.4~~ Distribution Provider with field switching personnel identified as performing unique tasks associated with the Transmission Operator's restoration plan that are outside of their normal tasks.

~~III(b)~~ Distribution Provider with UFLS-Only assets (referred to as "UFLS-Only Distribution Provider")

~~III.b.1~~ UFLS-Only Distribution Provider does not meet any of the other registration criteria in Sections III(a)(1)-(4) for a Distribution Provider; and

~~III.b.2~~ UFLS-Only Distribution Provider is the responsible entity that owns, controls, or operates UFLS Protection System(s) needed to implement a required UFLS Program designed for the protection of the BES.

The Reliability Standards applicable to UFLS-Only Distribution Providers are: (1) PRC-006-1, PRC-006-2 and (2) any regional Reliability Standard whose purpose is to develop

<sup>7</sup> Ownership, control or operation of UFLS Protection System(s) needed to implement a required UFLS Program designed for the protection of the BES does not affect an entity's eligibility for registration pursuant to III.a.1.

<sup>8</sup> As used in Section III.a.2, "protection of the Bulk Electric System" means protection to prevent instability, Cascading, or uncontrolled separation of the BES and not for local voltage issues (UVLS) or local line loading management (Special Protection System) that are demonstrated to be contained within a local area.

or establish a UFLS Program [PRC-006-NPCC-1 and PRC-006-SERC-01]. Reliability Standards PRC-005-2, PRC-005-3, and PRC-008-0 are not applicable to UFLS-Only Distribution Providers. Reliability Standards that apply to Distribution Providers will not apply to UFLS-Only Distribution Providers, unless explicitly stated in the applicability section.

*[Exclusion: A Distribution Provider will not be registered based on these criteria if responsibilities for compliance with approved NERC Reliability Standards or associated Requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a Load Serving Entity, Balancing Authority, Transmission Operator, generation and transmission cooperative, or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.]*

~~III(c) Generator Owner/Operator:~~

- ~~III.c.1 Individual generating unit > 20 MVA (gross nameplate rating) and is directly connected to the Bulk Power System, or;~~
- ~~III.c.2 Generating plant/facility > 75 MVA (gross aggregate nameplate rating) or when the entity has responsibility for any facility consisting of one or more units that are connected to the Bulk Power System at a common bus with total generation above 75 MVA gross nameplate rating, or;~~
- ~~III.c.3 Any generator, regardless of size, that is a Blackstart Resource material to and designated as part of a Transmission Operator entity's restoration plan, or;~~
- ~~III.c.4 Any generator, regardless of size, that is material to the reliability of the Bulk Power System.~~

*[Exclusions:*

*A Generator Owner/Operator will not be registered based on these criteria if responsibilities for compliance with approved NERC Reliability Standards or associated Requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a Load Serving Entity, generation and transmission cooperative or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.*

*As a general matter, a customer owned or operated generator/generation that serves all or part of retail Load with electric energy on the customer's side of the retail meter may be excluded as a candidate for Registration based on these criteria if (i) the net capacity provided to the Bulk Power System does not exceed the criteria above or the Regional Entity otherwise determines the generator is not material to the Bulk Power System and (ii)*

~~standby, back-up and maintenance power services are provided to the generator or to the retail Load pursuant to a binding obligation with another Generator Owner/Operator or under terms approved by the local regulatory authority or the Federal Energy Regulatory Commission, as applicable.]~~

### III(d) Transmission Owner/Operator:

~~III.d.1 — An entity that owns/operates an integrated transmission Element associated with the Bulk Power System 100 kV and above, or lower voltage as defined by the Regional Entity necessary to provide for the Reliable Operation of the interconnected transmission grid; or~~

~~III.d.2 — An entity that owns/operates a transmission Element below 100 kV associated with a Facility that is included on a critical Facilities list that is defined by the Regional Entity.~~

~~[Exclusion: A Transmission Owner/Operator will not be registered based on these criteria if responsibilities for compliance with approved NERC Reliability Standards or associated Requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a Load Serving Entity, generation and transmission cooperative or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.]~~

### IV. Joint Registration Organization, Coordinated Functional Registration and applicable Member Registration.

Pursuant to FERC's directive in paragraph 107 of Order No. 693, NERC's rules pertaining to joint Registrations and Joint Registration Organizations, as well as Coordinated Functional Registrations, are now found in Section 501, 507 and 508507 of the NERC Rules of Procedure.

- V. If NERC or a Regional Entity encounters an organization that is not listed in the Compliance Registry, but which should be subject to the Reliability Standards, NERC or the Regional Entity is obligated and will initiate actions to add that organization to the Compliance Registry, subject to that organization's right to challenge as provided in Section 500 of NERC's Rules of Procedure and as described in Note 3 below.

### Notes to the Registry ~~above~~ Criteria in Sections I-V

1. The above are general criteria only. The Regional Entity considering Registration of an organization not meeting (e.g., smaller in size than) the criteria may propose Registration of that organization if the Regional Entity believes and can reasonably demonstrate<sup>9</sup> that the organization is a BESBulk Power System owner, or operates, or uses BESBulk Power

<sup>9</sup> The reasonableness of any such demonstration will be subject to review and remand by NERC itself, or by any Applicable Governmental Authority, as applicable.

~~System~~ assets, and is material to the reliability of the ~~BESBulk Power System~~. Similarly, the Regional Entity may exclude an organization that meets the criteria described above as a candidate for Registration if it believes and can reasonably demonstrate to NERC that the ~~BESBulk Power System~~ owner, operator, or user does not have a material impact on the reliability of the BES. Such decisions must be made in accordance with Section V of Appendix 5A to the NERC Rules of Procedure. In order to ensure a consistent approach to assessing materiality, a non-exclusive set of factors (“materiality test”) for consideration is identified below; however, only a sub-set of these factors may be applicable to particular functional registration categories: Bulk Power System.

- a. Is the entity specifically identified in the emergency operation plans and/or restoration plans of an associated Reliability Coordinator, Balancing Authority, Generator Operator or Transmission Operator?
  - b. Will intentional or inadvertent removal of an Element owned or operated by the entity, or a common mode failure of two Elements as identified in the Reliability Standards (for example, loss of two Elements as a result of a breaker failure), lead to a reliability issue on another entity’s system (such as a neighboring entity’s Element exceeding an applicable rating, or loss of non-consequential load due to a single contingency). Conversely, will such contingencies on a neighboring entity’s system result in Reliability Standards issues on the system of the entity in question?
  - c. Can the normal operation, misoperation or malicious use of the entity’s cyber assets cause a detrimental impact (e.g., by limiting the operational alternatives) on the operational reliability of an associated Balancing Authority, Generator Operator or Transmission Operator?
  - d. Can the normal operation, Misoperation or malicious use of the entity’s Protection Systems (including UFLS, UVLS, Special Protection System, Remedial Action Schemes and other Protection Systems protecting BES Facilities) cause an adverse impact on the operational reliability of any associated Balancing Authority, Generator Operator or Transmission Operator, or the automatic load shedding programs of a PC or TP (UFLS, UVLS)?
2. An organization not identified using the criteria, but wishing to be registered, may request that it be registered. For further information refer to: NERC Rules of Procedure, Section 500 – Organization Registration and Certification; Part 1.3.
  3. An organization may challenge its Registration within the Compliance Registry. NERC or the Regional Entity will provide the organization with all information necessary to timely challenge that determination including notice of the deadline for contesting the determination and the relevant procedures to be followed as described in the NERC Rules of Procedure; Section 500 – Organization Registration and Certification.
  4. If an entity is part of a class of entities excluded based on any of the criteria above as individually being unlikely to have a material impact on the reliability of the ~~BESBulk Power System~~, but that in aggregate have been demonstrated to have such an impact it may be registered for applicable Reliability Standards and Requirements irrespective of

other considerations, in accordance with laws, regulations and orders of an Applicable Governmental Authority.

5. NERC may limit the compliance obligations of a given entity registered for a particular function or similarly situated class of entities, as warranted based on the particular facts and circumstances, to a sub-set list of Reliability Standards (which may specify Requirements/sub-Requirements).

## **Exhibit C**

Technical Report:

**Risk-Based Registration: Technical and Risk Considerations**

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Risk-Based Registration: Technical and Risk Considerations - **Revised**

December 2014

**RELIABILITY | ACCOUNTABILITY**



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# Table of Contents

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Preface and NERC Mission.....	iv
Executive Summary .....	v
Introduction.....	1
Background .....	1
Functional Entities Considered .....	1
Technical Review Assignments .....	2
Chapter 1 – Removal of Purchasing-Selling Entity from the NERC Compliance Registry.....	4
Background .....	4
Applicable Reliability Standards.....	4
Enforcement Statistics .....	5
Regional Entity Survey Responses.....	5
Conclusion.....	6
Chapter 2 – Removal of Interchange Authority from NERC Compliance Registry .....	7
Background .....	7
Applicable Reliability Standards.....	8
Enforcement Statistics .....	8
Conclusion.....	9
Chapter 3 – Removal of Load-Serving Entity from NERC Compliance Registry.....	10
Background .....	10
Applicable Reliability Standards.....	11
Enforcement Statistics .....	11
Regional Entity Survey Responses.....	12
Conclusion.....	13
Chapter 4 – Threshold Change for Distribution Providers .....	14
Background .....	14
Definition of Distribution Provider.....	14
Applicable Reliability Standards.....	15
Definition of Bulk Electric System .....	15
Materiality.....	17
Methods used to Support Threshold Change.....	17
Reliability Coordinator Analysis .....	17
Results Summary .....	18



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**Table of Contents**

---

Planning Coordinators Analysis.....	18
Results Summary .....	18
Statistical Analysis .....	19
Overview .....	19
Approach .....	19
Population Analyzed .....	19
Statistical Analysis .....	20
Reliability Analysis.....	20
Applicable Reliability Standards for UFLS-Only Distribution Providers .....	20
Conclusions and Recommendations .....	21
Chapter 5 – Conclusion.....	22
Appendix A: Mapping Document .....	23
Appendix B: Technical Studies.....	64
Appendix C: Proposed Deactivations .....	79
Appendix D: Surveys.....	81

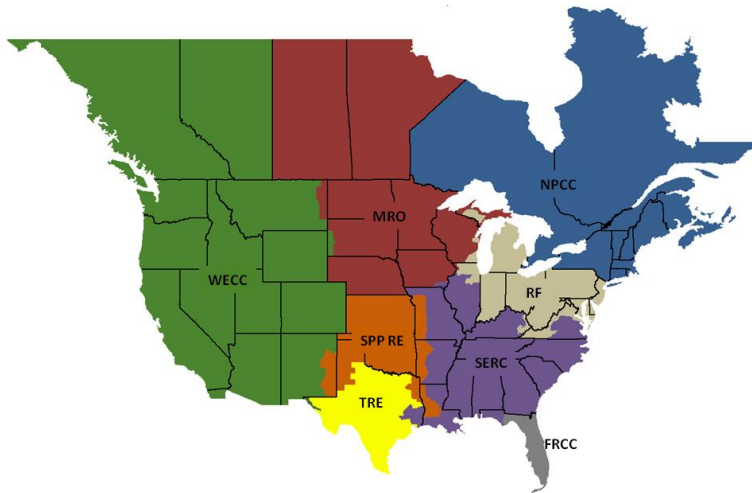
# Preface and NERC Mission

This document provides the technical justification for the Phase I proposals supporting the Risk-Based Registration (RBR) initiative:

1. Deactivation of registration of entities for three functional categories proposed for removal from the North American Electric Reliability Corporation (NERC) Compliance Registry (NCR): Purchasing-Selling Entity (PSE), Interchange Authority (IA), and Load-Serving Entity (LSE); and
2. Refinement of the thresholds for the functional category of Distribution Provider (DP), consistent with the Bulk Electric System (BES) Definition.

NERC is a not-for-profit international regulatory authority whose mission is to ensure the reliability of the bulk power system (BPS) in North America. NERC develops and enforces Reliability Standards; annually assesses seasonal and long-term reliability; monitors the BPS through system awareness; and educates, trains, and certifies industry personnel. NERC’s area of responsibility spans the continental United States, Canada, and the northern portion of Baja California, Mexico. NERC is the electric reliability organization (ERO) for North America, subject to oversight by the Federal Energy Regulatory Commission (FERC or Commission), and governmental authorities in Canada. NERC’s jurisdiction includes users, owners, and operators of the BPS, which serves more than 334 million people.

The North American BPS is divided into eight Regional Entity (RE) boundaries, as shown in the map and corresponding table below.



<b>FRCC</b>	Florida Reliability Coordinating Council
<b>MRO</b>	Midwest Reliability Organization
<b>NPCC</b>	Northeast Power Coordinating Council
<b>RF</b>	ReliabilityFirst
<b>SERC</b>	SERC Reliability Corporation
<b>SPP RE</b>	Southwest Power Pool Regional Entity
<b>TRE</b>	Texas Reliability Entity
<b>WECC</b>	Western Electricity Coordinating Council

## Executive Summary

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NERC's RBR initiative seeks to ensure the right entities are subject to the right set of applicable Reliability Standards, using a consistent approach to risk assessment and registration across the ERO Enterprise. To support the RBR initiative, NERC established the RBR Advisory Group (RBRAG) and the RBRAG Technical Task Force (RBRAG Task Force) to provide input and advice for the RBR design and implementation plan. The analysis contained herein is provided to support the proposals of the RBR initiative.

In the second quarter of 2014, the RBRAG team asked three independent sources (NERC, the REs, and selected registered entities, including Reliability Coordinators (RCs), Planning Coordinators, and DPs, as applicable) to review the Phase 1 recommendations of the RBR initiative and provide input as well as technical justification for the following proposals:

1. Evaluation of potential reliability impacts from removal of the PSE, IA, and LSE functional categories from the NCR, including whether the Reliability Standard requirements followed by these organizations have a relatively small impact on reliability or that necessary reliability activities are already being conducted by other potential entities.
2. Evaluation of proposed revisions in the DP registration criteria, including:
  - a. Raising the peak load threshold from 25 MW to 75 MW for entities directly connected to the BES
  - b. Establishing a subset of Reliability Standards for Underfrequency Load Shedding (UFLS)-Only DPs
  - c. Evaluation of the potential reliability impact to UFLS programs

The following analysis of Phase 1 recommendations, which are supported by studies and review of data and information, demonstrates that the above proposals pose little or no risk to BPS reliability. The analysis and studies for the next phase of the RBR initiative have begun and will be carried out throughout 2015.

# Introduction

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## Background

The NERC Registry Criteria provides for BPS users, owners, and operators that (i) perform a function listed in the functional types identified in Section II of the Registry Criteria, (ii) meet the threshold criteria in the Registry Criteria or the materiality test, and (iii) have a material impact on BPS reliability to register as one or more of 15 functions.<sup>1</sup> The NERC Compliance Registry identifies the functional categories and entities that are subject to compliance with mandatory NERC Reliability Standards.

Of the 15<sup>2</sup> functional registration categories, the RBR initiative proposes the removal of three functional “users” of the BPS—PSEs, IAs, and LSEs—from the NCR. Based on analysis of these functional categories and the related Reliability Standards, little or no risk to reliability of the BPS results from the elimination of these functions. Further, in many cases, these functions are commercial in nature, and Reliability Standards already applicable to other functional entities, when considered in the aggregate (e.g., requirements to Balancing Authorities (BAs) and DPs within the Resource and Demand Balancing (BAL) and other standards), address any potential reliability impacts of commercial transactions. The requirements contained in the NERC Reliability Standards for these functions are either already adequately addressed by other contracts or regulations (e.g., pro forma Open Access Transmission Tariff, North American Energy Standards Board (NAESB) Standards, commercial contracts, market rules), are being performed by another functional entity, or any potential gap poses little to no risk to the reliability of the BPS.

In addition, the analysis demonstrates that a change in the threshold for DPs from 25 MW to 75 MW peak load in the NCR will not materially impact the reliability of the BPS. This change in threshold is accompanied by additional criteria, as well as the option of registration based on materiality tests, to ensure that those DPs that are less than 75 MW peak load, but nevertheless pose a potential significant risk to reliability, will be registered.

## Functional Entities Considered

### *Purchasing-Selling Entity*

PSEs are the functional entity that purchases or sells, and takes title to, energy, capacity, and reliability-related services.

### *Interchange Authority*

The term “IA” was changed to “Interchange Coordinator.” IAs/Coordinators are the functional entity that ensures communication of Arranged Interchange for reliability evaluation purposes and coordinates implementation of valid and balanced Confirmed Interchange between BA Areas.

### *Load-Serving Entity*

The LSE is the functional entity that secures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.

### *Distribution Provider*

DPs are the functional entities that interconnect end-use customer Load and the electric system for the transfer of electrical energy to the end-use customer. DPs provide and operate the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the

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<sup>1</sup> NERC Statement of Compliance Registry Criteria (Registry Criteria) at 2. See Registry Criteria at [http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/Appendix\\_5B\\_RegistrationCriteria\\_20121220.pdf](http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/Appendix_5B_RegistrationCriteria_20121220.pdf).

<sup>2</sup> The 15 registration functional categories include: Reliability Coordinator; Transmission Operator; BA; Planning Authority; Transmission Planner; Transmission Service Provider; Transmission Owner; Resource Planner; Distribution Provider; Generator Owner; Generator Operator; Load-Serving Entity; Purchasing-Selling Entity; Interchange Authority; and Reserve Sharing Group.

Transmission Owner (TO) also serves as the DP. Thus, the DP is not defined by a specific voltage, but rather as performing the distribution function at any voltage.

## Technical Review Assignments

With respect to PSEs, IAs, LSEs, and DPs, NERC conducted or facilitated independent technical analysis at the ERO, RE, and industry levels. These independent sources reviewed the recommendations of the RBRAG team and provided input and technical justifications for removal of the three functional categories and evaluated the risks and potential reliability impacts of revising the DP threshold criteria.

A three-step process was conducted to establish technical justification for the removal of the three functional categories from the NCR.

- **Step 1:** A review of enforcement data was performed to determine the number and severity of instances of noncompliance relating to the proposed removals to determine what, if any, potential risk to the reliability of the BPS may result from removal of these functions from the NCR.
- **Step 2:** Technical analysis was conducted by NERC and certain RCs and Planning Coordinators, as applicable, to assess if the proposed thresholds for DPs or removal of the PSEs, IAs, and LSEs would have an adverse impact on the BPS and, if so, to what degree.
- **Step 3:** Survey responses were submitted by REs and industry to assess if the proposed thresholds for DPs or removal of the PSEs, IAs, and LSEs would have an adverse impact on the BPS and to what degree.

### ***NERC Considerations for Technical Justification***

With respect to the DPS, technical analysis was conducted to determine the impacts and risks from the proposed thresholds on the BPS. NERC completed statistical analysis based on the number of, and amount of peak load served by, DPs deactivated from the NCR because they do not meet the 75 MW proposed threshold or any of the other proposed criteria for registration as a DP.

Additionally, NERC also analyzed the effects from the potential loss of the UFLS capability from DPs that (i) are less than 75 MW peak load and have no other specific materiality to BES reliability, but (ii) participate in a required UFLS program. Such entities are proposed to be subject to registration as a UFLS-Only DP. These DPs would have to adhere solely to Protection and Control (PRC) PRC-006 and PRC-006 Regional Reliability Standards. These standards do not have a requirement for relay maintenance (which is instead required by PRC-005, requiring testing every 12 years). A conservative view of the potential impact of eliminating PRC-005 compliance obligations for UFLS-Only DPs was modeled assessing the risk of UFLS failing to operate, or a misoperation. This analysis was needed to assess the risk to reliability from DPs that do not meet any other DP registration criteria, except participating in a required UFLS program. PRC-005-2 requires testing of these relays only once every 12 years. With respect to UFLS-Only DPs, there appears to be little risk to reliability resulting from failure to test and maintain the handful of relays, out of thousands, that would no longer be covered by PRC-005. Due to technological advances, a majority of the newer or modern relays being deployed to the industry today (71%) are self-maintaining and self-checking. This trend continues with several electromechanical relays replaced with one microprocessor relay. The possible reliability benefits of continuing to enforce compliance with PRC-005's 12-year testing requirements by these small entities is further diminished by the risk associated with the mere act of opening up a microprocessor relay for inspection and maintenance.

### ***Regional Entity Considerations for Technical Justification***

All eight REs provided responses to the following questions:

- If the PSE and LSE functions are eliminated from the Registry Criteria, will you be able to obtain needed information for modeling and studies? Please explain your response and provide data separated by the functional category.
- If the DP threshold is increased to greater than 75 MW, how many entities would be eligible for deactivation for the DP functional category?
- Please identify the number of affected DPs under 75 MW that have UFLS. Please also identify the number of affected entities that do not have UFLS.
- For the DPs above that would be deactivated, will you be able to obtain needed information for modeling and studies? Please explain and provide separate information regarding entities that have UFLS and those that do not.

### ***Industry Considerations for Technical Justification***

With respect to the DPs, RCs conducted studies to determine the effects of not receiving operational data from the DPs expected to be deactivated due to the proposed 75 MW peak threshold. In addition to removing the DPs' load data from the study, an N-1 event was simulated in the area of missing data to determine if cascading outages would occur, if neighboring entities would be affected, or if additional contingencies emerged that could not be resolved without impact to the BPS.

In addition, since November 2013, 43 entities registered as DPs and LSEs have been deactivated. RCs were asked if the deactivated DPs had stopped providing operational data and if any of these entities had intentionally refused to obey a reliability directive. RCs answered consistently that the risk to reliability did not increase after these entities were deactivated: no risks were created, and no instances of failure to provide operational data or failure to comply with reliability directives occurred.

Planning Coordinators studied the effects of limiting UFLS-Only DPs to NERC and RE PRC-006 Reliability Standards.

DPs were surveyed to determine the number or percentage of microprocessor relays or electromechanical relays in use and to determine the number of DPs that would be deactivated from the NCR.

# Chapter 1 – Removal of Purchasing-Selling Entities from the NERC Compliance Registry

*The RBR initiative proposes to remove PSEs as functional entities from the NCR. The removal of this entity will be implemented as part of the registration process. For future consistency, NERC recommends that conforming changes be made to Reliability Standards through the Standards Development Process.*

## Background

Many entities meet the criteria for the category of a PSE, including entities that may possess little or no operational or reliability data that the host BA and Transmission Operator (TOP) may require. Fundamentally, this is a market function and not a reliability function. In considering elimination of the PSE, NERC took into account that it is total interchange (i.e., the sum of the individual transactions), rather than individual transactions, that is important for reliability purposes. The BAL standards already require the BA to manage total interchange, as do the INT standards. Taking all considerations into account, NERC determined that this function should be removed as part of the registration process.

## Applicable Reliability Standards

PSEs are currently subject to the following NERC Reliability Standards:

Reliability Standards Applicable to PSEs	
INT-004-3	IRO-005-3.1a
IRO-001-1.1	TOP-005-2a

The BA is responsible for managing interchanges and obtains the necessary information through existing Reliability Standards as described immediately below. Therefore, there is little or no risk to reliability by removing the PSE. The BAL standards, BAL-001-1, BAL-002-1, BAL-005-0, and the recently approved Interchange Scheduling and Coordination Reliability Standards in Docket No. RD14-4-000, mitigate the risk from deactivation of the PSE because the Reliability Standards for BAs to maintain system awareness, update the Area Control Error, and confirm/evaluate interchange schedules sufficiently incorporate the requirements that apply to PSEs in the four Reliability Standards listed above.

In addition, three of the four Reliability Standards that currently apply to PSEs are either proposed for retirement or proposed to no longer apply to PSEs. The proposed revised Standard IRO-001-4 has removed the PSE function from its applicability section. The Project 2014-03 (TOP/IRO) review team has proposed the retirement of IRO-005-3.1a and TOP-005-2a.<sup>3</sup>

As a result, only one Reliability Standard would be applicable to PSEs—Reliability Standard INT-004-3. The removal of PSEs as a functional entity will effectively retire Requirements R1 and R2 of Reliability Standard INT-004-3, although Requirement R3 (which is applicable to BAs), will be retained. Requirement R3 of Reliability Standard INT-004-3 will become effective on the first calendar day two calendar quarters after the NAESB Electric Industry Registry is able to accept Pseudo-Tie registrations.<sup>4</sup> The BA is ultimately responsible for managing the interchange, which includes the energy secured through a dynamic schedule or pseudo-tie. The BA standards, BAL-001-1, BAL-002-1, BAL-005-0, which are the recently approved INT standards, mitigate any risk of retiring Requirements R1 and R2 of INT-004-3, because the BA maintains system awareness, updates the ACE, and confirms/evaluates interchanges schedules. Therefore, there is no reliability gap.

<sup>3</sup> See:

[http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014\\_03\\_first\\_posting\\_mapping\\_document\\_20140514.pdf](http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_first_posting_mapping_document_20140514.pdf)

<sup>4</sup> See implementation plan

[http://www.nerc.com/pa/Stand/Project%20200812%20Coordinate%20Interchange%20Standards%20DL/Project%202008-12%20CISDT\\_2014Feb26\\_Implementation%20Plan.pdf](http://www.nerc.com/pa/Stand/Project%20200812%20Coordinate%20Interchange%20Standards%20DL/Project%202008-12%20CISDT_2014Feb26_Implementation%20Plan.pdf).

## Enforcement Statistics

NERC has reviewed the compliance history and the nature of instances of noncompliance relating to PSEs and determined that the removal of PSEs from the NCR poses an insignificant risk to the reliability of the BPS. All prior instances of noncompliance posed minimal risk to the reliability of the BPS. Since the inception of the Administrative Citation Process and later the Find, Fix, Track and Report process, NERC has not filed a single Notice of Penalty applicable solely to a PSE.

Since June 18, 2007, NERC has processed over 8,000 unique instances of noncompliance (filed, posted, or compliance exception). Of these, there have been 18 violations applied solely to PSE functions,<sup>5</sup> and another two for combined PSE and LSE functions (for a total of 20 violations by 11 unique registered entities), representing less than a quarter of a percent of the total number of noncompliance filed or posted. Four of these instances were of INT-001 and one was for IRO-STD-006-0, both inactive Standards. The remaining instances of noncompliance consist of: 1) INT-004-1 (10 instances); 2) IRO-001 (1 instance); 3) IRO-005 (1 instance); and (4) TOP-005 (three instances). Between the proposed revisions eliminating PSEs from the applicability section as a part of Project 2014-03 and the proposed retirements of IRO-005 and TOP-005, only INT-004 is relevant in analyzing compliance history.

The INT-004 noncompliance was all of Requirement 2 requiring the update of Dynamic Interchange Schedule tags. None of these failures led to the need for corrective action or Transmission Loading Reliefs. Finally, either an inter-control center communications protocol network or Supervisory Control and Data Acquisition mitigated most of these instances. Of the remaining instances, the risk was minimal due to either both the scheduled energy profile and the actual average energy profile being significantly less than the 250 MW in any hour, or due to a short duration (eight hours or less) of the tag not being updated.

In each of the TOP-005 instances of noncompliance, the REs found either the entity was actually performing the required notifications but was unable to produce the required evidence, or that the relevant TOP or BA had actual knowledge of the status of all generation and transmission resources available for use, and would have been able to notify the RC if necessary.

Based on this compliance history and the nature of the violations of these Requirements relating to PSEs, the removal of PSEs from the NCR poses an insignificant risk to the reliability of the BPS.

## Regional Entity Survey Responses

REs confirmed that they would still receive the necessary information for reliability if PSEs were removed from the NCR. The responses stated that if the function was removed from NERC's functional registration categories, the TOs, Planning Coordinators, and BAs have sources other than PSEs for most of the needed data and would have separate methods to collect any remaining information from the responsible data sources.

Notably, the only PSE requirement that requires provision of information so operational reliability assessments and coordination of reliability operations can occur is TOP-005-2a. The TOP/IRO project has proposed deleting this requirement because it is redundant with a NAESB standard since operating data is part of E-Tag.<sup>6</sup>

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<sup>5</sup> In determining the scope of the compliance and enforcement history for these functions in order to determine risk to the BPS from noncompliance with these standards by these functions, NERC considered confirmed violations, posted Find, Fix, Track, and Report instances of noncompliance, and compliance exceptions. The results of this initial scope was further refined to include only violations that applied to solely functions recommended for removal from the NERC Compliance Registry. For example, if an entity had a single confirmed violation implicating both its PSE and GO functions, NERC did not include the violation as a part of its consideration.

<sup>6</sup> See [http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014\\_03\\_first\\_posting\\_mapping\\_document\\_20140514.pdf](http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_first_posting_mapping_document_20140514.pdf)



For example, in NPCC, all market participants adhere to the Independent System Operator (ISO) market rules and tariffs. These tariffs require participants to provide the ISOs with data regarding their market operation activities. NPCC then collects its data through working groups for both short-term and long-term reliability studies. If the PSE is removed, NPCC would be able to collect any necessary data through these alternative methods.

Entities in SPP RE performing the activities described under the PSE function, whether registered or not, are still responsible for entering information into the E-Tag system. The TOP function independently monitors and sends real-time data via the Inter-Control Center Protocol to the RC.

Finally, in TRE, data is provided by entities each year via the regional planning and reliability analysis to meet NERC requirements. Real-time data and operational planning information would continue to be provided by entities as required by the ERCOT regional rules.

## **Conclusion**

PSEs can be removed from the NCR with little to no impact on the reliability of the BPS. The removal of this entity will be implemented as part of the registration process. For future consistency, conforming changes will be made to Reliability Standards through the Standards Development Process. In considering elimination of the PSE function, NERC took into account that it is total interchange (i.e., the sum of the individual transactions), rather than individual transactions, that is important for reliability purposes, and management of total interchange is within the purview of the BA. To the extent there is currently no NAESB counterpart (i.e., INT-004, dynamic transfers), it is for NAESB to determine whether a business practice or standard is required for commercial purposes—material reliability concerns are not raised, because the correct transfers are accounted for in Area Control Error and System Operating Limits.

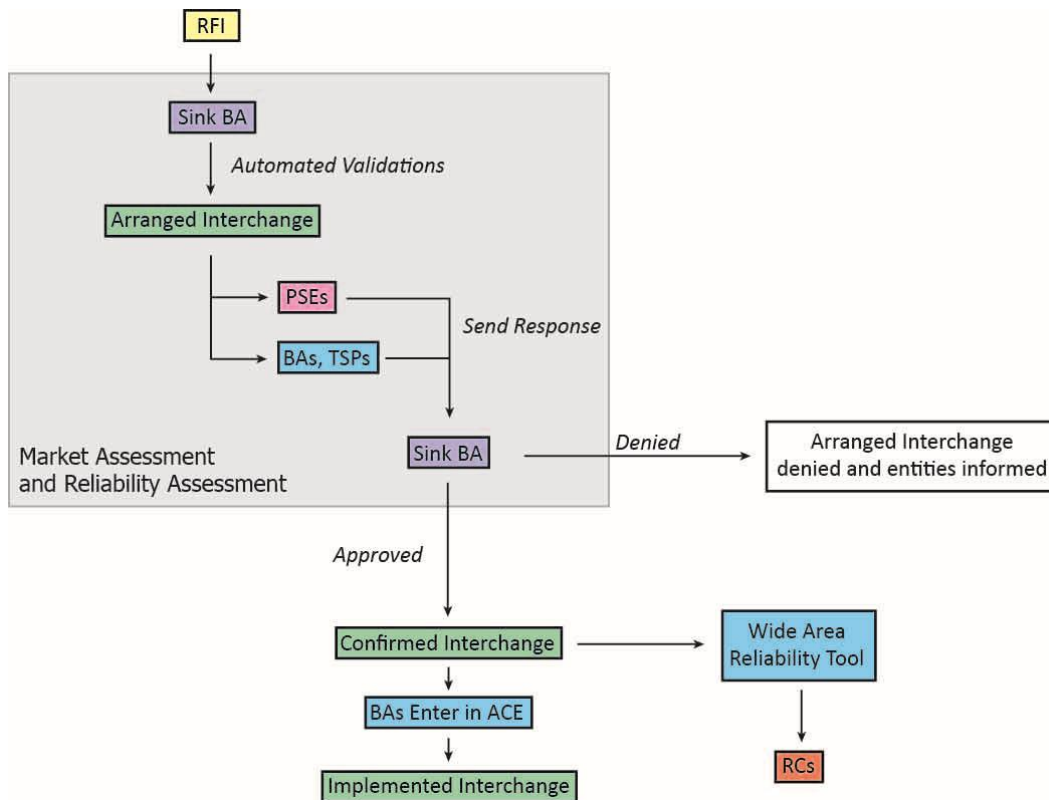
## Chapter 2 – Removal of Interchange Authority from NERC Compliance Registry

The RBR initiative proposes to remove the IA as a functional entity from the NCR. The removal of this entity will be implemented as part of the registration process. For future consistency, NERC recommends that conforming changes be made to Reliability Standards through the Standards Development Process.

### Background

Interchange refers to energy transfers that cross BA boundaries.<sup>7</sup> An Interchange Transaction begins with a Request for Interchange, which is a collection of data for the purpose of implementing an energy transfer between one or more BAs. The “Source BA” is the BA in which the generation (or source) is located. The “Sink BA” is the BA in which the load (or sink) is located. If there is another BA on the scheduling path of an Interchange Transaction, it is known as an “Intermediate BA.” The IA essentially performs a quality control function in verifying and approving interchange schedules and communicating that information. The BAL standards already require the BA to manage total interchange (e.g., BAL-00-6-2), as do the INT standards (e.g., INT-006-4 and INT-009-2).

Figure 1 depicts the typical steps in coordinating Interchange.



**Figure 1: Interchange Coordination Overview**

An Interchange Schedule is the method by which the Source and Sink BAs agree upon the Interchange Transaction size (measured in megawatts), the start and end time, beginning and ending ramp times and rate, and type required for delivery and receipt of the power and energy. Net Scheduled Interchange is the algebraic sum of all Interchange Schedules across a given path or between BAs for a given period or instant in time. An Interchange

<sup>7</sup> See NERC Glossary, available at: [http://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary\\_of\\_Terms.pdf](http://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary_of_Terms.pdf).

Transaction Tag (or Tag) is an electronic tag that contains all of the transaction information and is used to populate the Interchange Distribution Calculator, which identifies transactions that are impacting Flowgates.<sup>8</sup> Communication, submission, assessment, and approval of a Tag must be completed for reliability consideration before implementation of the transaction. The Distribution Factor is the portion of an Interchange Transaction that flows across a transmission facility (Flowgate).

The recent changes to the INT standards remove the requirements applicable to the IA. Taking all considerations into account, NERC determined that this function should be removed as part of the registration process as the risk to reliability from the remaining Reliability Standards (as listed below) not being followed is minimal.

### Applicable Reliability Standards

IAs are currently subject to the following NERC Reliability Standards:

Reliability Standards Applicable to IAs		
CIP-002-3	CIP-006-3c	CIP-009-3
CIP-003-3	CIP-006-5	CIP-009-5
CIP-003-3a	CIP-007-3a	CIP-010-1
CIP-003-5	CIP-007-3b	CIP-011-1
CIP-004-3a	CIP-007-5	IRO-10-1a
CIP-005-3a	CIP-008-3	
CIP-005-5	CIP-008-5	

For the CIP standards, NERC has determined that all IAs are either registered as BAs or RCs and therefore would still be responsible for compliance with those standards. The proposed revisions to Reliability Standard IRO-010-1a as part of Project 2014-03 eliminate the IA entity from the applicability section. The proposed removal of “IAs” from the NCR is consistent with the recently approved revisions to the body of Interchange Scheduling and Coordination Reliability Standards, which also eliminated this function from several Reliability Standards and associated definitions.<sup>9</sup>

### Enforcement Statistics

NERC has reviewed the compliance history and the nature of instances of noncompliance relating to Interchange Authorities and determined that the removal of this function from the NCR poses an insignificant risk to the reliability of the BPS. Of the approximately 8,000 unique confirmed violations or posted issues, there has been only one instance of noncompliance applied to solely the IA function. This issue was of CIP-002, included in a Find, Fix, Track, and Report posting and posed a minimal risk to the reliability of the BPS. The noncompliance was caused because the senior manager signed the annual approval 19 days late. The annual review of the Critical Assets and Critical Cyber Asset list did occur on time. The entity at issue in this noncompliance is no longer included on the NCR as an IA. After review of compliance history and the nature of the issue, NERC determined potential violations by IAs pose little risk to the reliability of the BPS, and therefore supports the removal of the function from the NCR.

<sup>8</sup> A “Flowgate” is defined in the NERC Glossary as: “1) A portion of the Transmission system through which the Interchange Distribution Calculator calculates the power flow from Interchange Transactions. 2) A mathematical construct, comprised of one or more monitored transmission facilities and optionally one or more contingency facilities, used to analyze the impact of power flows upon the Bulk Electric System.”

<sup>9</sup> N. Am. Elec. Reliability Corp., Docket No. RD14-4-000 (unpublished letter order) (June 30, 2014).

## **Conclusion**

IAs can be removed from the NCR with little to no impact on the reliability of the BPS. The removal of this entity will be implemented as part of the registration process. For future consistency, conforming changes will be made to Reliability Standards through the Standards Development Process. With respect to the CIP standards, all of the IAs are also registered as BAs and/or Reliability Coordinators; therefore, no material reliability gap is created by eliminating the IA registration prior to modifying the standards. Removal of the IA references in the CIP standards can be addressed through after-the-fact cleanup. The removal of IAs is consistent with the recently approved revisions to the Interchange Scheduling and Coordination Reliability Standards in Docket No. RD14-4-000, which removed IAs as applicable entities.

## Chapter 3 – Removal of Load-Serving Entity from NERC Compliance Registry

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*The RBR initiative proposes to remove LSEs as a functional entity from the NCR. The removal of this entity will be implemented as part of the registration process and NERC recommends that, for future consistency, conforming changes be made to Reliability Standards through the Standards Development Process.*

### Background

In the NERC Glossary, a LSE is largely a commercial contracting function that is responsible for acquiring sufficient energy and transmission service to serve “the electrical demand and energy requirements of its end-use customers.” This definition is consistent with the fact that most of the Load-Serving functions involve contracting rather than physical operations of the BPS. Conversely, the Reliability Standards currently listed as applicable to LSEs are, almost exclusively, related to equipment and physical operations. However, ownership of BES assets (or of any physical assets) is not a condition for LSE registration; owners and operators of BES Elements are registered under other functions. The LSE ensures an adequate power supply for its customers, including contracting for associated transmission service, to deliver that supply to a DP, who is responsible for the final delivery to its end-use customers.

Viewed in this light, it becomes clear that the Requirements currently assigned to LSEs are not functions an entity that secures energy contracts performs. This disconnect is resolved by the proposed elimination of “LSEs” as an applicable entity.

Certain activities assigned to the LSE are also carried out by other functions. For example, the only load-shedding standards currently applicable to LSEs (PRC-010-0 and PRC-022-1, both governing UVLS) are also applicable to DPs; DPs (or other functional entities subject to the standards) typically carry out such load shedding because the LSE function does not own equipment. Several other NERC Reliability Standards are also applicable to both LSEs and DPs, whose registrations substantially overlap. There also is precedent that the currently assigned reliability activities of a LSE are already addressed by another functional registration category, the DP. In the Direct Energy case (Docket RC07-4-003), FERC found that a retail services provider did not qualify as the LSE under NERC’s Registry Criteria, but FERC approved NERC’s proposal to require that “the [DP] to whose system the electric loads in retail choice areas are connected are to be registered as the [LSE] for all loads connected to its system for the purpose of compliance with NERC’s approved reliability standards applicable to the [LSE].”

For BES reliability purposes, NERC concluded that any LSE responsibilities that have a reliability impact are duplicative of those carried out by other reliability functions. Reliability functions of LSEs are actually handled by Resource Planners (RPs) and BAs pursuant to Reliability Standards that already apply to RPs and BAs.

Specifically, across a range of varying market and corporate structures, reliability tasks assigned to LSEs (to the extent they are not duplicative of DP requirements) generally are either performed by the RP or BA under reliability standards, or covered by tariffs, interconnection agreements, or other similar requirements.

Thus, for example, while there are Reliability Standards, such as MOD-017, that are applicable only to LSEs and no other functions, the proposed elimination of LSEs does not create a reliability gap because the objectives of those LSE-only Reliability Standards are met through other existing functional entity obligations, so there is insufficient risk to BPS reliability to warrant continued LSE registration.

With respect to Reliability Standard INT-011, which ensures that LSEs with intra-BA deals submit a Request for Interchange unless it is entered into a congestion management procedure, targets older or grandfathered deals. Further, the NAESB standard, Electronic Tagging Functional Specification, requires E-tag data be included for point-to-point transactions including grandfathered deals.

## Applicable Reliability Standards

LSEs are currently subject to the following NERC Reliability Standards:

Reliability Standards Applicable to LSEs		
BAL-005-0.2b	CIP-009-3	MOD-020-0
CIP-002-3	EOP-002-3.1 <sup>10</sup>	MOD-021-1
CIP-002-3b	FAC-002-1	MOD-031-1 <sup>11</sup>
CIP-003-3	INT-011-1	MOD-032-1
CIP-003-3a	IRO-001-1.1	NUC-001-2.1
CIP-004-3a	IRO-005-3.1a	TOP-001-1a
CIP-005-3a	IRO-010-1a	TOP-002-2.1b
CIP-006-3c	MOD-004-1	PRC-010-0
CIP-007-3a	MOD-017-0.1	PRC-022-1
CIP-007-3b	MOD-018-0	
CIP-008-3	MOD-019-0.1	

In total, 31 Reliability Standards apply to LSEs and of these, 11 are CIP Standards. The approved CIP V5 Standards have removed LSE as an applicable function and substituted the DP function. There are a number of standard development projects currently in development that are proposing to remove LSEs as an applicable entity, including:

- Reliability Standard EOP-011-1, which merges EOP-001-2.1b, EOP-002-3.1 and EOP-003-2, is currently in development in Project 2009-3 and is proposing to remove LSEs as an applicable entity.
- The TOP/IRO project has proposed to remove LSEs from the applicability of IRO-001-4 (which supersedes IRO-001-1.1) and the DP has been added in the proposed standard.<sup>12</sup> LSEs and PSEs have been deleted from IRO-001-1.1 as they are not listed as entities that the Reliability Coordinator directs in Functional Model v5. IRO-005-3.1a and IRO-010-1a are proposed for retirement and NERC will request the Board to rescind its approval of these standards and petition FERC to withdraw its petition for approval of these standards.
- The proposed PRC-010-1 and PRC-022-2 have removed LSEs.<sup>13</sup> PRC-010-0 and PRC-022-1 will be retired upon approval of Project 2008-02.

For these reasons, and the reasons discussed in Appendix A hereto, the elimination of LSEs from Reliability Standards is expected to have a minimal impact on reliability.

## Enforcement Statistics

NERC has reviewed the compliance history and the nature of instances of noncompliance relating to LSEs and determined that the removal of this function from the NCR poses an insignificant risk to the reliability of the BPS. Of the approximately 8,000 unique confirmed violations or posted issues, there have been 397 (4.96%) violations applied solely to the LSE function, and another two (included above as well in the PSE count) that were for LSE and PSE combined. Of these 397 violations, 370 (93.7%) were of Standards that are or would no longer be applicable to the LSE function after the removal of LSEs from the applicability section in CIP Version 5, Project 2008-02, Project 2009-03, and Project 2014-03. As discussed above, the only Reliability Standards that would

<sup>10</sup> Reliability Standard EOP-011-1, which merges EOP-001-2.1b, EOP-002-3.1 and EOP-003-2, is currently in development in Project 2009-3 and is proposing to remove Load-Serving Entities as an applicable entity. See <http://www.nerc.com/pa/Stand/Pages/Project-2009-03-Emergency-Operations.aspx>.

<sup>11</sup> MOD-031 is pending FERC approval. If approved, it results in the retirement of MOD-017, MOD-018, MOD-019, MOD-020 and MOD-021.

<sup>12</sup> [http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014\\_03\\_first\\_posting\\_iro\\_001\\_4\\_20140506\\_clean\\_final.pdf](http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_first_posting_iro_001_4_20140506_clean_final.pdf)

<sup>13</sup> [http://www.nerc.com/pa/Stand/Project%20200802%20Undervoltage%20Load%20Shedding%20DL/PRC-010-1\\_Draft\\_1\\_062414.pdf](http://www.nerc.com/pa/Stand/Project%20200802%20Undervoltage%20Load%20Shedding%20DL/PRC-010-1_Draft_1_062414.pdf).

remain applicable to LSEs are BAL-005-0.2b, FAC-002-1, INT-011-1, MOD-004-1, MOD-020-0, MOD-031-1, MOD-032-1, NUC-001-2.1, and TOP-002-2.1b). The remaining 27 instances of noncompliance with these Reliability Standards represent only approximately a third of a percent of all unique confirmed violations or posted issues.

Of these 27 remaining instances of noncompliance of the nine Reliability Standards that would remain applicable to LSEs, nine instances of noncompliance were for entities that are no longer on the NCR—all of the 27 instances posed only a minimal risk to the BPS. These instances of noncompliance were of IRO-005-1 (1 instance), MOD-019 (1 instance), MOD-020 (1 instance), and MOD-021 (1 instance), and TOP-002 (23 instances, 9 of which were for entities no longer on the NCR).

The single IRO-005 violation was of Requirement 13 and was filed in the Omnibus filing NP10-2-000. The three MOD violations were all self-reported by the same Registered Entity and were filed as FFTs in 2012. These instances were caused by an internal communication and administrative oversight that led to the entity not responding to the RE. The LSE at issue did not have any interruptible demands or Demand-Side Management programs, and any response to the request would have been null.

The TOP-002 instances of noncompliance included eight violations of TOP-002 R3 and 15 of R18. Of the remaining noncompliance with R3, one was caused by an email error where the entity had transmitted the information but the transmittal failed, in the second, the required data reporting was actually being performed by other entities on behalf of the LSE. The two remaining R18 violations were caused by insufficient documentation that neighboring entities used uniform line identifiers where the REs found that the LSE at issue did in fact use uniform line identifiers; they just did not have adequate documentation of that fact.

Based upon this compliance history and the nature of the issues, potential noncompliance by LSEs pose little risk to the reliability of the BPS.

### **Regional Entity Survey Responses**

The REs supported the removal of the LSE function from the NCR.

RF confirmed that if this function was eliminated from the Registry Criteria, it would still be able to obtain any necessary information for modeling and studies. In addition, RF identified four Standard requirements for further review to determine if LSEs were necessary for reliability. Two of these standards, EOP-002 R9.1 and TOP-002 R3, are already being revised to remove the LSE function.<sup>14</sup> The standard TOP-001 R4 already includes the DP as an applicable function with the same duties as the LSE. Finally, the VAR-001 R5 revision in Version 4, approved by FERC, has removed the LSE function from its applicability section.

TRE has determined that there would not be a reliability gap if LSEs were removed from the NCR. For example, there are 59 entities registered as an LSE in ERCOT region. Of the 59 LSEs, 53 are also registered for other functions whose responsibilities overlap, to some extent, with those of the LSEs. Consequently, there are only six LSEs that are registered solely for that function in TRE. TRE determined that the removal of these six entities from the NCR would not pose a reliability gap since these six entities have Market Participation agreements that can be enforced as market rules.

Information developed with respect to the PSE function above also is relevant with respect to analysis of the LSE function:

For example, in NPCC all market participants adhere to the ISO market rules and tariffs. These tariffs require participants to provide the ISOs with data regarding their market operation activities. NPCC then

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<sup>14</sup> Available at: [http://www.nerc.com/pa/Stand/Project%20200903%20Emergency%20Operations%20DL/Draft\\_2\\_EOP-011-1%20Emergency%20Operations\\_informal\\_posting\\_lka.pdf](http://www.nerc.com/pa/Stand/Project%20200903%20Emergency%20Operations%20DL/Draft_2_EOP-011-1%20Emergency%20Operations_informal_posting_lka.pdf) and [http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014\\_03\\_first\\_posting\\_top\\_002\\_4\\_20140514\\_clean\\_final.pdf](http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_first_posting_top_002_4_20140514_clean_final.pdf)

collects its data through working groups for both short-term and long-term reliability studies. If the PSE is removed, NPCC would be able to collect any necessary data through these alternative methods.

Entities in the SPP RE Region performing the activities described under the PSE function, whether registered or not, are still responsible for entering information into the E-Tag system. The TOP function independently monitors and sends real-time data via the Inter-Control Center Protocol to the Reliability Coordinator.

Finally, in TRE, data is provided by entities each year via the regional planning and reliability analysis to meet NERC requirements. Real-time data and operational planning information would continue to be provided by entities as required by the ERCOT regional rules.

These examples illustrate that information can be obtained through existing sources.

### **Conclusion**

LSEs can be removed from the NCR with little to no impact on the reliability of the BPS. Reliability tasks are performed, and information for modeling and studies is provided, by other functional registration categories under existing Reliability Standards. Information in some areas also is available as a result of market rules in the Region. A large number of LSEs are registered as DPs. Moreover, many Reliability Standards requiring provision of data are also applicable to DPs, BAs, or RPs, and these entities also have the information generally provided by LSEs. The removal of this entity will be implemented through the registration process. For future consistency, conforming changes will be made to the Reliability Standards through the Standards Development Process.



# Chapter 4 – Threshold Change for Distribution Providers

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## Background

### Definition of Distribution Provider

Pursuant to the NERC Functional Model, DPs are the functional entities that interconnect an end-use customer Load and the electric system for the transfer of electrical energy to the end-use customer. DPs provide and operate the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the TO also serves as the DP. Thus, the DP is not defined by a specific voltage, but rather as performing the distribution function at any voltage. Based on the RBR design, the DP is proposed to be defined as follows:

#### *III(a) DP:*

*III.a.1. DP system serving > 75 MW of peak Load that is directly connected to the Bulk Electric System,<sup>15</sup> or*

*III.a.2. DP is the responsible entity that owns, controls, or operates Facilities that are part of any of the following Protection Systems or programs designed, installed, and operated for the protection of the BES:<sup>16</sup>*

- *A required Under-Voltage Load Shedding (UVLS) program and/or*
- *A required Special Protection System or Remedial Action Scheme and/or;*
- *A required Transmission Protection System; or*

*III.a.3. DP that is responsible for providing services related to Nuclear Plant Interface Requirements (NPIRs) pursuant to an executed agreement; or*

*III.a.4. DP with field switching personnel identified as performing unique tasks associated with the TOP's restoration plan that are outside of their normal tasks.*

#### *III(b) DP with UFLS-only assets (referred to as “UFLS-Only DP”)*

*III.b.1. UFLS-Only Distribution Provider does not meet any of the other registration criteria in Sections III(a)(1)-(4) for a Distribution Provider; and*

*III.b.2 UFLS-Only Distribution Provider is the responsible entity that owns, controls, or operates UFLS Protection System(s) needed to implement a required UFLS Program designed for the protection of the BES.*

*The Reliability Standards applicable to UFLS-Only Distribution Providers are: (1) PRC-006-1, PRC-006-2 and (2) any regional Reliability Standard whose purpose is to develop or establish a UFLS Program [PRC-006-NPCC-1 and PRC-006-SERC-01]. Reliability Standards PRC-005-2, PRC-005-3, and PRC-008-0 are not applicable to UFLS-Only Distribution Providers. Reliability Standards that apply to Distribution Providers will not apply to UFLS-Only Distribution Providers, unless explicitly stated in the applicability section.*

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<sup>15</sup> Ownership, control or operation of UFLS Protection System(s) needed to implement a required UFLS Program designed for the protection of the BES does not affect an entity's eligibility for registration pursuant to III.a.1.

<sup>16</sup> As used in Section III.a.2, “protection of the Bulk Electric System” means protection to prevent instability, Cascading, or uncontrolled separation of the BES and not for local voltage issues (Under voltage load shedding) or local line loading management (Special Protection Systems) that are demonstrated to be contained within a local area.

## Applicable Reliability Standards

DPs are currently subject to the following NERC Reliability Standards:

Reliability Standards Applicable to DPs		
CIP-002-5.1	EOP-004-2	PRC-011-0
CIP-003-5	EOP-005-2	PRC-012-0*
CIP-004-5.1	FAC-002-1	PRC-015-0
CIP-005-5	MOD-031-1	PRC-016-0.1
CIP-006-5	NUC-001-2.1	PRC-017-0
CIP-007-5	PRC-004-2.1a	PRC-021-1
CIP-008-5	PRC-005-1.1b	PRC-022-1
CIP-009-5	PRC-005-2	PRC-023-2
CIP-010-1	PRC-005-3	PRC-023-3
CIP-011-1	PRC-006-NPCC-1	PRC-025-1
COM-001-2	PRC-006-SERC-01	TOP-001-1a
COM-002-3	PRC-008-0	
COM-002-4	PRC-010-0	

\* Pending regulatory approval

## Enforcement Statistics

NERC has reviewed the compliance history and the nature of instances of noncompliance relating to currently registered DPs that, due to the recommended revisions to Appendix 5B, will potentially be deregistered and determined that the proposed revisions would not pose a significant risk to the reliability of the BPS.

Of the over 8,000 unique instances of noncompliance NERC has processed since 2007, only eight violations (from five unique entities), or .1% of the total confirmed instances of noncompliance, have been for entities that may potentially be deactivated for the DP function. All of these violations were of PRC-005, four were for Requirement 1 and four were for Requirement 2. None of the noncompliance posed a serious risk to the Bulk-Power System and NERC processed all as either Spreadsheet Notices of Penalty or posted as FFTs.

NERC filed two of the instances with moderate risk to the reliability of the BPS. The first involved a failure to provide maintenance and testing intervals and the basis for those intervals for 100% of transmission Protection System relays, battery systems, and voltage and current sensing devices. However, the risk was mitigated by the fact the entity was performing monthly inspections of the devices, the devices were monitored by Supervisory Control and Data Acquisition and state estimators, and inspecting personnel had never reported any problems.

The second instance failed to test all ten of the entity's transmission relays within a five-year interval—the testing was five months late. The risk was mitigated because all other Protection System devices were tested and maintained within the intervals stated in the program and the entity had alarming in place via a Supervisory Control and Data Acquisition system, which would have immediately notified its headquarters and operations supervisors of any device failures.

The remaining six instances of noncompliance all posed a minimal risk to the reliability of the BPS. Most of these instances were due to documentation errors or failure to retain evidence of testing. The remaining represented small percentages (5% or less) of missed devices. In several instances, although the entities failed to document a basis for the maintenance and testing intervals in their Programs, they did actually include maintenance and testing intervals in its Program and completed such testing.

Based on this compliance history and the nature of the violations of these Requirements relating to DPs that NERC has identified as possibly being eligible for deregistration from the NCR, NERC has determined such deregistration poses an insignificant risk to the reliability of the BPS.

### Definition of Bulk Electric System

The revised Definition of BES went into effect on July 1, 2014 and includes processes for notifications of self-determined exclusions and inclusions, as well as exception requests to add elements to, or remove elements from, the BES on a case-by-case basis. Importantly, the BES Definition includes thresholds for transmission and generation owners and operators, but not users of the BES.

- **BES:** Unless modified by the lists shown below, all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher. This does not include facilities used in the local distribution of electric energy.
  - **Inclusion I1 (Transformers):** Transformers with the primary terminal and at least one secondary terminal operated at 100 kV or higher unless excluded by application of Exclusion E1 or E3.
  - **Inclusion I2 (Generating Resources):** Generating resource(s) including the generator terminals through the high-side of the step-up transformer(s) connected at a voltage of 100 kV or above with:
    - Gross individual nameplate rating greater than 20 MVA. Or,
    - Gross plant/facility aggregate nameplate rating greater than 75 MVA.
  - **Inclusion I3 (Blackstart Resources):** Blackstart Resources identified in the TOP's restoration plan.
  - **Inclusion I4 (Dispersed Power Producing Resources):** Dispersed power producing resources that aggregate to a total capacity greater than 75 MVA (gross nameplate rating), and that are connected through a system designed primarily for delivering such capacity to a common point of connection at a voltage of 100 kV or above. Thus, the facilities designated as BES are:
    - The individual resources, and
    - The system designed primarily for delivering capacity from the point where those resources aggregate to greater than 75 MVA to a common point of connection at a voltage of 100 kV or above.
  - **Inclusion I5 (Static or Dynamic Reactive Power Devices):** Static or dynamic devices (excluding generators) dedicated to supplying or absorbing Reactive Power that are connected at 100 kV or higher, or through a dedicated transformer with a high-side voltage of 100 kV or higher, or through a transformer that is designated in Inclusion I1 unless excluded by application of Exclusion E4.
  - **Exclusion E1 (Radial Systems):** A group of contiguous transmission Elements that emanates from a single point of connection of 100 kV or higher and:
    - Only serves Load. Or,
    - Only includes generation resources, not identified in Inclusions I2, I3, or I4, with an aggregate capacity less than or equal to 75 MVA (gross nameplate rating). Or,
    - Where the radial system serves Load and includes generation resources, not identified in Inclusions I2, I3 or I4, with an aggregate capacity of non-retail generation less than or equal to 75 MVA (gross nameplate rating).

Note 1 – A normally open switching device between radial systems, as depicted on prints or one-line diagrams for example, does not affect this exclusion.

Note 2 – The presence of a contiguous loop, operated at a voltage level of 50 kV or less, between configurations being considered as radial systems, does not affect this exclusion.

- **Exclusion E2 (Behind the Meter Generation):** A generating unit or multiple generating units on the customer’s side of the retail meter that serve all or part of the retail Load with electric energy if: (i) the net capacity provided to the BES does not exceed 75 MVA, and (ii) standby, back-up, and maintenance power services are provided to the generating unit or multiple generating units or to the retail Load by a BA, or provided pursuant to a binding obligation with a Generator Owner (GO) or Generator Operator (GOP), or under terms approved by the applicable regulatory authority.
- **Exclusion E3 (Local Networks):** Local networks (LN): A group of contiguous transmission Elements operated at less than 300 kV that distribute power to Load rather than transfer bulk power across the interconnected system. LN’s emanate from multiple points of connection at 100 kV or higher to improve the level of service to retail customers and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:
  - Limits on connected generation: The LN and its underlying Elements do not include generation resources identified in Inclusions I2, I3, or I4 and do not have an aggregate capacity of non-retail generation greater than 75 MVA (gross nameplate rating);
  - Real Power flows only into the LN and the LN does not transfer energy originating outside the LN for delivery through the LN; and
  - Not part of a Flowgate or transfer path: The LN does not contain any part of a permanent Flowgate in the Eastern Interconnection, a major transfer path within the Western Interconnection, or a comparable monitored Facility in the ERCOT or Quebec Interconnections, and is not a monitored Facility included in an Interconnection Reliability Operating Limit (IROL).
- **Exclusion E4 (Reactive Power Devices):** Reactive Power devices installed for the sole benefit of a retail customer(s).

As demonstrated above, the proposed greater than 75 MW peak load threshold for the DP function tracks as an equivalent to the 75 MW generation thresholds in Inclusions I2 and I4, and Exclusion E1, of the BES Definition. There is no reliability reason to treat 75 MW of load as more important than 75 MW of generation; indeed, from a reliability perspective, load actually has less impact than an equivalent amount of generation.

## Materiality

If an entity meets the Registry Criteria, there is a rebuttable presumption that it has a material impact on the reliability of the BPS, and it is in a pool of eligible candidates that NERC and the REs may identify for registration. NERC and the REs may exercise discretion not to pursue registration of an entity that meets the Registry Criteria threshold criteria if not warranted by reliability considerations. Where registration is pursued, an entity that meets the Registry Criteria threshold criteria may nevertheless be able to demonstrate through a materiality test that it is not material to reliability and should not be registered. In addition, the materiality test may be used to establish that an entity that does not meet Registry Criteria should be registered because it does have a material impact on reliability. Such a process parallels the BES Definition and exception process, where after application of the bright-line criteria, exceptions can be justified (both above-the-line and below-the-line).

Therefore, if a DP does not meet the criteria outline above, but does have a material impact on reliability, it can be registered by NERC and the REs and would be subject to NERC Reliability Standards.

## Methods used to Support Threshold Change

### Reliability Coordinator Analysis

In order to assess the impact of modifying the criteria for DPs, RCs were asked to conduct an analysis focused on identifying any reliability consequences from not receiving operational data from DPs under 75 MW peak load.

The analysis was based on the following question:

1. For the DPs that are under 75 MW peak load and will no longer be on the NCR, what would be the consequences from these DPs not providing operational data to their RCs?

Data was collected from RCs on a voluntary basis. Out of 11 RCs, five provided studies and four others provided statements.

### Results Summary

Please see Appendix B regarding the studies.

- RC studies indicate no adverse impacts resulting from proposed DP threshold change.
- RCs indicated that the amount of load and the affected areas were insignificant and study results showed little impact.
- RCs will continue to have DPs in operating models regardless of NERC registration.
- RCs studies indicate that the effects of not receiving operational data from DPs expected to be removed from the registry has no adverse impacts to the BPS.
- RCs have removed over 40 DPs/LSEs from the NCR since November 2013, and have continued to receive operating data necessary to properly monitor the BPS. In addition, respondents stated there have been no instances of entities that have been removed failing to comply with reliability directives. All RCs stated that no reliability gaps would be created by raising the DP threshold to 75 MW.

### Planning Coordinators Analysis

In order to assess any impact from not requiring the small sub-set of those DPs that participate in a required UFLS program that have a peak load less than <75 MW to maintain their UFLS relays as called for in NERC Reliability Standard (PRC-005), Planning Coordinators were asked to conduct an analysis of reliability impacts from UFLS-Only DP failure to provide load shedding.

The analysis was based on the following question:

- *For the DPs that have UFLS under 75 MW peak load, if 25% of the UFLS did not respond, what would the consequences be (e.g. cascading outages, etc.)?*

Data was collected on a voluntary basis. Of all 74 Planning Coordinators registered in the U.S., five Planning Coordinators responded with studies and certain other Planning Coordinators responded with statements. Nearly all of the Planning Coordinators completed surveys in support of this effort.

### Results Summary

- All respondents stated that no reliability gaps would be created if 25% of UFLS from these DPs did not respond.
- Statistical analysis measuring the impacts of removing DPs from the NCR and the effects from UFLS only DPs not providing their load shedding obligation demonstrates that such impacts and effects are insignificant.
- A NERC Survey indicates that 71% of UFLS relays are now microprocessor based relays. Microprocessor relays are self-analyzing and highly reliable.

Please see Appendix B regarding the studies.

## Statistical Analysis

To assess the impact of increasing the peak load threshold for DPs from 25 to 75 MW; NERC conducted a screening evaluation designed to determine if there is any evidence to indicate that the proposed threshold changes significantly increase the risk to reliability. This assessment does not detail the potential impact for any individual system; rather, it explores the overall potential or increased likelihood, if any, of an adverse reliability impact (uncontrolled cascading, instability, etc.).

## Overview

The RBR initiative proposes to increase the criteria for registration of DPs from the current 25 MW peak load value, to 75 MW, with a provision to retain registration of DPs below 75 MW if they have UFLS systems. The proposal would also retain registration of DPs below 75 MW which own or operate Protection Systems important for reliability such as SPSs, Remedial Action Schemes, UVLS, or other transmission Protection Systems, in addition to UFLS systems.

## Approach

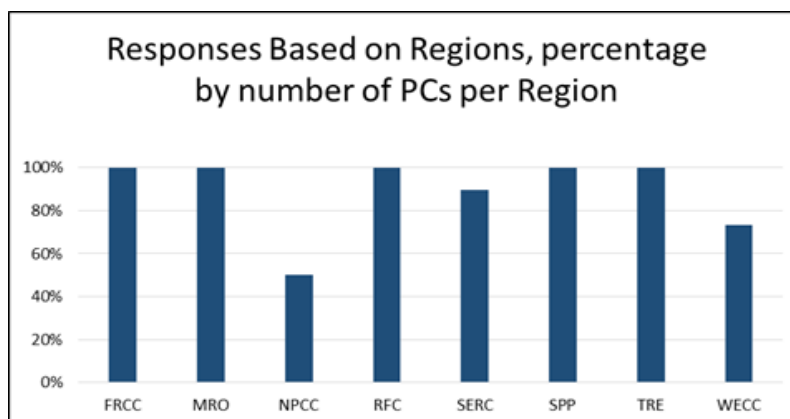
NERC requested the following information from all 74 Planning Coordinator registered in the U.S.:

- List of DPs less than 75 MW in the Planning Coordinator’s area
- DP peak demand
- Planning Coordinator peak demand
- Planning Coordinator load armed for UFLS (total program)
- If any DPs (less than 75 MW) have a UFLS program, how much load is armed per DP
- Other BES facilities/responsibilities (e.g., UVLS, SPS or RAS, transmission Protection Systems, etc.)

Data was collected on a voluntary basis.

## Population Analyzed

Of the total 74 registered Planning Coordinators in the U.S. representing approximately 800,000 MW of peak load, 64 Planning Coordinators responded representing 680,000 MW (85%) of U.S. peak load. The sample size is representative of the total population of DPs. Details of the data analyzed are shown in Figure 2.



**Figure 2 – Population and Demographic Dispersion of the Analyzed Population**

## Caveats

- Sample data is based on 85% (64 out of 74) of the total number of Planning Coordinators in the United States.

- Sample data represents 85% (680,000 MW out of ~800,000 MW) of all NERC load in the United States.
- Evaluation is based on "peak demand" values.
  - Forecasted peak demand values are subject to assumptions of customer's electric use and load characteristics, whereas actuals are highly sensitive to seasonal weather.

### Statistical Analysis

Projected load was used as the basis for the analysis.

**Table 1: Evaluation of Peak Demand and DP UFLS Screening**

U.S. Peak Load	~800,000 MW
Total Planning Coordinator load reported (Population Analyzed)	680,000 MW
Total load of Planning Coordinators with DPs <75 MW	472,000 MW
Total DP load <75 MW	3,500 MW
Number of DPs <75 MW who contribute to Planning Coordinator's UFLS program	52 (out of 485)
Planning Coordinator load armed with UFLS (for Planning Coordinators with DPs <75 MW, 25% to 30% of total Planning Coordinator load)	118,000 to 142,000 MW
Reported load shedding contribution to UFLS Programs by those DPs <75 MW	1,000 MW
Load contribution to the Planning Coordinator's UFLS program	0.44 % to 0.73 %
Projected armed UFLS load failing to trip because of UFLS relay failures (10-25%) due to not being maintained per PRC-005	100 to 250 MW
Predicted percentage of UFLS-armed load at risk of failing to trip	<0.44%

### Reliability Analysis

The proposed UFLS-only DP registration requires compliance solely with Standard PRC-006. This is based on the very conservative assumption that UFLS programs in the U.S. can withstand 10-25% of the relays of these small entities failing to operate due to maintenance not being performed in accordance with PRC-005, without significant negative effects. Assuming a very conservative 25% UFLS failure rate for UFLS-Only DPs, as a result of the elimination of PRC-005 obligations for such entities, 100-250 MW of the load studied in this analysis would fail to trip, making the predicted UFLS-armed load at risk of failing to trip less than 0.44%. Assessing the risk in this manner is appropriate because UFLS operates on an area basis, and so failure of a few relays does not pose a significant risk.

Based on the respondents' data submittals, the reported information regarding small DPs' contributions to UFLS programs is believed to be representative of the NERC-wide distribution, and major concentrations do not exist in the unreported data that significantly exceed those reported on a regional basis or Planning Coordinator basis. Based on the analysis, subjecting UFLS-Only DPs solely to PRC-006 would sustain reliability.

### Applicable Reliability Standards for UFLS-Only Distribution Providers

Additionally, NERC also analyzed the effects from the potential loss of all of the UFLS capability from DPs that (i) are less than 75 MW peak load and have no other specific materiality to BES reliability, but (ii) participate in a required UFLS program. Such entities are proposed to be subject to registration as a UFLS-Only DP. These DPs would have to adhere solely to Protection and Control (PRC) PRC-006 and PRC-006 Regional Reliability Standards. This standard does not have a requirement for relay maintenance (which is instead covered by PRC-005, requiring



testing every 12 years). A conservative view of the potential impact of eliminating PRC-005 compliance obligations for UFLS-Only DPs was modeled assessing the risk of UFLS failure to operate or misoperation. This analysis was needed to assess the risk to reliability from DPs that do not meet any other DP registration criteria, except participating in a required UFLS program.

PRC-005-2 requires testing of these relays only once every 12 years. With respect to UFLS-Only DPs, there appears to be little risk to reliability resulting from failure to test and maintain the handful of relays, out of thousands, that would no longer be covered by PRC-005. Due to technological advances, a majority of the newer or modern relays being deployed to the industry today (71%) are self-maintaining and self-checking. This trend continues with several electromechanical relays replaced with one microprocessor relay. The possible reliability benefits of continuing to enforce compliance with PRC-005's 12-year testing requirements by these small entities are further diminished by the risk associated with the mere act of opening up a microprocessor relay for inspection and maintenance.

### **Conclusions and Recommendations**

Based on the DP population analyzed, the following conclusions can be drawn:

1. UFLS-armed load contribution of DPs under 75 MW is small compared to the total UFLS-armed load of the Planning Coordinators that have such entities in their UFLS programs.
2. Requiring UFLS-Only DPs to comply solely with PRC-006 does not pose a material risk to the BPS.
3. DPs under 75 MW of peak load, that do not meet other DP registration criteria, expected to be deactivated from the NCR do not pose material risks to the BPS.

*The results of the analysis confirm that the proposed modifications to the criteria for DPs should not impact the reliability of the BPS.*



## Chapter 5 – Conclusion

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The RBR Task Force conducted a three-step process to yield a technical justification for the removal of PSEs, LSEs, and IAs from the NCR. In addition, the process was conducted to yield technical justifications for the establishment of a DP threshold of 75 MW and establish justifications for UFLS-only DP criteria. As a result of the surveys, studies and analyses conducted, NERC has determined the following:

- PSEs can be removed from the NCR with little to no impact on the reliability of the BPS. In considering elimination of the PSE, NERC took into account that it is total interchange (i.e., the sum of the individual transactions), rather than individual transactions, that is important for reliability purposes, and management of total interchange is within the purview of the BA. To the extent there is currently no NAESB counterpart (i.e., INT-004, dynamic transfers), it is for NAESB to determine whether a business practice or standard is required for commercial purposes—material reliability concerns are not raised, because the correct transfers are accounted for in Area Control Error and System Operating Limits.
- LSEs can be removed from the NCR with little to no impact on the reliability of the BPS. Information for modeling and studies is provided by other functional registration categories under existing Reliability Standards. Information in some areas also is available as a result of market rules in the region. A large number of LSEs are registered as DPs. Moreover, many Reliability Standards requiring provision of data are also applicable to DPs, BAs, or RPs, and these entities also have the information generally provided by Load Serving Entities. The removal of this entity will be implemented through the registration process. For future consistency, conforming changes will be made to the Reliability Standards through the Standards Development Process.
- IAs can be removed from the NCR with little to no impact on the reliability of the BPS. With respect to the CIP standards, all of the IAs are also registered as either BAs, RCs, or both, therefore no material reliability gap is created by eliminating the IA registration prior to modifying the standards. Removal of the IA references in the CIP standards can be addressed through after-the-fact cleanup. The removal of IAs is consistent with the recently approved revisions to the Interchange Scheduling and Coordination Reliability Standards in Docket No. RD14-4-000, which removed IAs as applicable entities.
- All survey respondents stated that no reliability gaps would be created by raising the DP threshold to 75 MW. NERC and REs have removed over 40 DPs/LSEs from the NCR since November 2013 and RCs have continued to receive operating data necessary to properly monitor the BPS. Most of these were in the WECC Region following FERC’s decision in SLECA.
- The increase in the threshold for DPs is consistent with the thresholds of Inclusion I2 (Generating Resources), Inclusion I4 (Dispersed Power Producing Resources) and Exclusion E1 (Radial Systems) of the revised BES definition.
- Most respondents support a UFLS-Only DP sub-set list limited to NERC and RE PRC-006 Reliability Standards. While some commenters and survey respondents support application of PRC-005, this is not needed for reliability of the BPS and the administrative burdens of compliance are not outweighed by any marginal reliability benefits. The UFLS-Only DPs represent a small percentage of all DPs and a correspondingly low percentage of UFLS contribution. Due to technological advances, a majority of the newer relays being deployed to the industry today (71%) are self-maintaining and self-checking. This trend continues with several electromechanical relays being replaced with one microprocessor relay. The possible reliability benefits of continuing to enforce compliance with PRC-005’s 12-year testing requirements by these small entities is further diminished by the risk associated with the mere act of opening up a microprocessor relay for inspection and maintenance.

## Appendix A: Mapping Document

Provided below for informational purposes, is a list of the Reliability Standards that include the applicable entities affected by the revisions proposed in the RBR Initiative. Upon FERC approval of the RBR filing, Standard Authorization Requests (SARs) will be developed as needed to revise Reliability Standards and/or terms used in the *NERC Glossary of Terms Used in Reliability Standards* to remove these functions. Any Reliability Standard Requirement that references an entity proposed for deactivation will be moot and not enforceable.

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
LSE	Enforceable	CIP Version 3			Revisions will not be necessary because the approved CIP V5 Standards have removed LSE as an applicable function and substituted the DP function. NERC reviewed the CIP audit reports for LSEs and determined that of the 174 LSE/DPs, 98 have received audits since 2011. Of these 98, only three were onsite audits--all three entities were determined to not own any critical assets. Off-site CIP compliance audits are typically only conducted for those entities required to self-certify only for CIP-002 and CIP-003's senior manager requirement, i.e. entities without Critical Cyber Assets.	
LSE	Future Enforceable	CIP Version 5			None.	
LSE	Enforceable	BAL-005-0.2b	R1.3.	Each LSE with load operating in an Interconnection shall ensure that those loads are included within the metered boundaries of a BA Area.	This requirement will be effectively retired by the deactivation of LSEs. A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to	BAL-001-1 requires a BA to balance its Area Control Error, and this requires the BA to ensure load is captured

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
					revise the BAL standards to address removing the LSE function since the BA already covers this function.	correctly within its metered boundaries. Also BAL-005-2b, R8 requires “The Balancing Authority shall ensure that data acquisition for and calculation of ACE occur at least every six seconds.”
LSE	Enforceable	EOP-002-3.1	R9.	When a Transmission Service Provider expects to elevate the transmission service priority of an Interchange Transaction from Priority 6 (Network Integration Transmission Service from Non-designated Resources) to Priority 7 (Network Integration Transmission Service from designated Network Resources) as permitted in its transmission tariff:	None- because the proposed EOP-011 has removed the LSE function: <a href="http://www.nerc.com/pa/Stand/Project%20200903%20Emergency%20Operations%20DL/Draft_2_EOP-011-1%20Emergency%20Operations_informal_posting_lka.pdf">http://www.nerc.com/pa/Stand/Project%20200903%20Emergency%20Operations%20DL/Draft_2_EOP-011-1%20Emergency%20Operations_informal_posting_lka.pdf</a>	
LSE	Enforceable	EOP-002-3.1	R9.1.	The deficient LSE shall request its RC to initiate an Energy Emergency Alert in accordance with Attachment 1-EOP-002 “Energy Emergency Alerts.”	None, the proposed EOP-011 has removed the LSE function: <a href="http://www.nerc.com/pa/Stand/Project%20200903%20Emergency%20Operations%20DL/Draft_2_EOP-011-1%20Emergency%20Operations_informal_posting_lka.pdf">http://www.nerc.com/pa/Stand/Project%20200903%20Emergency%20Operations%20DL/Draft_2_EOP-011-1%20Emergency%20Operations_informal_posting_lka.pdf</a>	
LSE	Enforceable	FAC-002-1	R1.	The GO, TO, DP, and LSE seeking to integrate generation facilities, transmission facilities, and electricity end-user facilities shall	The LSE-only function does not own any facilities that would be interconnecting, and the DP is actually the proper functional entity to	The DP already is subject to this requirement. DPs typically carry out load shedding. Load-Serving

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				each coordinate and cooperate on its assessments with its Transmission Planner and Planning Authority (PA). The assessment shall include:	coordinate and cooperate with the TP and Planning Coordinator/PA. A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the FAC standards to remove the LSE function.	Entities are not required to and do not own or operate any equipment.
LSE	Enforceable	FAC-002-1	R1.1.	Evaluation of the reliability impact of the new facilities and their connections on the interconnected transmission systems.	The LSE-only function does not own any facilities that would be interconnecting, and the DP is actually the proper functional entity to coordinate and cooperate with the TP and Planning Coordinator/PA. A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the FAC standards to remove the LSE function.	The DP already is subject to this requirement. DPs typically carry out load shedding. Load-Serving Entities are not required to and do not own or operate any equipment.
LSE	Enforceable	FAC-002-1	R1.2.	Ensure compliance with NERC Reliability Standards and applicable Regional, subregional, Power Pool, and individual system planning criteria and facility connection requirements.	The LSE-only function does not own any facilities that would be interconnecting, and the DP is actually the proper functional entity to coordinate and cooperate with the TP and Planning Coordinator/PA. A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the FAC standards to remove the LSE function.	The DP already is subject to this requirement. DPs typically carry out load shedding. Load-Serving Entities are not required to and do not own or operate any equipment.
LSE	Enforceable	FAC-002-1	R1.3.	Evidence that the parties involved in the assessment have coordinated and cooperated on the assessment of the reliability impacts of new facilities on the interconnected transmission	The LSE-only function does not own any facilities that would be interconnecting, and the DP is actually the proper functional entity to coordinate and cooperate with the TP and Planning Coordinator/PA. A SAR	The DP already is subject to this requirement. DPs typically carry out load shedding. Load-Serving Entities are not required

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				systems. While these studies may be performed independently, the results shall be jointly evaluated and coordinated by the entities involved.	will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the FAC standards to remove the LSE function.	to and do not own or operate any equipment.
LSE	Enforceable	FAC-002-1	R1.4.	Evidence that the assessment included steady-state, short-circuit, and dynamics studies as necessary to evaluate system performance under both normal and contingency conditions in accordance with Reliability Standards TPL-001-0, TPL-002-0, and TPL-003-0.	The LSE-only function does not own any facilities that would be interconnecting, and the DP is actually the proper functional entity to coordinate and cooperate with the TP and Planning Coordinator/PA. A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the FAC standards to remove the LSE function.	The DP already is subject to this requirement. DPs typically carry out load shedding. Load-Serving Entities are not required to and do not own or operate any equipment.
LSE	Enforceable	FAC-002-1	R1.5.	Documentation that the assessment included study assumptions, system performance, alternatives considered, and jointly coordinated recommendations.	The LSE-only function does not own any facilities that would be interconnecting, and the DP is actually the proper functional entity to coordinate and cooperate with the TP and Planning Coordinator/PA. A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the FAC standards to remove the LSE function.	The DP already is subject to this requirement. DPs typically carry out load shedding. Load-Serving Entities are not required to and do not own or operate any equipment.
LSE	Pending Regulatory Approval	FAC-002-2	R3	Each TO, each DP, and each LSE seeking to interconnect new transmission Facilities or electricity end-user Facilities, or to materially modify existing interconnections of transmission Facilities or electricity end-user	The LSE-only function does not own any facilities that would be interconnecting, and the DP is actually the proper functional entity to coordinate and cooperate with the TP and Planning Coordinator/PA. A SAR will be created upon FERC approval of	The DP already is subject to this requirement. The DP is the proper functional entity to coordinate and cooperate with the TP and Planning

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				Facilities, shall coordinate and cooperate on studies with its Transmission Planner or Planning Coordinator, including but not limited to the provision of data as described in R1, Parts 1.1-1.4.	the RBR filing. The SAR will request a project commence to revise the FAC standards to remove the LSE function.	Coordinator/PA because the LSE is not required to and does not own any facilities that would be seeking to interconnect.
LSE	Enforceable	IRO-001-1.1	R8.	TOPs, BAs, GOPs, Transmission Service Providers, LSEs, and PSEs shall comply with RC directives unless such actions would violate safety, equipment, or regulatory or statutory requirements. Under these circumstances, the TOP, BA, GOP, Transmission Service Provider, LSE, or PSE shall immediately inform the RC of the inability to perform the directive so that the RC may implement alternate remedial actions.	None. The proposed IRO-001-4 has already removed the LSE function, and the DP has been added in the proposed standard: <a href="http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_first_posting_iro_001_4_2014_0506_clean_final.pdf">http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_first_posting_iro_001_4_2014_0506_clean_final.pdf</a>  LSEs and PSEs have been deleted from IRO-001-1.1 as they are not listed as entities that the Reliability Coordinator directs in Functional Model v5.	The DP already has been added in the proposed standard. The DP is the entity that would follow an RC directive.
LSE	Enforceable	IRO-005-3.1a	R10.	In instances where there is a difference in derived limits, the TOPs, BAs, GOPs, Transmission Service Providers, LSEs, and PSEs shall always operate the BES to the most limiting parameter.	No, The TOP/IRO project has recommended retiring this standard. See implementation plan: <a href="http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_third_posting_implementation_plan_20141002_clean.pdf">http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_third_posting_implementation_plan_20141002_clean.pdf</a>	
LSE	Enforceable	IRO-010-1a	R3.	Each BA, GO, GOP, IA, LSE, RC, TOP, and TO shall provide data and information, as specified, to the RC(s) with which it has a reliability relationship. (Violation	No, The TOP/IRO project has recommended retiring this standard. See implementation plan: <a href="http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/201403RvsnstoTOPandIROStndrds/2014_03_third_posting_implementation_plan_20141002_clean.pdf">http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/201403RvsnstoTOPandIROStndrds/2014_03_third_posting_implementation_plan_20141002_clean.pdf</a>	

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				Risk Factor: Medium) (Time Horizon: Operations Planning; Same-day Operations; Real-time Operations)	<a href="#">14_03_third_posting_implementation_plan_20141002_clean.pdf</a>	
LSE	Enforceable	MOD-004-1	R3.	Each LSE determining the need for Transmission capacity to be set aside as CBM for imports into a BA Area shall determine that need by:	These requirements can be retired based on other functions (DP, BA or TSP) that are responsible for acquiring extra capacity.	
LSE	Enforceable	MOD-004-1	R3.1.	Using one or more of the following to determine the GCIR: Loss of Load Expectation (LOLE) studies Loss of Load Probability (LOLP) studies Deterministic risk-analysis studies Reserve margin or resource adequacy requirements established by other entities, such as municipalities, state commissions, RTOs, ISOs, Regional Reliability Organizations, or REs	These requirements can be retired based on other functions (DP, BA or TSP) that are responsible for acquiring extra capacity.	
LSE	Enforceable	MOD-004-1	R3.2.	Identifying expected import path(s) or source region(s).	These requirements can be retired based on other functions (DP, BA or TSP) that are responsible for acquiring extra capacity.	
LSE	Enforceable	MOD-004-1	R10.	The LSE or BA shall request to import energy over firm Transfer Capability set aside as CBM only when experiencing a declared NERC Energy Emergency Alert (EEA) 2 or higher. [Time Horizon: Same-day Operations]	These requirements can be retired based on other functions (DP, BA or TSP) that are responsible for acquiring extra capacity.	

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
LSE	Enforceable	MOD-017-0.1	R1.	The LSE, PA and Resource Planner shall each provide the following information annually on an aggregated Regional, sub-regional, Power Pool, individual system, or LSE basis to NERC, the Regional Reliability Organizations, and any other entities specified by the documentation in Standard MOD-016-1_R1.	Being replaced by MOD-031; MOD-031 is pending regulatory approval.	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-017-0.1	R1.1.	Integrated hourly demands in megawatts (MW) for the prior year.	Being replaced by MOD-031; MOD-031 is pending regulatory approval.	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-017-0.1	R1.2.	Monthly and annual peak hour actual demands in MW and Net Energy for Load in gigawatt-hours (GWh) for the prior year.	Being replaced by MOD-031; MOD-031 is pending regulatory approval.	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-017-0.1	R1.3.	Monthly peak hour forecast demands in MW and Net Energy	Being replaced by MOD-031; MOD-031 is pending regulatory approval	MOD-031 requires the BA and Planning



## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				for Load in GWh for the next two years.		Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data required.
LSE	Enforceable	MOD-017-0.1	R1.4.	Annual Peak hour forecast demands (summer and winter) in MW and annual Net Energy for load in GWh for at least five years and up to ten years into the future, as requested.	Being replaced by MOD-031; MOD-031 is pending regulatory approval	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-018-0	R1.	The LSE, PA, Transmission Planner and Resource Planner's report of actual and forecast demand data (reported on either an aggregated or dispersed basis) shall:	Being replaced by MOD-031; MOD-031 is pending regulatory approval.	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-018-0	R1.1.	Indicate whether the demand data of nonmember entities within an area or Regional	Being replaced by MOD-031; MOD-031 is pending regulatory approval	MOD-031 requires the BA and Planning Coordinator first to

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				Reliability Organization are included, and		provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-018-0	R1.2.	Address assumptions, methods, and the manner in which uncertainties are treated in the forecasts of aggregated peak demands and Net Energy for Load.	Being replaced by MOD-031; MOD-031 is pending regulatory approval	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-018-0	R1.3.	Items (MOD-018-0_R 1.1) and (MOD-018-0_R 1.2) shall be addressed as described in reporting procedures developed for Standard MOD-016-1_R 1.	Being replaced by MOD-031; MOD-031 is pending regulatory approval	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-018-0	R2.	The LSE, PA, Transmission Planner, and Resource Planner shall each report data associated with Reliability Standard MOD-018-0_R1 to NERC, the Regional	Being replaced by MOD-031; MOD-031 is pending regulatory approval	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				Reliability Organization, LSE, PA, and Resource Planner on request (within 30 calendar days).		entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-019-0.1	R1.	The LSE, PA, Transmission Planner, and Resource Planner shall each provide annually its forecasts of interruptible demands and Direct Control Load Management (DCLM) data for at least five years and up to ten years into the future, as requested, for summer and winter peak system conditions to NERC, the Regional Reliability Organizations, and other entities (LSEs, Planning Authorities, and Resource Planners) specified Reliability Standard MOD-016-1_R 1 documentation in.	Being replaced by MOD-031; MOD-031 is pending regulatory approval	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-020-0	R1.	The LSE, Transmission Planner, and Resource Planner shall each make known its amount of interruptible demands and Direct Control Load Management (DCLM) to TOPs, BAs, and RCs on request within 30 calendar days.	Being replaced by MOD-031; MOD-031 is pending regulatory approval.	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
LSE	Enforceable	MOD-021-1	R1.	The LSE, Transmission Planner and Resource Planner's forecasts shall each clearly document how the Demand and energy effects of DSM programs (such as conservation, time-of-use rates, interruptible Demands, and Direct Control Load Management) are addressed.	Being replaced by MOD-031; MOD-031 is pending regulatory approval.	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-021-1	R2.	The LSE, Transmission Planner and Resource Planner shall each include information detailing how Demand-Side Management measures are addressed in the forecasts of its Peak Demand and annual Net Energy for Load in the data reporting procedures of Standard MOD-016-0_R1.	Being replaced by MOD-031; MOD-031 is pending regulatory approval	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Enforceable	MOD-021-1	R3.	The LSE, Transmission Planner and Resource Planner shall each make documentation on the treatment of its DSM programs available to NERC on request (within 30 calendar days).	Being replaced by MOD-031; MOD-031 is pending regulatory approval	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
LSE	Filed with FERC	MOD-031	R2.	Each Applicable Entity identified in a data request shall provide the data requested by its Planning Coordinator or BA in accordance with the data request issued pursuant to Requirement R1.	This standard only applies to an LSE if data is requested. However, since the DP and BA can provide the necessary data, the task force recommends removing the LSE. A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the MOD standards to address removing the LSE function.	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.
LSE	Filed with FERC	MOD-031	R4	Any Applicable Entity shall, in response to a written request for the data included in parts 1.3-1.5 of Requirement R1 from a Planning Coordinator, BA, Transmission Planner or Resource Planner with a demonstrated need for such data in order to conduct reliability assessments of the BES, provide or otherwise make available that data to the requesting entity. This requirement does not modify an entity's obligation pursuant to Requirement R2 to respond to data requests issued by its Planning Coordinator or BA pursuant to Requirement R1. Unless otherwise agreed upon, the Applicable Entity: <ul style="list-style-type: none"> <li>shall provide the requested data within 45 calendar days</li> </ul>	This standard only applies to an LSE if data is requested. However, since the DP and BA can provide the necessary data, the task force recommends removing the LSE. A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the MOD standards to address removing the LSE function.	MOD-031 requires the BA and Planning Coordinator first to provide data specifications to other entities. MOD-031 is applicable to both BAs and DPs, and either entity would have the required load data.

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				<p>of the written request, subject to part 4.1 of this requirement; and</p> <ul style="list-style-type: none"> <li>shall not be required to alter the format in which it maintains or uses the data.</li> </ul>		
LSE	Enforceable in the Future	MOD-032-1	R2.	Each BA, GO, LSE, Resource Planner, TO, and Transmission Service Provider shall provide steady-state, dynamics, and short circuit modeling data to its Transmission Planner(s) and Planning Coordinator(s) according to the data requirements and reporting procedures developed by its Planning Coordinator and Transmission Planner in Requirement R1. For data that has not changed since the last submission, a written confirmation that the data has not changed is sufficient.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the MOD standard to address removing the LSE function since the DP or BA already has or will provide the data to the TP or PA/Planning Coordinator.	The BA already is required by this standard to provide modeling data for the TP and Planning Coordinator.
LSE	Future Enforceable	MOD-032-1	R3.	Upon receipt of written notification from its Planning Coordinator or TransmissionPlanner regarding technical concerns with the data submitted under Requirement R2,including the technical basis or	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the MOD standard to address removing the LSE function since the DP or BA already has or will provide	The BA already is required by the standard to provide the modeling data for the TP and Planning Coordinator.

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				reason for the technical concerns, each notified BA, GO, LSE, Resource Planner, TO, or Transmission Service Provider shall respond to the notifying Planning Coordinator or Transmission Planner as follows: [See the standard for more information]	the data to the TP or PA/Planning Coordinator.	
LSE	Enforceable	NUC-001-2.1	R2.	The Nuclear Plant GOP and the applicable Transmission Entities shall have in effect one or more Agreements that include mutually agreed to NPIRs and document how the Nuclear Plant GOP and the applicable Transmission Entities shall address and implement these NPIRs.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard and is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R3.	Per the Agreements developed in accordance with this standard, the applicable Transmission Entities shall incorporate the NPIRs into their planning analyses of the electric system and shall communicate the results of these analyses to the Nuclear Plant GOP.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R4.	Per the Agreements developed in accordance with this standard, the applicable Transmission Entities shall:	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
						the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R4.1.	Incorporate the NPIRs into their operating analyses of the electric system.	A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R4.2.	Operate the electric system to meet the NPIRs.	A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R4.3.	Inform the Nuclear Plant GOP when the ability to assess the operation of the electric system affecting NPIRs is lost.	A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.



## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
LSE	Enforceable	NUC-001-2.1	R6.	Per the Agreements developed in accordance with this standard, the applicable Transmission Entities and the Nuclear Plant GOP shall coordinate outages and maintenance activities which affect the NPIRs.	A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The DP is the appropriate entity because it owns the facilities subject to the outage coordination and maintenance.
LSE	Enforceable	NUC-001-2.1	R8.	Per the Agreements developed in accordance with this standard, the applicable Transmission Entities shall inform the Nuclear Plant GOP of actual or proposed changes to electric system design, configuration, operations, limits, protection systems, or capabilities that may impact the ability of the electric system to meet the NPIRs.	A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The DP is the appropriate entity because it actually owns the facilities that would be subject to the design, configuration, and operation limits.
LSE	Enforceable	NUC-001-2.1	R9.	The Nuclear Plant GOP and the applicable Transmission Entities shall include, as a minimum, the following elements within the agreement(s) identified in R2:	A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.2.	Technical requirements and analysis:	A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
						the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.2.1	Identification of parameters, limits, configurations, and operating scenarios included in the NPIRs and, as applicable, procedures for providing any specific data not provided within the agreement.	A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.2.2	Identification of facilities, components, and configuration restrictions that are essential for meeting the NPIRs.	A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.2.3	Types of planning and operational analyses performed specifically to support the NPIRs, including the frequency of studies and types of Contingencies and scenarios required.	A SAR will be created upon FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
LSE	Enforceable	NUC-001-2.1	R9.3.	Operations and maintenance coordination:	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.3.1	Designation of ownership of electrical facilities at the interface between the electric system and the nuclear plant and responsibilities for operational control coordination and maintenance of these facilities.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.3.2	Identification of any maintenance requirements for equipment not owned or controlled by the Nuclear Plant GOP that are necessary to meet the NPIRs.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.3.3	Coordination of testing, calibration and maintenance of on-site and off-site power supply systems and related components.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
						the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.3.4	Provisions to address mitigating actions needed to avoid violating NPIRs and to address periods when responsible Transmission Entity loses the ability to assess the capability of the electric system to meet the NPIRs. These provisions shall include responsibility to notify the Nuclear Plant GOP within a specified time frame.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.3.5	Provision for considering, within the restoration process, the requirements and urgency of a nuclear plant that has lost all off-site and on-site AC power.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.3.6	Coordination of physical and cyber security protection of the BES at the nuclear plant interface to ensure each asset is covered under at least one entity's plan.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
						actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.3.7	Coordination of the NPIRs with transmission system SPSs and UFLS and UVLS programs.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.4.	Communications and training:	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.4.1	Provisions for communications between the Nuclear Plant GOP and Transmission Entities, including communications protocols, notification time requirements, and definitions of terms.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.4.2	Provisions for coordination during an off-normal or emergency event affecting the NPIRs, including the	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to	The DP already is subject to this Reliability Standard. The LSE is not

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				need to provide timely information explaining the event, an estimate of when the system will be returned to a normal state, and the actual time the system is returned to normal.	revise the NUC standard to address removing the LSE function	required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.4.3	Provisions for coordinating investigations of unplanned event causes affecting the NPIRs and developing solutions to minimize future risk of such events.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.4.4	Provisions for supplying information necessary to report to government agencies, as related to NPIRs.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Enforceable	NUC-001-2.1	R9.4.5	Provisions for personnel training, as related to NPIRs.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
						actually own facilities on NPIRs.
LSE	Pending Regulatory Approval	NUC-001-3	R2.	The Nuclear Plant GOP and the applicable Transmission Entities shall have in effect one or more Agreements [1] that include mutually agreed to NPIRs and document how the Nuclear Plant GOP and the applicable Transmission Entities shall address and implement these NPIRs.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Pending Regulatory Approval	NUC-001-3	R3.	Per the Agreements developed in accordance with this standard, the applicable Transmission Entities shall incorporate the NPIRs into their planning analyses of the electric system and shall communicate the results of these analyses to the Nuclear Plant GOP.:	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Pending Regulatory Approval	NUC-001-3	R4.	Per the Agreements developed in accordance with this standard, the applicable Transmission Entities shall: (please see standard for sub-requirements)	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.
LSE	Pending Regulatory Approval	NUC-001-3	R6.	Per the Agreements developed in accordance with this standard, the applicable Transmission Entities	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to	The DP already is subject to this Reliability Standard. The DP is the

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				and the Nuclear Plant GOP shall coordinate outages and maintenance activities which affect the NPIRs.	revise the NUC standard to address removing the LSE function.	appropriate entity because it owns the facilities subject to the outage coordination and maintenance.
LSE	Pending Regulatory Approval	NUC-001-3	R8.	Per the Agreements developed in accordance with this standard, the applicable Transmission Entities shall inform the Nuclear Plant GOP of actual or proposed changes to electric system design (e.g., protective relay set-points), configuration, operations, limits, or capabilities that may impact the ability of the electric system to meet the NPIRs.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function.	The DP already is subject to this Reliability Standard. The DP is the appropriate entity because it owns the facilities subject to system design changes.
LSE	Pending Regulatory Approval	NUC-001-3	R9.	The Nuclear Plant GOP and the applicable Transmission Entities shall include the following elements in aggregate within the Agreement(s) identified in R2. <ul style="list-style-type: none"> <li>Where multiple Agreements with a single Transmission Entity are put into effect, the R9 elements must be addressed in aggregate within the Agreements; however, each Agreement does not have to contain each element. The Nuclear Plant GOP and the Transmission Entity are responsible for ensuring all</li> </ul>	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the NUC standard to address removing the LSE function	The DP already is subject to this Reliability Standard. The LSE is not required to and does not own any equipment, and the DP is the appropriate entity because it would actually own facilities on NPIRs.



LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				<p>the R9 elements are addressed in aggregate within the Agreements.</p> <ul style="list-style-type: none"> <li>Where Agreements with multiple Transmission Entities are required, the Nuclear Plant GOP is responsible for ensuring all the R9 elements are addressed in aggregate within the Agreements with the Transmission Entities. The Agreements with each Transmission Entity do not have to contain each element; however, the Agreements with the multiple Transmission Entities, in the aggregate, must address all R9 elements. For each Agreement(s), the Nuclear Plant GOP and the Transmission Entity are responsible to ensure the Agreement(s) contain(s) the elements of R9 applicable to that Transmission Entity. (please see standard for sub-requirements)</li> </ul>		
LSE	Enforceable	PRC-010-0	R1.	The LSE, TO, TOP, and DP that owns or operates a UVLS program shall periodically (at least every five years or as required by	None- the proposed PRC-010-1 has taken out LSEs and is expected to go to the BOT in November: <a href="http://www.nerc.com/pa/Stand/Proje">http://www.nerc.com/pa/Stand/Proje</a>	LSEs do not own or operate a UVLS program. DPs already appropriately perform

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				changes in system conditions) conduct and document an assessment of the effectiveness of the UVLS program. This assessment shall be conducted with the associated Transmission Planner(s) and PAs.	<a href="#">ct%20200802%20Undervoltage%20Load%20Shedding%20DL/PRC-010-1 Draft 1 062414.pdf</a>	this function and are an applicable entity.
LSE	Enforceable	PRC-010-0	R1.1.	This assessment shall include, but is not limited to:	None.	LSEs do not own or operate a UVLS program. DPs already appropriately perform this function and are an applicable entity.
LSE	Enforceable	PRC-010-0	R1.1.1	Coordination of the UVLS programs with other protection and control systems in the Region and with other Regional Reliability Organizations, as appropriate.	None.	LSEs do not own or operate a UVLS program. DPs already appropriately perform this function and are an applicable entity.
LSE	Enforceable	PRC-010-0	R1.1.2	Simulations demonstrate that the UVLS programs performance is consistent with Reliability Standards TPL-001-0, TPL-002-0, TPL-003-0 and TPL-004-0.	None.	LSEs do not own or operate a UVLS program. DPs already appropriately perform this function and are an applicable entity.
LSE	Enforceable	PRC-010-0	R1.1.3	A review of the voltage set points and timing.	No, the proposed PRC-010-1 has taken out LSEs and is expected to go to the BOT in November: <a href="http://www.nerc.com/pa/Stand/Project%20200802%20Undervoltage%20Load%20Shedding%20DL/PRC-010-1 Draft 1 062414.pdf">http://www.nerc.com/pa/Stand/Project%20200802%20Undervoltage%20Load%20Shedding%20DL/PRC-010-1 Draft 1 062414.pdf</a>	LSEs do not own or operate a UVLS program. DPs already appropriately perform this function and are an applicable entity.

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
LSE	Enforceable	PRC-022-1	R1.	Each TOP, LSE, and DP that operates a UVLS program to mitigate the risk of voltage collapse or voltage instability in the BES shall analyze and document all UVLS operations and Misoperations. The analysis shall include:	No, the proposed PRC-022-2 has removed the LSE and is being presented to the BOT in November: <a href="http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf">http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf</a>	LSEs do not own or operate a UVLS program. DPs already appropriately perform this function and are an applicable entity.
LSE	Enforceable	PRC-022-1	R1.1.	A description of the event including initiating conditions.	No, the proposed PRC-022-2 has removed the LSE and is being presented to the BOT in November: <a href="http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf">http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf</a>	LSEs do not own or operate a UVLS program. DPs already appropriately perform this function and are an applicable entity.
LSE	Enforceable	PRC-022-1	R1.2.	A review of the UVLS set points and tripping times.	No, the proposed PRC-022-2 has removed the LSE and is being presented to the BOT in November: <a href="http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf">http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf</a>	LSEs do not own or operate a UVLS program. DPs already appropriately perform this function and are an applicable entity.
LSE	Enforceable	PRC-022-1	R1.3.	A simulation of the event, if deemed appropriate by the Regional Reliability Organization. For most events, analysis of sequence of events may be sufficient and dynamic simulations may not be needed.	No, the proposed PRC-022-2 has removed the LSE and is being presented to the BOT in November: <a href="http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf">http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf</a>	LSEs do not own or operate a UVLS program. DPs already appropriately perform this function and are an applicable entity.

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
LSE	Enforceable	PRC-022-1	R1.4.	A summary of the findings.	No, the proposed PRC-022-2 has removed the LSE and is being presented to the BOT in November: <a href="http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf">http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf</a>	LSEs do not own or operate a UVLS program. DPs already appropriately perform this function and are an applicable entity.
LSE	Enforceable	PRC-022-1	R1.5.	For any Misoperation, a Corrective Action Plan to avoid future Misoperations of a similar nature.	No, the proposed PRC-022-2 has removed the LSE and is being presented to the BOT in November: <a href="http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf">http://www.nerc.com/pa/Stand/Project%20200711%20Disturbance%20Monitoring%20DL/PRC-002-2_Disturbance_Monitoring_2014May09_clean.pdf</a>	LSEs do not own or operate a UVLS program. DPs already appropriately perform this function and are an applicable entity.
LSE	Enforceable	TOP-001-1a	R4.	Each DP and LSE shall comply with all reliability directives issued by the TOP, including shedding firm load, unless such actions would violate safety, equipment, regulatory or statutory requirements. Under these circumstances, the DP or LSE shall immediately inform the TOP of the inability to perform the directive so that the TOP can implement alternate remedial actions.	A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the TOP standards to remove any deactivated functions.	The DP already is subject to this Reliability Standard and must follow the reliability directive. The LSE does not perform load shedding and does not own any equipment.
LSE	Pending Regulatory Approval	TOP-001-2	R1.	Each BA, GOP, DP, and LSE shall comply with each Reliability Directive issued and identified as	No. The TOP/IRO revisions project will eventually lead to withdrawing this standard.	

## LOAD-SERVING ENTITIES

Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				such by its TOP(s), unless such action would violate safety, equipment, regulatory, or statutory requirements.	<p>NERC will request the Board to rescind its approval of these standards and petition FERC to withdraw its petition for approval of these standards</p> <p>See Implementation Plan:  <a href="http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_third_posting_implementation_plan_20141002_clean.pdf">http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_third_posting_implementation_plan_20141002_clean.pdf</a></p>	
LSE	Pending Regulatory Approval	TOP-001-2	R2.	Each BA, GOP, DP, and LSE shall inform its TOP of its inability to perform an identified Reliability Directive issued by that TOP.	<p>No. The TOP/IRO revisions project will eventually lead to withdrawing this standard.</p> <p>NERC will request the Board to rescind its approval of these standards and petition FERC to withdraw its petition for approval of these standards</p> <p>See Implementation Plan:  <a href="http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_third_posting_implementation_plan_20141002_clean.pdf">http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_third_posting_implementation_plan_20141002_clean.pdf</a></p>	
LSE	Enforceable	TOP-002-2.1b	R3.	Each LSE and GOP shall coordinate (where confidentiality agreements allow) its current-day, next-day, and seasonal operations with its Host BA and Transmission Service Provider. Each BA and Transmission Service Provider	<p>No, the proposed revised TOP-002-4 removes the LSE:  <a href="http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_first_posting_top_002_4_2014_0514_clean_final.pdf">http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_first_posting_top_002_4_2014_0514_clean_final.pdf</a></p>	

LOAD-SERVING ENTITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				shall coordinate its current-day, next-day, and seasonal operations with its TOP.		
LSE	Enforceable	TOP-002-2.1b	R18.	Neighboring BAs, TOPs, GOPs, Transmission Service Providers, and LSEs shall use uniform line identifiers when referring to transmission facilities of an interconnected network.	None.	
LSE	Enforceable	INT-011-1	R1.	Each LSE that uses Point to Point Transmission Service for intra-BA Area transfers shall submit a Request for Interchange unless the information about intra-BA transfers is included in congestion management procedure(s) via an alternate method.	This standard will effectively be retired upon approval of the RBR initiative. Task force members believe this is covered by NAESB WEQ-004.	BAs ultimately balance the load.
LSE	Pending Regulatory Approval	TOP-003-2	R5.	Each TOP, BA, GO, GOP, IA, LSE, TO, and DP receiving a data specification in Requirement R3 or R4 shall satisfy the obligations of the documented specifications for data.	None. The TOP/IRO revisions project will eventually lead to withdrawing this standard.  NERC will request the Board to rescind its approval of these standards and petition FERC to withdraw its petition for approval of these standards. See Implementation Plan: <a href="http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_third_posting_implementation_plan_20141002_clean.pdf">http://www.nerc.com/pa/Stand/Prjct/201403RvsnstoTOPandIROStndrds/2014_03_third_posting_implementation_plan_20141002_clean.pdf</a>	

INTERCHANGE AUTHORITIES						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
IA	Enforceable	CIP Version 3			A SAR will be created following FERC approval of the RBR filing. The SAR will request a project commence to revise the CIP standards to address removing the IA function.	All of the IAs existing on the registry are currently registered as BAs.
IA	Future Enforceable	CIP Version 5			A SAR will be created following FERC approval of the RBR filing. The SAR will request a project to revise the CIP standards to address removing the IA function.	All of the IAs existing on the registry are currently registered as BAs.
IA	Pending Regulatory Approval	TOP-003-2	R5.	Each TOP, BA, GO, GOP, IA, LSE, TO, and DP receiving a data specification in Requirement R3 or R4 shall satisfy the obligations of the documented specifications for data.	None. Currently proposed revised TOP-003-3 has removed the IA: <a href="http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_sec0nd_posting_top_003_3_20140804_clean.pdf">http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_sec0nd_posting_top_003_3_20140804_clean.pdf</a>	
IA	Enforceable	-010 IRO -1a	R3		None. Currently proposed revised IRO-10-2 has removed the IA: <a href="http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_firs_t_posting_iro_010_2_20140513_clean_final.pdf">http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_firs_t_posting_iro_010_2_20140513_clean_final.pdf</a>	

Purchasing-Selling Entities						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
PSE	Enforceable	INT-004-3	R1.	Each PSE that secures energy to serve Load via a Dynamic Schedule or Pseudo-Tie shall ensure that a Request for Interchange is submitted as an on-time <sup>1</sup> Arranged Interchange to the Sink BA for that Dynamic Schedule or Pseudo-Tie, unless the information about the Pseudo-Tie is included in congestion management procedure(s) via an alternate method.	These requirements are duplicative because the BA is ultimately responsible for managing the interchange which includes the energy secured through a dynamic schedule or pseudo-tie. The BA standards, BAL-001-1, BAL-002-1, BAL-005-0, the recently approved INT standards mitigate any risk of retiring these standards because the BA maintains system awareness, updates the ACE, and confirms/evaluates interchanges schedules.	
PSE	Enforceable	INT-004-3	R2.	The PSE that submits a Request for Interchange in accordance with Requirement R1 shall ensure the Confirmed Interchange associated with that Dynamic Schedule or Pseudo-Tie is updated for future hours in order to support congestion management procedures if any one of the following occurs: [Please see the standard for more information]	These requirements are duplicative because the BA is ultimately responsible for managing the interchange which includes the energy secured through a dynamic schedule or pseudo-tie. The BA standards, BAL-001-1, BAL-002-1, BAL-005-0, the recently approved INT standards mitigate any risk of retiring these standards because the BA maintains system awareness, updates the ACE, and confirms/evaluates interchanges schedules.	
PSE	Enforceable	RO-001-1.1	R8.	TOPs, BAs, GOPs, Transmission Service Providers, LSEs, and PSEs shall comply with RC directives unless such actions	None. The proposed revised IRO-001-4 has already removed the PSE function because the RC would not direct the PSE:	



Purchasing-Selling Entities						
Entity	Status	Reliability Standard	Req. #	Requirement	Impact on Reliability Standards	Additional Information
				would violate safety, equipment, or regulatory or statutory requirements. Under these circumstances, the TOP, BA, GOP, Transmission Service Provider, LSE, or PSE shall immediately inform the RC of the inability to perform the directive so that the RC may implement alternate remedial actions.	<a href="http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_first_posting_iro_001_4_2014_0506_clean_final.pdf">http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_first_posting_iro_001_4_2014_0506_clean_final.pdf</a>  Purchasing-Selling Entities and Load Serving Entities have been deleted from IRO-001-1.1 as they are not listed as entities that the Reliability Coordinator directs in Functional Model v5.	
PSE	Enforceable	IRO-005-3.1a	R10.	In instances where there is a difference in derived limits, the TOPs, BAs, GOPs, Transmission Service Providers, LSEs, and PSEs shall always operate the BES to the most limiting parameter.	None. The IRO five year review team has recommended retiring this standard: <a href="http://www.nerc.com/pa/Stand/Pages/Project201209IROReview.aspx">http://www.nerc.com/pa/Stand/Pages/Project201209IROReview.aspx</a>	
PSE	Enforceable	TOP-005-2a	R3.	Each PSE shall provide information as requested by its Host BAs and TOPs to enable them to conduct operational reliability assessments and coordinate reliable operations.	No. The TOP/IRO project has proposed deleting this requirement because it is redundant with a NAESB standard since operating data is part of eTag: <a href="http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_first_posting_mapping_document_20140514.pdf">http://www.nerc.com/pa/Stand/Prjct201403RvsnstoTOPandIROStndrds/2014_03_first_posting_mapping_document_20140514.pdf</a>	

<b>DISTRIBUTION PROVIDERS</b>				
<b>Entity</b>	<b>Status</b>	<b>Reliability Standard</b>	<b>Req. #</b>	<b>Requirement</b>
DP	Enforceable	PRC-004-2.1a	R1.	The TO and any DP that owns a transmission Protection System shall each analyze its transmission Protection System Misoperations and shall develop and implement a Corrective Action Plan to avoid future Misoperations of a similar nature according to the RE's procedures.
DP	Enforceable	PRC-004-2.1a	R3.	The TO, any DP that owns a transmission Protection System, and the GO shall each provide to its RE, documentation of its Misoperations analyses and Corrective Action Plans according to the RE's procedures.
DP	Enforceable	PRC-005-1.1b	R1.	Each TO and any DP that owns a transmission Protection System and each GO that owns a generation or generator interconnection Facility Protection System shall have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES. The program shall include:
DP	Enforceable	PRC-005-1.1b	R1.1.	Maintenance and testing intervals and their basis.
DP	Enforceable	PRC-005-1.1b	R1.2.	Summary of maintenance and testing procedures.
DP	Enforceable	PRC-005-1.1b	R2.	Each TO and any DP that owns a transmission Protection System and each GO that owns a generation or generator interconnection Facility Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its RE on request (within 30 calendar days). The documentation of the program implementation shall include:
DP	Enforceable	PRC-005-1.1b	R2.1.	Evidence Protection System devices were maintained and tested within the defined intervals.
DP	Enforceable	PRC-005-1.1b	R2.2.	Date each Protection System device was last tested/maintained.
DP	Future Enforceable	PRC-005-2	R1.	Each TO, GO, and DP shall establish a Protection System Maintenance Program (PSMP) for its Protection Systems identified in Section 4.2.
DP	Future Enforceable	PRC-005-2	R2.	Each TO, GO, and DP that uses performance-based maintenance intervals in its PSMP shall follow the procedure established in PRC-005 Attachment A to establish and maintain its performance-based intervals.
DP	Future Enforceable	PRC-005-2	R3.	Each TO, GO, and DP that uses time-based maintenance program(s) shall maintain its Protection System Components that are included within the time-based maintenance program in accordance with the minimum maintenance activities and maximum maintenance intervals prescribed within Tables 1-1 through 1-5, Table 2, and Table 3.
DP	Future Enforceable	PRC-005-2	R4.	Each TO, GO, and DP that uses performance-based maintenance program(s) in accordance with Requirement R2 shall implement and follow its PSMP for its Protection System Components that are included within the performance-based program(s).

<b>DISTRIBUTION PROVIDERS</b>				
<b>Entity</b>	<b>Status</b>	<b>Reliability Standard</b>	<b>Req. #</b>	<b>Requirement</b>
DP	Future Enforceable	PRC-005-2	R5.	Each TO, GO, and DP shall demonstrate efforts to correct identified Unresolved Maintenance Issues.
DP	Enforceable	PRC-006-1	R8.	Each UFLS entity shall provide data to its Planning Coordinator(s) according to the format and schedule specified by the Planning Coordinator(s) to support maintenance of each Planning Coordinator's UFLS database.
DP	Enforceable	PRC-006-1	R9.	Each UFLS entity shall provide automatic tripping of Load in accordance with the UFLS program design and schedule for application determined by its Planning Coordinator(s) in each Planning Coordinator area in which it owns assets.
DP	Future Enforceable	PRC-006-NPCC-1	R4.	Each DP and TO in the Eastern Interconnection portion of NPCC shall implement an automatic UFLS program reflecting normal operating conditions excluding outages for its Facilities based on frequency thresholds, total nominal operating time and amounts specified in Attachment C, Tables 1 through 3, or shall collectively implement by mutual agreement with one or more DPs and TOs within the same island identified in Requirement R1 and acting as a single entity, provide an aggregated automatic UFLS program that sheds their coincident peak aggregated net Load, based on frequency thresholds, total nominal operating time and amounts specified in Attachment C, Tables 1 through 3.
DP	Future Enforceable	PRC-006-NPCC-1	R5.	Each DP or TO that must arm its load to trip on underfrequency in order to meet its requirements as specified and by doing so exceeds the tolerances and/or deviates from the number of stages and frequency set points of the UFLS program as specified in the tables contained in Requirement R4 above, as applicable depending on its total peak net Load shall: <ul style="list-style-type: none"> <li>5.1 Inform its Planning Coordinator of the need to exceed the stated tolerances or the number of stages as shown in UFLS Attachment C, Table 1 if applicable and</li> <li>5.2 Provide its Planning Coordinator with a technical study that demonstrates that the DPs or TOs specific deviations from the requirements of UFLS Attachment C, Table 1 will not have a significant adverse impact on the bulk power system.</li> <li>5.3 Inform its Planning Coordinator of the need to exceed the stated tolerances of UFLS Attachment C, Table 2 or Table 3, and in the case of Attachment C, Table 2 only, the need to deviate from providing two stages of UFLS, if applicable, and</li> <li>5.4 Provide its Planning Coordinator with an analysis demonstrating that no alternative load shedding solution is available that would allow the DP or TO comply with UFLS Attachment C Table 2 or Attachment C Table 3.</li> </ul>

<b>DISTRIBUTION PROVIDERS</b>				
<b>Entity</b>	<b>Status</b>	<b>Reliability Standard</b>	<b>Req. #</b>	<b>Requirement</b>
DP	Future Enforceable	PRC-006-NPCC-1	R6.	Each DP and TO in the Québec Interconnection portion of NPCC shall implement an automatic UFLS program for its Facilities based on the frequency thresholds, slopes, total nominal operating time and amounts specified in Attachment C, Table 4 or shall collectively implement by mutual agreement with one or more DPs and TOs within the same island, identified in Requirement R1, an aggregated automatic UFLS program that sheds Load based on the frequency thresholds, slopes, total nominal operating time and amounts specified in Attachment C, Table 4.
DP	Future Enforceable	PRC-006-NPCC-1	R7.	Each DP and TO shall set each underfrequency relay that is part of its region's UFLS program with the following minimum time delay: 7.1 Eastern Interconnection – 100 ms 7.2 Québec Interconnection – 200 ms
DP	Future Enforceable	PRC-006-NPCC-1	R10.	Each DP and TO shall implement the inhibit threshold settings based on the notification provided by the Planning Coordinator in accordance with Requirement R9.
DP	Future Enforceable	PRC-006-NPCC-1	R11.	Each DP and TO shall develop and submit an implementation plan within 90 days of the request from the Planning Coordinator for approval by the Planning Coordinator in accordance with R9.
DP	Future Enforceable	PRC-006-NPCC-1	R12.	Each TO and DP shall annually provide documentation, with no more than 15 months between updates, to its Planning Coordinator of the actual net Load that would have been shed by the UFLS relays at each UFLS stage coincident with their integrated hourly peak net Load during the previous year, as determined by measuring actual metered Load through the switches that would be opened by the UFLS relays.
DP	Future Enforceable	PRC-006-NPCC-1	R18.	Each GO, DP or TO within the Planning Coordinator area of ISO-NE or the New York ISO shall apply the criteria described in Attachment B to determine the compensatory load shedding that is required in Requirement R16.3 for generating units in its respective NPCC area.
DP	Future Enforceable	PRC-006-NPCC-1	R22.	Each DP, TO and GO shall implement the load distribution changes based on the notification provided by the Planning Coordinator in accordance with Requirement R21.
DP	Future Enforceable	PRC-006-NPCC-1	R23.	Each DP, TO and GO shall develop and submit an implementation plan within 90 days of the request from the Planning Coordinator for approval by the Planning Coordinator in accordance with Requirement R21.
DP	Future Enforceable	PRC-006-SERC-01	R4.	Each UFLS entity that has a total load of 100 MW or greater in a Planning Coordinator area in the SERC Region shall implement the UFLS scheme developed by their Planning Coordinator. UFLS entities may implement the UFLS scheme developed by the Planning Coordinator by

## DISTRIBUTION PROVIDERS

Entity	Status	Reliability Standard	Req. #	Requirement
				coordinating with other UFLS entities. The UFLS scheme shall meet the following requirements on May 1 of each calendar year. <i>[See standard pdf for requirements]</i>
DP	Future Enforceable	PRC-006-SERC-01	R5.	Each UFLS entity that has a total load less than 100 MW in a Planning Coordinator area in the SERC Region shall implement the UFLS scheme developed by their Planning Coordinator, but shall not be required to have more than one UFLS step. UFLS entities may implement the UFLS scheme developed by the Planning Coordinator by coordinating with other UFLS entities. The UFLS scheme shall meet the following requirements on May 1 of each calendar year. <i>[See standard pdf for requirements]</i>
DP	Future Enforceable	PRC-006-SERC-01	R6.	Each UFLS entity shall implement changes to the UFLS scheme which involve frequency settings, relay time delays, or changes to the percentage of load in the scheme within 18 months of notification by the Planning Coordinator.
DP	Enforceable	PRC-008-0	R1.	The TO and DP with a UFLS program (as required by its Regional Reliability Organization) shall have a UFLS equipment maintenance and testing program in place. This UFLS equipment maintenance and testing program shall include UFLS equipment identification, the schedule for UFLS equipment testing, and the schedule for UFLS equipment maintenance.
DP	Enforceable	PRC-008-0	R2.	The TO and DP with a UFLS program (as required by its Regional Reliability Organization) shall implement its UFLS equipment maintenance and testing program and shall provide UFLS maintenance and testing program results to its Regional Reliability Organization and NERC on request (within 30 calendar days).
DP	Enforceable	PRC-010-0	R1.	The LSE, TO, TOP, and DP that owns or operates a UVLS program shall periodically (at least every five years or as required by changes in system conditions) conduct and document an assessment of the effectiveness of the UVLS program. This assessment shall be conducted with the associated Transmission Planner(s) and PAs.
DP	Enforceable	PRC-010-0	R1.1.	This assessment shall include, but is not limited to:
DP	Enforceable	PRC-010-0	R1.1.1.	Coordination of the UVLS programs with other protection and control systems in the Region and with other Regional Reliability Organizations, as appropriate.
DP	Enforceable	PRC-010-0	R1.1.2.	Simulations that demonstrate that the UVLS programs performance is consistent with Reliability Standards TPL-001-0, TPL-002-0, TPL-003-0 and TPL-004-0.
DP	Enforceable	PRC-010-0	R1.1.3.	A review of the voltage set points and timing.
DP	Enforceable	PRC-011-0	R1.	The TO and DP that owns a UVLS system shall have a UVLS equipment maintenance and testing program in place. This program shall include:
DP	Enforceable	PRC-011-0	R1.1.	The UVLS system identification which shall include but is not limited to:

DISTRIBUTION PROVIDERS				
Entity	Status	Reliability Standard	Req. #	Requirement
DP	Enforceable	PRC-011-0	R1.1.1.	Relays.
DP	Enforceable	PRC-011-0	R1.1.2.	Instrument transformers.
DP	Enforceable	PRC-011-0	R1.1.3.	Communications systems, where appropriate.
DP	Enforceable	PRC-011-0	R1.1.4.	Batteries.
DP	Enforceable	PRC-011-0	R1.2.	Documentation of maintenance and testing intervals and their basis.
DP	Enforceable	PRC-011-0	R1.3.	Summary of testing procedure.
DP	Enforceable	PRC-011-0	R1.4.	Schedule for system testing.
DP	Enforceable	PRC-011-0	R1.5.	Schedule for system maintenance.
DP	Enforceable	PRC-011-0	R1.6.	Date last tested/maintained.
DP	Enforceable	PRC-011-0	R2.	The TO and DP that owns a UVLS system shall provide documentation of its UVLS equipment maintenance and testing program and the implementation of that UVLS equipment maintenance and testing program to its Regional Reliability Organization and NERC on request (within 30 calendar days).
DP	Enforceable	PRC-015-0	R1.	The TO, GO, and DP that owns an SPS shall maintain a list of and provide data for existing and proposed SPSs as specified in Reliability Standard PRC-013-0_R 1.
DP	Enforceable	PRC-015-0	R2.	The TO, GO, and DP that owns an SPS shall have evidence it reviewed new or functionally modified SPSs in accordance with the Regional Reliability Organization's procedures as defined in Reliability Standard PRC-012-0_R1 prior to being placed in service.
DP	Enforceable	PRC-015-0	R3.	The TO, GO, and DP that owns an SPS shall provide documentation of SPS data and the results of studies that show compliance of new or functionally modified SPSs with NERC Reliability Standards and Regional Reliability Organization criteria to affected Regional Reliability Organizations and NERC on request (within 30 calendar days).
DP	Enforceable	PRC-016-0.1	R1.	The TO, GO, and DP that owns an SPS shall analyze its SPS operations and maintain a record of all Misoperations in accordance with the Regional SPS review procedure specified in Reliability Standard PRC-012-0_R1.
DP	Enforceable	PRC-016-0.1	R2.	The TO, GO, and DP that owns an SPS shall take corrective actions to avoid future Misoperations.
DP	Enforceable	PRC-016-0.1	R3.	The TO, GO, and DP that owns an SPS shall provide documentation of the misoperation analyses and the corrective action plans to its Regional Reliability Organization and NERC on request (within 90 calendar days).
DP	Enforceable	PRC-017-0	R1.	The TO, GO, and DP that owns an SPS shall have a system maintenance and testing program(s) in place. The program(s) shall include:

DISTRIBUTION PROVIDERS				
Entity	Status	Reliability Standard	Req. #	Requirement
DP	Enforceable	PRC-017-0	R1.1.	SPS identification shall include but is not limited to:
DP	Enforceable	PRC-017-0	R1.1.1.	Relays.
DP	Enforceable	PRC-017-0	R1.1.2.	Instrument transformers.
DP	Enforceable	PRC-017-0	R1.1.3.	Communications systems, where appropriate.
DP	Enforceable	PRC-017-0	R1.1.4.	Batteries.
DP	Enforceable	PRC-017-0	R1.2.	Documentation of maintenance and testing intervals and their basis.
DP	Enforceable	PRC-017-0	R1.3.	Summary of testing procedure.
DP	Enforceable	PRC-017-0	R1.4.	Schedule for system testing.
DP	Enforceable	PRC-017-0	R1.5.	Schedule for system maintenance.
DP	Enforceable	PRC-017-0	R1.6.	Date last tested/maintained.
DP	Enforceable	PRC-017-0	R2.	The TO, GO, and DP that owns an SPS shall provide documentation of the program and its implementation to the appropriate Regional Reliability Organizations and NERC on request (within 30 calendar days).
DP	Enforceable	PRC-021-1	R1.	Each TO and DP that owns a UVLS program to mitigate the risk of voltage collapse or voltage instability in the BES shall annually update its UVLS data to support the Regional UVLS program database. The following data shall be provided to the Regional Reliability Organization for each installed UVLS system:
DP	Enforceable	PRC-021-1	R1.1.	Size and location of customer load, or percent of connected load, to be interrupted.
DP	Enforceable	PRC-021-1	R1.2.	Corresponding voltage set points and overall scheme clearing times.
DP	Enforceable	PRC-021-1	R1.3.	Time delay from initiation to trip signal.
DP	Enforceable	PRC-021-1	R1.4.	Breaker operating times.
DP	Enforceable	PRC-021-1	R1.5.	Any other schemes that are part of or impact the UVLS programs such as related generation protection, islanding schemes, automatic load restoration schemes, UFLS and SPSs.
DP	Enforceable	PRC-021-1	R2.	Each TO and DP that owns a UVLS program shall provide its UVLS program data to the Regional Reliability Organization within 30 calendar days of a request.
DP	Enforceable	PRC-022-1	R1.	Each TOP, LSE, and DP that operates a UVLS program to mitigate the risk of voltage collapse or voltage instability in the BES shall analyze and document all UVLS operations and Misoperations. The analysis shall include:
DP	Enforceable	PRC-022-1	R1.1.	A description of the event including initiating conditions.
DP	Enforceable	PRC-022-1	R1.2.	A review of the UVLS set points and tripping times.

DISTRIBUTION PROVIDERS				
Entity	Status	Reliability Standard	Req. #	Requirement
DP	Enforceable	PRC-022-1	R1.3.	A simulation of the event, if deemed appropriate by the Regional Reliability Organization. For most events, analysis of sequence of events may be sufficient and dynamic simulations may not be needed.
DP	Enforceable	PRC-022-1	R1.4.	A summary of the findings.
DP	Enforceable	PRC-022-1	R1.5.	For any Misoperation, a Corrective Action Plan to avoid future Misoperations of a similar nature.
DP	Pending Regulatory Approval	PRC-005-3	R1.	Each TO, GO, and DP shall establish a Protection System Maintenance Program (PSMP) for its Protection Systems and Automatic Reclosing identified in Facilities Section 4.2. [Please see the Standard for more information]
DP	Pending Regulatory Approval	PRC-005-3	R2.	Each TO, GO, and DP that uses performance-based maintenance intervals in its PSMP shall follow the procedure established in PRC-005 Attachment A to establish and maintain its performance-based intervals.
DP	Pending Regulatory Approval	PRC-005-3	R3.	Each TO, GO, and DP that uses time-based maintenance program(s) shall maintain its Protection System and Automatic Reclosing Components that are included within the time-based maintenance program in accordance with the minimum maintenance activities and maximum maintenance intervals prescribed within Tables 1-1 through 1-5, Table 2, Table 3, and Table 4-1 through 4-2.
DP	Pending Regulatory Approval	PRC-005-3	R4.	Each TO, GO, and DP that uses performance-based maintenance program(s) in accordance with Requirement R2 shall implement and follow its PSMP for its Protection System and Automatic Reclosing Components that are included within the performance-based program(s).
DP	Pending Regulatory Approval	PRC-005-3	R5.	Each TO, GO, and DP shall demonstrate efforts to correct identified Unresolved Maintenance Issues.
DP	Enforceable	PRC-023-3	R1.	Each TO, GO, and DP shall use any one of the following criteria (Requirement R1, criteria 1 through 13) for any specific circuit terminal to prevent its phase protective relay settings from limiting transmission system loadability while maintaining reliable protection of the BES for all fault conditions. Each TO, GO, and DP shall evaluate relay loadability at 0.85 per unit voltage and a power factor angle of 30 degrees. [Please see the Standard for more information]



<b>DISTRIBUTION PROVIDERS</b>				
<b>Entity</b>	<b>Status</b>	<b>Reliability Standard</b>	<b>Req. #</b>	<b>Requirement</b>
DP	Enforceable	PRC-023-3	R2.	Each TO, GO, and DP shall set its out-of-step blocking elements to allow tripping of phase protective relays for faults that occur during the loading conditions used to verify transmission line relay loadability per Requirement R1.
DP	Enforceable	PRC-023-3	R3.	Each TO, GO, and DP that uses a circuit capability with the practical limitations described in Requirement R1, criterion 7, 8, 9, 12, or 13 shall use the calculated circuit capability as the Facility Rating of the circuit and shall obtain the agreement of the Planning Coordinator, TOP, and RC with the calculated circuit capability.
DP	Enforceable	PRC-023-3	R4.	Each TO, GO, and DP that chooses to use Requirement R1 criterion 2 as the basis for verifying transmission line relay loadability shall provide its Planning Coordinator, TOP, and RC with an updated list of circuits associated with those transmission line relays at least once each calendar year, with no more than 15 months between reports.
DP	Enforceable	PRC-023-3	R5.	Each TO, GO, and DP that sets transmission line relays according to Requirement R1 criterion 12 shall provide an updated list of the circuits associated with those relays to its RE at least once each calendar year, with no more than 15 months between reports, to allow the ERO to compile a list of all circuits that have protective relay settings that limit circuit capability.
DP	Enforceable	PRC-025-1	R1.	Each GO, TO, and DP shall apply settings that are in accordance with PRC-025-1 – Attachment 1: Relay Settings, on each load-responsive protective relay while maintaining reliable fault protection.

Upon FERC approval of the RBR filing, Standard Authorization Requests (SARs) will be developed as needed to revise Reliability Standards and/or terms used in the *NERC Glossary of Terms Used in Reliability Standards* to remove these functions.

<b>NERC Glossary Terms</b>	
<b>NERC Glossary Term</b>	<b>Definition</b>
CBM	The amount of firm transmission transfer capability preserved by the transmission provider for LSEs (LSEs), whose loads are located on that Transmission Service Provider’s system, to enable access by the LSEs to generation from interconnected systems to meet generation reliability requirements. Preservation of CBM for an LSE allows that entity to reduce its installed generating capacity below that which may otherwise have been necessary without interconnections to meet its generation reliability requirements. The transmission transfer capability preserved as CBM is intended to be used by the LSE only in times of emergency generation deficiencies.
Generation Capability Import Requirement	The amount of generation capability from external sources identified by a LSE (LSE) or Resource Planner (RP) to meet its generation reliability or resource adequacy requirements as an alternative to internal resources.
Interruptible Load or Interruptible Demand	Demand that the end-use customer makes available to its LSE via contract or agreement for curtailment.
Native Load	The end-use customers that the LSE is obligated to serve.
Point of Delivery	A location that the Transmission Service Provider specifies on its transmission system where an Interchange Transaction leaves or a LSE receives its energy.
Transmission Customer	1. Any eligible customer (or its designated agent) that can or does execute a transmission service agreement or can or does receive transmission service. 2. Any of the following responsible entities: GO, LSE, or PSE.
Demand-Side Management	The term for all activities or programs undertaken by LSE or its customers to influence the amount or timing of electricity they use.
Energy Emergency	A condition when a LSE has exhausted all other options and can no longer provide its customers’ expected energy requirements.
Scheduling Path	The Transmission Service arrangements reserved by the PSE for a Transaction.
Arranged Interchange	The state where the IA has received the Interchange information (initial or revised).
Confirmed Interchange	The state where the IA has verified the Arranged Interchange.

## Appendix B: Technical Studies

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### Background

NERC issued a survey to Planning Coordinators to assess the impact of modifying the criteria for DPs. Of the 74 Planning Coordinators registered in the U.S., 64 responded. RCs provided statements and studies evaluating the consequences of the proposed changes. Of the 11 RCs, nine responded.

In addition, NERC conducted a survey of DPs to determine the types of relays in place in order to evaluate the sub-set list of Reliability Standards proposed to be applicable to UFLS-Only DPs, which includes PRC-006-1 and PRC-006-2, as well as any applicable PRC-006 Regional Reliability Standard.

### Conclusion

#### DP 75 MW Threshold Change

All survey respondents stated that no reliability gaps would be created by raising the DP threshold to 75 MW. NERC and REs have removed over 40 DPs/LSEs from the NCR since November 2013 and RCs have continued to receive operating data necessary to properly monitor the BPS. Most of these were in the WECC Region following FERC's decision in *SLECA*.

The increase in the threshold for DPs is consistent with the thresholds of Inclusion I2 (Generating Resources), Inclusion I4 (Dispersed Power Producing Resources) and Exclusion E1 (Radial Systems) of the revised BES definition.

#### UFLS-Only DP Sub-Set List

Most respondents support a sub-set list limited to NERC and RE PRC-006 Reliability Standards. While some commenters and survey respondents support application of PRC-005, this is not needed for reliability of the BPS and the administrative burdens of compliance are not outweighed by any marginal reliability benefits. The UFLS-Only DPs represent a small percentage of all DPs and a correspondingly low percentage of UFLS contribution. Due to technological advances, a majority of the newer relays being deployed to the industry today (71%) are self-maintaining and self-checking. This trend continues with several electromechanical relays being replaced with one microprocessor relay. The possible reliability benefits of continuing to enforce compliance with PRC-005's 12-year testing requirements by these small entities is further diminished by the risk associated with the mere act of opening up a microprocessor relay for inspection and maintenance.

### Analysis

#### Reliability Coordinator Studies

Three RCs evaluated the proposed change in threshold of the DP. Each independently concluded that there was little or no risk to the reliability of the BPS as a result. Each is discussed in turn below.

##### 1. TVA Study of Princeton DP

###### Background

Tennessee Valley Authority (TVA), a RC, conducted a study, in response to a NERC survey issued as part of the NERC RBR initiative, to evaluate the impact of possible DP deactivations (removal from the NCR) as a result of the threshold increase in its RC Area. TVA evaluated DPs which are under 75 MW

Princeton Electric Plant Board was the only DP identified in TVA's RC Area that may be eligible for deactivation. The TVA RC used the TVA Transmission Planning Department (TPD) to assist with dynamics simulations. Louisville Gas and Electric Company and Kentucky Utilities Company (LGE-KU), the host BA/TOP for Princeton, verified that Princeton does not have any UFLS relays. This means that a UFLS study is not required to evaluate Princeton's

removal from the NCR. That is, because there are no Princeton UFLS relays, any UFLS study would be exactly the same with and without Princeton Load.

For those DPs expected to be deactivated, NERC also requested the RC to simulate N-1 event without having any data from the DP in your area from expected to be deactivated. NERC also requested that the Reliability Coordinator address whether cascading outages would occur or whether additional contingencies would occur that could not be solved. NERC further requested that the RC address whether there would be an impact on neighboring entities. TVA provided its results as follows:

#### **N-1 Dynamics Study of Area around Princeton**

The West Princeton load is normally served from LGE-KU through the North Princeton station (Bus 325079 in the latest SERC Near-Term Study Group model with the load directly connected to Bus 325080). These buses and load are modeled under the LGEE Area #363. A dynamics study was performed that included simulations of 3-phase faults with normal clearing of transmission elements around Princeton. These simulations included all N-1 BES contingencies located up to three buses away from Bus 325080. This study used a summer 2017 peak dynamics base case that was used in the recent annual Planning Compliance Assessment. A dynamics load model was used that included the effect of induction motors during peak summer conditions.

A sensitivity study was also performed that increased the Princeton Load connected to Bus 325080 by 30% (from 27.7 MW, 2.1 MVAR to 36 MW, 2.73 MVAR). This was meant to show high potential peaking from extreme conditions to understand potential risks to reliability.

#### **Results / Conclusion**

The contingencies studied did not show any cascading outages or any impact on neighboring entities. The results of the simulations showing the contingencies studied are shown in the tables below.

**Table 1: All N-1 BES Contingencies up to three buses away from Princeton Bus # 325080  
(Princeton Load = 27.7 MW, 2.1 MVAR)**

Contingency Number	Bus From	Bus To	XF	Ckt	From Bus	To Bus	Number Unstable Gens	Number Low Voltage Buses	Notes	Clr Time (cy)
1	324140	325079	0	1	'5EARLN N '	'5N PRINCETON'	0	0	OK-Stable	6
2	325079	324140	0	1	'5N PRINCETON'	'5EARLN N '	0	0	OK-Stable	6
3	324151	325079	0	1	'5LIVNG C '	'5N PRINCETON'	0	0	OK-Stable	6
4	325079	324151	0	1	'5N PRINCETON'	'5LIVNG C '	0	0	OK-Stable	6
5	325079	325080	0	Z1	'5N PRINCETON'	'5KMPAPRNC '	0	0	OK-Stable	6
6	325080	325079	0	Z1	'5KMPAPRNC '	'5N PRINCETON'	0	0	OK-Stable	6
7	324140	324160	0	1	'5EARLN N '	'5RVR Q T '	0	0	OK-Stable	6
8	324160	324140	0	1	'5RVR Q T '	'5EARLN N '	0	0	OK-Stable	6
9	324140	324164	0	1	'5EARLN N '	'5WALKER '	0	0	OK-Stable	6
10	324164	324140	0	1	'5WALKER '	'5EARLN N '	0	0	OK-Stable	6
11	125	324151	0	1	'5CALVERT KY '	'5LIVNG C '	0	0	OK-Stable	6
12	324151	125	0	1	'5LIVNG C '	'5CALVERT KY '	0	0	OK-Stable	6
13	127	324151	0	1	'5KENTUCKY HP'	'5LIVNG C '	0	0	OK-Stable	6
14	324151	127	0	1	'5LIVNG C '	'5KENTUCKY HP'	0	0	OK-Stable	6
15	324137	324151	0	1	'5CRITTEN '	'5LIVNG C '	0	0	OK-Stable	6
16	324151	324137	0	1	'5LIVNG C '	'5CRITTEN '	0	0	OK-Stable	6
17	324151	324161	0	1	'5LIVNG C '	'5S PADU '	0	0	OK-Stable	6
18	324161	324151	0	1	'5S PADU '	'5LIVNG C '	0	0	OK-Stable	6
19	324144	324160	0	1	'5GR RVR '	'5RVR Q T '	0	0	OK-Stable	6
20	324160	324144	0	1	'5RVR Q T '	'5GR RVR '	0	0	OK-Stable	6
21	324159	324160	0	1	'5RIVER Q '	'5RVR Q T '	0	0	OK-Stable	6
22	324160	324159	0	1	'5RVR Q T '	'5RIVER Q '	0	0	OK-Stable	6
23	125	126	0	1	'5CALVERT KY '	'5SCALVERT KY'	0	0	OK-Stable	6
24	126	125	0	1	'5SCALVERT KY'	'5CALVERT KY '	0	0	OK-Stable	6
25	125	571	0	1	'5CALVERT KY '	'5E CALVERT '	0	0	OK-Stable	6
26	571	125	0	1	'5E CALVERT '	'5CALVERT KY '	0	0	OK-Stable	6
27	125	716	0	1	'5CALVERT KY '	'5MARSHALL #1'	0	0	OK-Stable	6
28	716	125	0	1	'5MARSHALL #1'	'5CALVERT KY '	0	0	OK-Stable	6
29	125	1074	0	1	'5CALVERT KY '	'5NAT CARBIDE'	0	0	OK-Stable	6
30	1074	125	0	1	'5NAT CARBIDE'	'5CALVERT KY '	0	0	OK-Stable	6
31	125	1180	0	1	'5CALVERT KY '	'5ARKEMA KY T'	0	0	OK-Stable	6
32	1180	125	0	1	'5ARKEMA KY T'	'5CALVERT KY '	0	0	OK-Stable	6

**Table 1: All N-1 BES Contingencies up to three buses away from Princeton Bus # 325080  
(Princeton Load = 27.7 MW, 2.1 MVAR)**

Contingency Number	Bus From	Bus To	XF	Ckt	From Bus	To Bus	Number Unstable Gens	Number Low Voltage Buses	Notes	Clr Time (cy)
33	126	127	0	1	'5SCALVERT KY'	'5KENTUCKY HP'	0	0	OK-Stable	6
34	127	126	0	1	'5KENTUCKY HP'	'5SCALVERT KY'	0	0	OK-Stable	6
35	127	326	0	1	'5KENTUCKY HP'	'5BARKLEY HP '	0	0	OK-Stable	6
36	326	127	0	1	'5BARKLEY HP '	'5KENTUCKY HP'	0	0	OK-Stable	6
37	127	326	0	2	'5KENTUCKY HP'	'5BARKLEY HP '	0	0	OK-Stable	6
38	326	127	0	2	'5BARKLEY HP '	'5KENTUCKY HP'	0	0	OK-Stable	6
39	127	571	0	1	'5KENTUCKY HP'	'5E CALVERT '	0	0	OK-Stable	6
40	571	127	0	1	'5E CALVERT '	'5KENTUCKY HP'	0	0	OK-Stable	6
41	324137	324153	0	1	'5CRITTEN '	'5MORGNF '	0	0	OK-Stable	6
42	324153	324137	0	1	'5MORGNF '	'5CRITTEN '	0	0	OK-Stable	6
43	324161	325078	0	1	'5S PADU '	'5PADUCAH PRI'	0	0	OK-Stable	6
44	325078	324161	0	1	'5PADUCAH PRI'	'5S PADU '	0	0	OK-Stable	6

**Table 2: All N-1 BES Contingencies up to three buses away from Princeton Bus # 325080  
(Princeton Load = 36 MW, 2.73 MVAR)**

Contingency Number	Bus From	Bus To	XF	Ckt	From Bus	To Bus	Number Unstable Gens	Number Low Voltage Buses	Notes	Clr Time (cy)
1	324140	325079	0	1	'5EARLN N '	'5N PRINCETON'	0	0	OK-Stable	6
2	325079	324140	0	1	'5N PRINCETON'	'5EARLN N '	0	0	OK-Stable	6
3	324151	325079	0	1	'5LIVNG C '	'5N PRINCETON'	0	0	OK-Stable	6
4	325079	324151	0	1	'5N PRINCETON'	'5LIVNG C '	0	0	OK-Stable	6
5	325079	325080	0	Z1	'5N PRINCETON'	'5KMPAPRNC '	0	0	OK-Stable	6
6	325080	325079	0	Z1	'5KMPAPRNC '	'5N PRINCETON'	0	0	OK-Stable	6
7	324140	324160	0	1	'5EARLN N '	'5RVR Q T '	0	0	OK-Stable	6
8	324160	324140	0	1	'5RVR Q T '	'5EARLN N '	0	0	OK-Stable	6
9	324140	324164	0	1	'5EARLN N '	'5WALKER '	0	0	OK-Stable	6
10	324164	324140	0	1	'5WALKER '	'5EARLN N '	0	0	OK-Stable	6
11	125	324151	0	1	'5CALVERT KY '	'5LIVNG C '	0	0	OK-Stable	6
12	324151	125	0	1	'5LIVNG C '	'5CALVERT KY '	0	0	OK-Stable	6
13	127	324151	0	1	'5KENTUCKY HP'	'5LIVNG C '	0	0	OK-Stable	6
14	324151	127	0	1	'5LIVNG C '	'5KENTUCKY HP'	0	0	OK-Stable	6
15	324137	324151	0	1	'5CRITTEN '	'5LIVNG C '	0	0	OK-Stable	6
16	324151	324137	0	1	'5LIVNG C '	'5CRITTEN '	0	0	OK-Stable	6
17	324151	324161	0	1	'5LIVNG C '	'5S PADU '	0	0	OK-Stable	6
18	324161	324151	0	1	'5S PADU '	'5LIVNG C '	0	0	OK-Stable	6
19	324144	324160	0	1	'5GR RVR '	'5RVR Q T '	0	0	OK-Stable	6
20	324160	324144	0	1	'5RVR Q T '	'5GR RVR '	0	0	OK-Stable	6
21	324159	324160	0	1	'5RIVER Q '	'5RVR Q T '	0	0	OK-Stable	6
22	324160	324159	0	1	'5RVR Q T '	'5RIVER Q '	0	0	OK-Stable	6
23	125	126	0	1	'5CALVERT KY '	'5SCALVERT KY'	0	0	OK-Stable	6
24	126	125	0	1	'5SCALVERT KY'	'5CALVERT KY '	0	0	OK-Stable	6
25	125	571	0	1	'5CALVERT KY '	'5E CALVERT '	0	0	OK-Stable	6
26	571	125	0	1	'5E CALVERT '	'5CALVERT KY '	0	0	OK-Stable	6
27	125	716	0	1	'5CALVERT KY '	'5MARSHALL #1'	0	0	OK-Stable	6
28	716	125	0	1	'5MARSHALL #1'	'5CALVERT KY '	0	0	OK-Stable	6
29	125	1074	0	1	'5CALVERT KY '	'5NAT CARBIDE'	0	0	OK-Stable	6
30	1074	125	0	1	'5NAT CARBIDE'	'5CALVERT KY '	0	0	OK-Stable	6

**Table 2: All N-1 BES Contingencies up to three buses away from Princeton Bus # 325080  
(Princeton Load = 36 MW, 2.73 MVAR)**

Contingency Number	Bus From	Bus To	XF	Ckt	From Bus	To Bus	Number Unstable Gens	Number Low Voltage Buses	Notes	Clr Time (cy)
31	125	1180	0	1	'5CALVERT KY '	'5ARKEMA KY T'	0	0	OK-Stable	6
32	1180	125	0	1	'5ARKEMA KY T'	'5CALVERT KY '	0	0	OK-Stable	6
33	126	127	0	1	'5SCALVERT KY'	'5KENTUCKY HP'	0	0	OK-Stable	6
34	127	126	0	1	'5KENTUCKY HP'	'5SCALVERT KY'	0	0	OK-Stable	6
35	127	326	0	1	'5KENTUCKY HP'	'5BARKLEY HP '	0	0	OK-Stable	6
36	326	127	0	1	'5BARKLEY HP '	'5KENTUCKY HP'	0	0	OK-Stable	6
37	127	326	0	2	'5KENTUCKY HP'	'5BARKLEY HP '	0	0	OK-Stable	6
38	326	127	0	2	'5BARKLEY HP '	'5KENTUCKY HP'	0	0	OK-Stable	6
39	127	571	0	1	'5KENTUCKY HP'	'5E CALVERT '	0	0	OK-Stable	6
40	571	127	0	1	'5E CALVERT '	'5KENTUCKY HP'	0	0	OK-Stable	6
41	324137	324153	0	1	'5CRITTEN '	'5MORGNF '	0	0	OK-Stable	6
42	324153	324137	0	1	'5MORGNF '	'5CRITTEN '	0	0	OK-Stable	6
43	324161	325078	0	1	'5S PADU '	'5PADUCAH PRI'	0	0	OK-Stable	6
44	325078	324161	0	1	'5PADUCAH PRI'	'5S PADU '	0	0	OK-Stable	6



The West Princeton load is normally served from LGE-KU through the N. Princeton station (bus 325079 in the latest NTSG model with the load directly connected to bus 325080). These buses and load are modeled under the LGEE area (363).

In the AREVA SE model, TCM Station Index, and Supervisory Control and Data Acquisition (SCADA) display, West Princeton is shown as TVA load/customer. The closest TVA buses in the model are two buses away via the Livingston Co. line (Calvert (360125) and Kentucky HP (360127)).

## **2. PJM Interconnection, LLC (PJM) Study of a DP**

PJM conducted a study simulating an N-1 event without having operational data from the DPs in its area proposed to be deactivated. PJM studied the following system condition: Regional Transmission Expansion Plan (RTEP) 2019 summer peak load case without MTX

### **Assumptions:**

- Only considered the impacts of the DPs expected to be deactivated in the RF area
- Assumed that the load of the DPs expected to be deactivated is not modeled in the RTEP case
- Used all PJM generators as source to serve the DPs' loads
- Only considered base case and NERC category B contingencies
- Monitored all PJM BES facilities

### **Impact Study Results:**

- The highest aggregate deactivated DP impact is ~5.00% on a 345/138kV auto transformer. For the studied DPs, with a total load of 805 MW, the MW flow impact is ~40 MW and is less than the facility rating. However, if many more DPs' loads are not reported and are missing in the case, the MW flow impact could become bigger.

### **Observations and considerations:**

- For the studied base case condition and studied DP expected to be deactivated, no cascading outages could occur on the PJM bulk transmission network.
- For the studied DPs expected to be deactivated, with total of 805 MW loads missing, generation resource adequacy such as reserves if PJM was not aware of the load ahead of time such as the day ahead could, in theory, be an additional potential reliability issue. However, PJM is required to carry operating reserves at all times. The required operating reserves are based on a formula, but at a minimum are equal to the largest generating unit in the RTO. As a result, this value is typically at least 1,300 MW. Given these magnitudes, PJM does not expect the 805 MW of PJM DPs expected to be deactivated to pose any reliability issues in real time operations.

## **3. ERCOT DP Study Analysis**

ERCOT performed a Steady-State Power-Flow Analysis to evaluate the impact of deactivating the following two entities that would be eligible for deactivation as a result of the proposed increase in the threshold criteria:

- Floresville Electric Light (FELPS) NCR10262 35.3 MW
  - FELPS has load, and it owns an associated switch/breaker, and a non-critical 138 kV transmission.
- Rio Grande Electric Co Op (RGEC) NCR03038 52.8 MW

- The RGEC equipment is radial from the rest of the ERCOT system.

The summer peak real-time snapshot case of August 25, 2014 at 15:52 was used as the base case. The base case contains 66,123 MW of ERCOT load and 540 MW of interchange (import) through five DC Ties. From the base case, all transmission and load equipment owned by two entities was removed, or presumed to have an outage, to observe the impact.

#### **Results/ Conclusion:**

Removing all equipment owned by FELPS and RGEC does not cause any new thermal or voltage contingencies; thus, no reliability impact is identified by removing their equipment.

As a result of the study ERCOT performed, ERCOT determined that two DPs in its region would be eligible for deactivation by NERC:

1. The percentage of the load for these two companies represent approximately 0.1% of ERCOT load for the day studied.
2. Although this N-1 scenario was tested as per the NERC request of reliability impacts, the NERC deactivation of the two DPs would NOT result in ERCOT's regional de-registration for these two entities from compliance with applicable market rules and registration as DSPs. Therefore the ERCOT regional registration and rules would not change and the DSPs would continue to function as today in coordinating operations and outages, not as reflected in this N-1 RBR testing scenario.

#### **4. MISO Response**

##### **Data from DPs**

MISO does not rely on DPs for operational data. MISO obtains all of its operational data for the transmission system from its TOs and Local BAs. MISO also does not rely on DPs for load forecasts. Rather, MISO develops near-term load forecasts for the MISO footprint internally.

Even if a piece of data was lost on the distribution system, this does not change the flow on the BES. Because MISO manages the BES and operates to N-1 on the transmission system, the concern raised is moot.

#### **5. Peak Response**

Peak Reliability (Peak) is not dependent on DPs for data collection in support of operations planning or real-time assessments. Peak gets the data it needs for operations planning assessments and real-time monitoring and assessments directly from BAs and TOPs through the IRO-010-1 data request. Similarly, Peak does not issue directives to DPs, but rather issues directives to BAs and TOPs.

Peak studies N-1 events to determine the risk of cascading outages or unsolved contingencies based on data from BAs and TOPs. Peak does not foresee any change to our ability to conduct these studies because the data is coming directly from BAs and TOPs. Peak recommends NERC survey the BAs and TOPs for any impact to their ability to collect or supply data.<sup>17</sup>

Peak performs studies and assessments and reviews impacts from credible contingencies. As previously stated, it is not expected that these credible contingencies would bring the system frequency to a level that would initiate UFLS actions. Peak is in the process of developing and implementing transient stability tools, with which Peak can be predictive of potential frequency events and be proactive about identifying credible contingencies that result in low frequency conditions. None of these studies need details on UFLS from a DP, rather the studies would be

<sup>17</sup> With respect to Peak's recommendation that NERC survey BAs and TOPs, NERC notes that the response from Peak affirms that, as an RC, it does not rely on data from DPs. At this time, no changes with respect to the obligations of the BAs and TOPs to provide information to RCS are being proposed.

focusing on identifying credible contingencies that result in low frequency at or below various frequency trigger limits.

**6. VACAR South Response**

There are some DP entities in the VACAR South RC footprint that are less than 75 MW peak load that are not represented on the NERC RBR initiative List of DPs expected to be deactivated. The list below represents all DP entities in the VACAR footprint that meet the criteria of having a peak load less than 75 MW.

Regional Entity	Registered DP Entity	NERC ID	Peak Load
SERC	Haywood Electric Membership	NCR 10293	66
SERC	City of Camden	NCR01195	51
SERC	Greenwood Commissioners of Public Works	NCR01251	61
SERC	Lockhart Power Company	NCR11131	71
SERC	Seneca Light and Water	NCR01309	36
SERC	Town of Sharpsburg	NCR01348	6
SERC	Town of Stantonsburg	NCR01349	6
SERC	Town of Waynesville	NCR01350	23

Based on 2013 summer peak loads, these DP entities represented approximately 320 MW or less than 0.7 % of the 2013 VACAR South RC footprint peak load. The eight DP entities’ peak loads are insignificant relative to N-1 events that could cause cascading outages or additional contingencies to occur should the DP’s real-time load data not be provided.

**7. New York ISO Response**

Removing the proposed DPs will have no impact on the New York ISO’s ability to perform its obligations. New York ISO will continue to receive the data via New York ISO procedures and the New York ISO tariff.

1. If the LSE functional category is eliminated from the Registry Criteria, how much load would be affected in your footprint?

ANSWER – None.

2. If the PSE and LSE functions are eliminated from the Registry Criteria, will you be able to obtain needed information for modeling and studies? Please explain your response and provide data separated by the functional category.

ANSWER – Yes. We can obtain hourly loads for our LBMP zones either from our own databases, or from data provided to us by the TOs, who are DPs.

3. If the DP threshold is increased to greater than 75 MW, how many entities would be eligible for deactivation for the DP functional category?

ANSWER – none; all New York DPs are greater than 75 MW.

4. Please identify the number for affected DPs under 75 MW that have UFLS. Please also identify the number for affected entities that do not have UFLS.

ANSWER – None.

5. For the DPs above that would be deactivated, will you be able to obtain needed information for modeling and studies? Please explain and provide separate information regarding entities that have UFLS and those that do not have UFLS.

ANSWER – NA.

6. For the DPs that would be deactivated, how much load does that represent on a percentage basis?

ANSWER – NA.

7. For the DPs that have UFLS under 75MW, if 25% of the UFLS did not respond what would the consequences be (e.g., cascading outages, etc.)?

ANSWER – NA.

### **8. Southern Response**

Southern Company has not identified any DPs in its Planning Coordinator area that will be removed from the NERC Compliance Registry as a result of the proposed MW thresholds under RBR. Therefore, the two studies requested in the email below would be identical, and would yield nothing useful to support the RBR initiative.

### **Planning Coordinator Studies**

Six Planning Coordinators evaluated the effect of UFLS-Only DPs not being able to perform when called upon. Each independently concluded that there was little or no risk to the reliability of the BPS as a result. Each is discussed in turn below.

#### **1. Study of PJM Frequency Event**

PJM has several conceptual islands reviewed for UFLS simulations. One of the smaller islands in PJM, the Delmarva Peninsula, was chosen to magnify the impact of the UFLS-Only DP load. In one scenario, PJM assumed that the DP shed 100% of its load, in the other PJM assumed that only 75% of UFLS-armed, UFLS-Only DP load was shed, a 25% difference. The difference between these two scenarios was not significant. It is possible that if there were a large amount of DP load that didn't respond that PJM could have a UFLS performance issue, but this is far from being the case at least in the PJM zone.

Studied system condition – Delmarva island system conditions for PJM UFLS study

#### **Assumptions:**

- Delmarva island load + losses is 4421.5 MW
- Load at Easton Utilities Commission is 71.4 MW
- UFLS obligation from Easton Utilities Commission is 100% (worst case scenario)

Simulation event – Island Delmarva with 25% generation deficiency in the area

#### **Scenarios:**

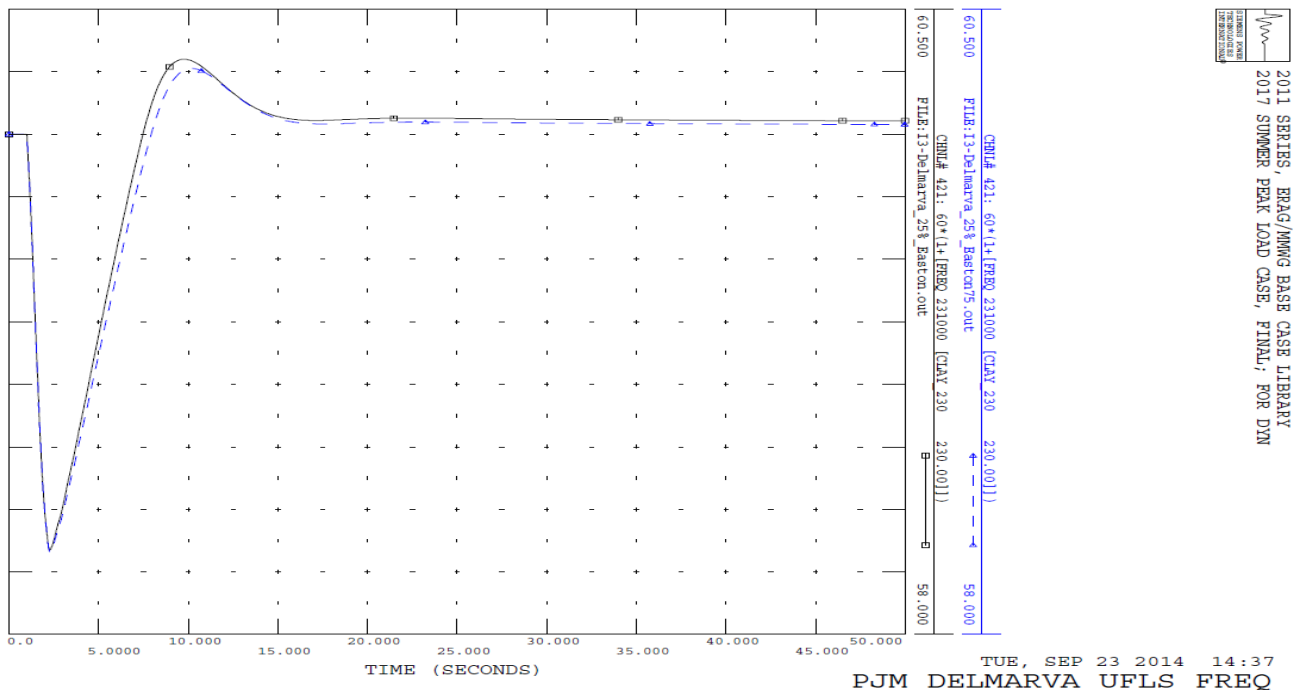
1. Easton Utilities Commission shed 100% load as its obligation
2. Easton Utilities Commission shed 75% load (no response from 25% of its obligation)

**Observations:**

	Scenario 1	Scenario 2
Easton Utilities Commission load shed %	100	75
Lowest Frequency	58.3	58.3
Highest Frequency	60.3	60.25
Settling Frequency	60.055	60.04

**Results/Conclusions from the simulations:**

- The studied scenarios show there are some impacts on the UFLS program performance of Delmarva island
- The impact depends on the island size and the aggregation amount of DPs involved
- For the studied Delmarva island with 25% generation deficiency, the observed impact is not sufficient to cause UFLS performance violation; reserves would make up the non-response for these units



**Figure 3: Delmarva Island Frequency Response**

**2. ERCOT UFLS Evaluation**

ERCOT evaluated the UFLS in its region and the potential impact of the proposed changes as follows:

1. ERCOT has local protocols applicable to all ten DPs in its footprint that would become UFLS-Only DPs. As a result of the local protocols, these ten DPs would remain required to provide 25% UFLS response, as described in Operating Guide Section 2.6.1, Automatic Firm Load Shedding ([Link-  
http://www.ercot.com/mktrules/guides/noperating/cur](http://www.ercot.com/mktrules/guides/noperating/cur))
2. ERCOT did not conduct a simulation but offers the results below of impacts if the 10 DPs did not respond.

On May 13, 2014 ERCOT coordinated and conducted an annual survey with the TSPs and DSPs to ensure that the required automatic UFLS circuits were configured to provide the appropriate load relief in an under-frequency event as required by ERCOT Operating Guides.

May 13, 2014 Load was 35,281 MW

UFLS requirement for 35,281 MW was 25% = 8,820 MW UFLS

Breakers were armed to provide 29.8% = 10,508 MW UFLS

The sum of the ten cities load above is 609 MW results in a 25% UFLS responsibility of 152 MW UFLS.

If the survey were conducted again simulating the ten cities' failure to provide UFLS of 152 MW, then the results would have been as follows:

UFLS requirement for 35,281 was 25% = 8,820 MW UFLS

Breakers were armed to provide 29.3% = 10,356 MW UFLS (10,508MW – 152 MW)

#### Conclusion:

The theoretical loss of 25% UFLS from the ten cities would have dropped the UFLS results from 29.8% to 29.3%, which still surpasses the 25% requirement. In conclusion, ERCOT considered theoretical deregistration impacts on the most recent UFLS survey, and based on that high level evaluation found no anticipated impacts based on the theoretical loss of 100% of 152 MW from the UFLS response.

### 3. Study of New England ISO Frequency Event

New England ISO evaluated the frequency response in a study performed to review the effect of not including DPs below 75 MW in its UFLS response.

#### Purpose of Assessment:

Review UFLS performance with UFLS of DP entities below 75 MW disabled. Note that this was not a comprehensive system performance review, it was to determine if acceptable performance could be obtained.

#### Procedure:

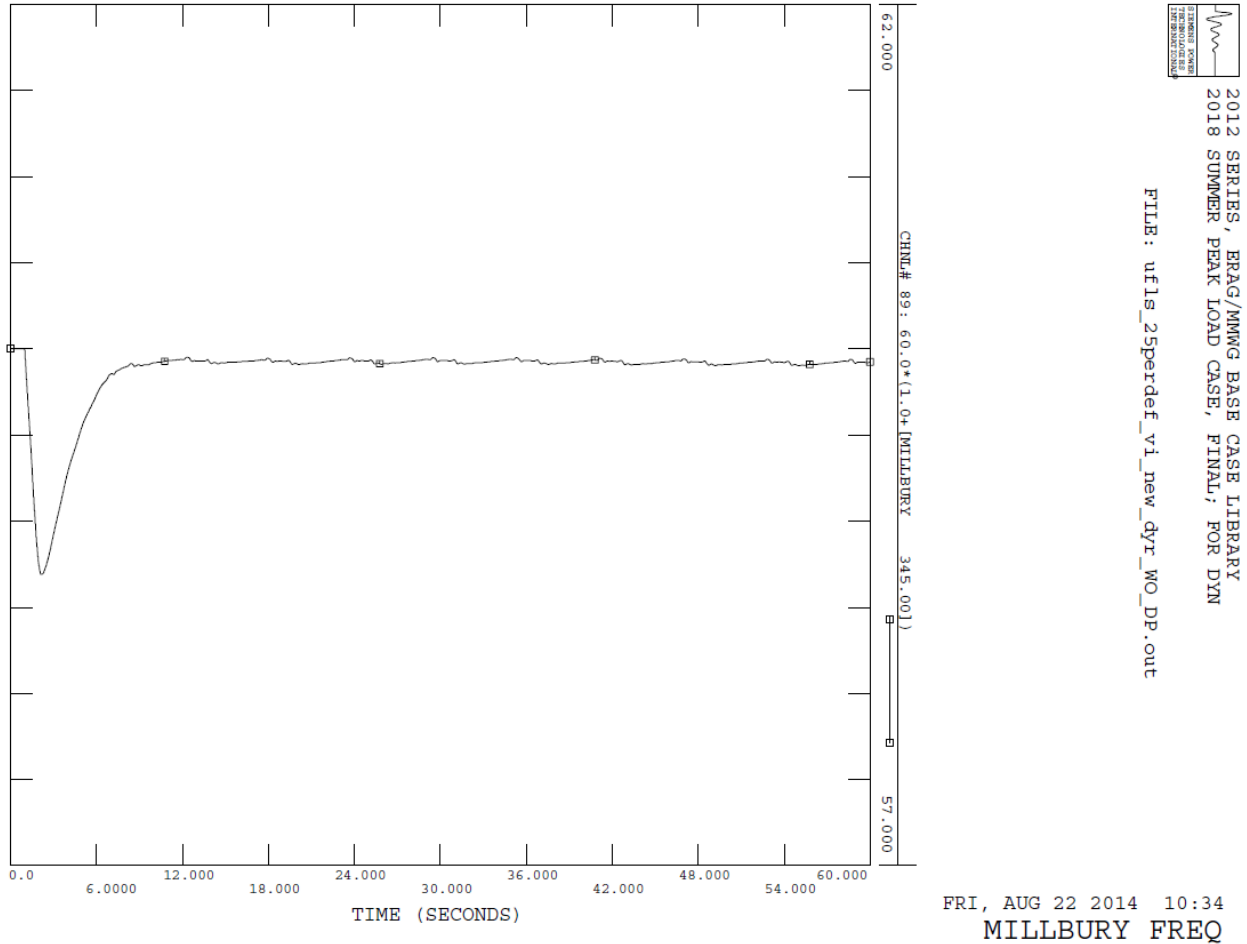
ISO New England Transmission Planning used the simulation study cases that it uses in UFLS program development for the area. The New England UFLS program is part of a coordinated program with other areas within NPCC. The following DP entities in New England with load less than 75 MW were included in the assessment but their UFLS response was disabled. These entities load remained in the case but without UFLS response.

Regional Entity	Entity Name	NCR ID#	MW	BA
NPCC	Bozrah Light and Power Company	NCR07034	20.3	NE-ISO
NPCC	Ipswich Municipal Light Department	NCR00124	26.2	NE-ISO
NPCC	Mohegan Tribal Utility Authority	NCR07037	29.1	NE-ISO
NPCC	Marblehead Municipal Light Department	NCR00208	31.6	NE-ISO
NPCC	Littleton Electric Light Department	NCR00164	49	NE-ISO
NPCC	Wakefield Municipal Gas and Light Department	NCR10253	49.3	NE-ISO
NPCC	Mansfield Municipal Electric Department	NCR07135	55.7	NE-ISO
NPCC	Hingham Municipal Lighting Plant	NCR07106	56.5	NE-ISO
NPCC	North Attleborough Electric Department	NCR00126	63.1	NE-ISO
NPCC	Middleborough Gas and Electric Department	NCR10251	63.3	NE-ISO
NPCC	Wellesley Municipal Light Plant	NCR07230	65.6	NE-ISO
NPCC	Burlington Electric Department	NCR07024	67.2	NE-ISO

Other larger entity UFLS response in New England was normal in the simulation.

**Results:**

The review showed an acceptable result per the PRC-006 standard, the frequency restores above 59.5 in 60 seconds. This is without UFLS response from DP entities below 75 MW. Figure 4 shows the New England frequency response in the simulation without DP entity under 75 MW response.



**Figure 4: New England Frequency Response**

**4. FMPA UFLS Study**

FMPA members in the FRCC Region are potential candidates for treatment as UFLS-only DPs. In reviewing the FRCC Regional UFLS study completed in August, 2013, FRCC conducted sensitivities of plus and minus 15% of the total system load surrounding the steps of FMPA’s UFLS program. These 15% sensitivities are larger than the total load served by UFLS-only FMPA members. In the 2013 study, a new UFLS scheme was designed. The sensitivities of plus and minus 15% are identified as +4 and -4:

Alternative 4 Percentages			Amount of Step Load By Case			Amount of +/- Sensitivity By Case		
Freq.	Delay	%	Summer Peak	Shoulder Load	Light Load	Summer Peak	Shoulder Load	Light Load
59.6	0.28	7	3341.24	2500.68	1696.73	<b>501.186</b>	<b>375.102</b>	<b>254.5095</b>
59.4	0.28	5	2386.6	1786.2	1211.95	<b>357.99</b>	<b>267.93</b>	<b>181.7925</b>
59.2	0.28	5	2386.6	1786.2	1211.95	<b>357.99</b>	<b>267.93</b>	<b>181.7925</b>
59	0.28	5	2386.6	1786.2	1211.95	<b>357.99</b>	<b>267.93</b>	<b>181.7925</b>
58.7	0.28	6	2863.92	2143.44	1454.34	<b>429.588</b>	<b>321.516</b>	<b>218.151</b>
58.4	0.28	4	1909.28	1428.96	969.56	<b>286.392</b>	<b>214.344</b>	<b>145.434</b>
58.2	0.28	4	1909.28	1428.96	969.56	<b>286.392</b>	<b>214.344</b>	<b>145.434</b>
59.6	15	2	954.64	714.48	484.78	<b>143.196</b>	<b>107.172</b>	<b>72.717</b>
59.6	22	2	954.64	714.48	484.78	<b>143.196</b>	<b>107.172</b>	<b>72.717</b>

UFLS Only DP	Total Peak Load (MW)	Total Armed Load for UFLS (2013)	25% of Armed UFLS Load (MW)
Leesburg	~100	64.0	16.0
Clewiston	~25	15.3	3.8
Winter Park	~90	40.8	10.2

#### Study Conclusion:

The study concluded the proposed UFLS scheme performs adequately with either plus or minus 15%, and as such, the performance with a failure of 25% of one of the entities above will be acceptable.

#### 5. California ISO Response

There are few DPs < 75 MW that are inside the ISO's Planning Coordinator area footprint and/or BA area footprint, as is shown in the attached spreadsheet. Included in our Planning Coordinator area footprint are: City of Azusa, City of Banning, Port of Oakland, Port of Stockton, and some NCPA members such as City of Alameda (Alameda Municipal Power) and the City of Ukiah.

Examples of DPs < 75 MW that are outside of the ISO's Planning Coordinator area footprint, but are within the ISO's BA area footprint include: Lassen Municipal Utility District, CCSF, and Plumas-Sierra Rural Electric Cooperative.

*For the DPs that have UFLS under 75 MW, if 25% of the UFLS obligation did not respond, what would the consequences be?*

California ISO anticipates that the consequences would be minimal. The aggregate load levels of the identified entities represent between 0.5% - 1% of California ISO's summer peak load, and would have minimal consequences on the WECC system during an UFLS event, and may be comparable to one to two feeder failures on the California ISO Controlled Grid. Nevertheless, it would be more equitable if all entities participated in, or continued to participate in UFLS response.



**25% reduction in UFLS obligation:**

City of Azusa, 53.7 MW load, % of Planning Coordinator load served by DP = 0.119%  
 25% UFLS reduction → 75% UFLS remaining → 40.28 MW remaining  
 % of Planning Coordinator load served by DP = 0.089%

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City of Banning, 37.4 MW load, % of Planning Coordinator load served by DP = 0.083 %  
 25% UFLS reduction → 75% UFLS remaining → 28.05 MW remaining  
 % of Planning Coordinator load served by DP = 0.062%

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Port of Oakland, 7.8 MW load, % of Planning Coordinator load served by DP = 0.017 %  
 25% UFLS reduction → 75% UFLS remaining → 5.85 MW remaining  
 % of Planning Coordinator load served by DP = 0.013%

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Port of Stockton, 2.9 MW load, % of Planning Coordinator load served by DP = 0.006%  
 25% UFLS reduction → 75% UFLS remaining → 2.18 MW remaining  
 % of Planning Coordinator load served by DP = 0.005%

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City of Alameda, 54.7 MW load, % of Planning Coordinator load served by DP = 0.121%  
 25% UFLS reduction → 75% UFLS remaining → 41.03 MW remaining  
 % of Planning Coordinator load served by DP = 0.091%

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City of Ukiah (NCPA), 29.4 MW load, % of Planning Coordinator load served by DP = 0.065%  
 25% UFLS reduction → 75% UFLS remaining → 22.05 MW remaining  
 % of Planning Coordinator load served by DP = 0.049%

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City of Moreno Valley, 30 MW load, % of Planning Coordinator load served by DP = 0.067 %  
 25% UFLS reduction → 75% UFLS remaining → 22.5 MW remaining  
 % of Planning Coordinator load served by DP = 0.050%

**6. MISO Response****UFLS**

MISO has five under-75 MW DPs listed with UFLS programs. The five DPs have approximately 228 MW of load which is a small fraction of one percent (0.17%) of the MISO footprint of over 136,000 MW. As a result, this will not impact the MISO UFLS program performance. It will also not impact neighboring entities. MISO has no concerns with the deactivation of small DPs in regards to UFLS programs.

## Appendix C: Proposed Deactivations

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### Entity Impact

**Deactivation (represents specific entities that remain on the NCR but certain functions are deactivated; does not include de-registrations)**

Total Entities with Functional Deactivations	515
IA	39
LSE	452
PSE	245
Total Entities Deregistered	205

**Other Entity Impact Data (combined total is deactivations and de-registrations)**

Total Impacted Entities	720
Total from 720 that are Multi-Regional Registered Entities (MRRE)	94

\*Deregistration occurs when all functions of an entity have been deactivated.

## Functional Impact

**IA, LSE and PSE Function Removal (totals below equal all deactivations and de-registrations by functional category)**

<b>Total Impacted Functions</b>	<b>947</b>
<b>Total IA Deactivations/De-registrations</b>	<b>39</b>
<b>Total LSE Deactivations/De-registrations</b>	<b>466</b>
<b>Total PSE Deactivations/De-registrations</b>	<b>442</b>

## Proposed DP Functional Deactivations

<b>Proposed DP Functional Deactivations</b>	<b>54</b>
<b>FRCC</b>	<b>0</b>
<b>MRO</b>	<b>14</b>
<b>NPCC</b>	<b>5</b>
<b>RF</b>	<b>16</b>
<b>SERC</b>	<b>6</b>
<b>SPP</b>	<b>6</b>
<b>TRE</b>	<b>2</b>
<b>WECC</b>	<b>5</b>

## Appendix D: Surveys

### DP Surveys

Number of DP Registered Entities that Responded		312
If you have a UFLS program, are your relays electromechanical or microprocessor based relays?	Electromechanical	80
	Microprocessor	200
If you have less than 74MW of peak load, are you a part of a Restoration Plan, UVLS, UFLS, SPS, Transmission Protection System or Nuclear Plant Interface Requirement (NPIR) Agreement?	Restoration Plan	9
	UVLS	4
	UFLS	38
	Special Protection System	5
	Transmission Protection System	14
	Nuclear Plant Interface Requirement (NPIR) Agreement	6
Question 4: Please identify your Regional Entity.	FRCC	19
	MRO	43
	NPCC	35
	RF	39
	SERC	52
	SPP	35
	TRE	42
	WECC	59

## Planning Coordinator Surveys

<b>Planning Coordinators were asked to provide the following information regarding relationships with the DPs in their areas.</b>
DP Entity Name (under 75MW)
DP Peak load served (MW)
NERC Compliance Registry
Region
Balancing Authority
Planning Coordinator
Total peak load served by Planning Coordinator (MW)
Percentage of Planning Coordinator load served by DP (Calculated)
Total Planning Coordinator UFLS (MW)
DP has UFLS (Y/N)
Counted towards Planning Coordinator UFLS (Y/N)
DP load contributing to Planning Coordinator UFLS (MW)
Percentage of Planning Coordinator load served by DP (Calculated)
Please List any other Reliability Compliance Responsibilities the DP has.

## RC Surveys

<b>All RC responded to the following questions:</b>
If the PSE and LSE functions are eliminated from the Registry Criteria, will you be able to obtain needed information for modeling and studies?
If the DP threshold is increased to greater than 75 MW, how many entities would be eligible for deactivation for the DP functional category?
Please identify the number for affected DPs under 75 MW that have UFLS. Please also identify the number for affected entities that do not have UFLS.
For the DPs above that would be deactivated, will you be able to obtain needed information for modeling and studies? Please explain and provide separate information regarding entities that have UFLS and those that do not have UFLS.
For the DPs that would be deactivated, how much load does that represent on a percentage basis?
For the DPs that have UFLS under 75MW, if 25% of the UFLS did not respond what would the consequences be (e.g. cascading outages, etc.)?