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3 **Memorandum of Understanding**
4 **between**
5 **Saskatchewan Power Corporation (SPC)**
6 **and**
7 **Midwest Reliability Organization (MRO)**
8 **and**
9 **North American Electric Reliability Corporation (NERC)**
10 **(Collectively described hereunder as the “Parties”)**
11

12 This Memorandum of Understanding ("MOU") is made effective from the date of signing
13 by the Parties.

14
15 **Whereas** SPC is the legislated Saskatchewan authority to set, monitor, and enforce bulk
16 electric system standards within the Province of Saskatchewan;

17
18 **And Whereas** the Parties wish to establish a continuing and cooperative relationship to
19 enhance the reliability of the North American bulk electric system;

20
21 **And Whereas** the purpose of this MOU is to define Saskatchewan’s recognition of its
22 Electric Reliability Standard Setting Body, and the associated protocols, for accepting,
23 challenging, remanding, and monitoring reliability;

24
25 **Now Therefore** this MOU sets out the understanding of the Parties as follows:
26
27

28 **General Provisions**
29

30 This Memorandum of Understanding (MOU) between the Parties reflects the desire for a
31 continuing and cooperative relationship in enhancing the reliability of the North

1 American bulk electric system, and in the exchange of experience, information, and data
2 related to that system. This MOU will be in effect, unless cancelled by the Parties, for
3 three years following the date of execution. This MOU may be continued for an
4 additional three years with agreement of the Parties. If Saskatchewan at some future date
5 enacts specific reliability legislation, SPC may require changes to this framework.

6
7 NERC is an international organization that has been designated as the Electric Reliability
8 Organization under the *Energy Policy Act* of 2005 in the United States (the “*Energy*
9 *Policy Act*”), whose mission is to improve the reliability and security of the bulk electric
10 system in North America. NERC seeks recognition to become the Electric Reliability
11 Standard Setting Body in Saskatchewan.

12
13 NERC approves Reliability Standards, monitors compliance with Reliability Standards,
14 and periodically assesses the reliability of the bulk electric system in North America.

15 MRO operates under a delegation agreement from NERC to perform reliability functions.

16 MRO is recognized by NERC as a Regional Entity as defined in the Energy Policy Act
17 with a cross-border scope and seeks recognition in Saskatchewan. SPC is a member of
18 MRO and has representation in the organization.

19
20 The term ‘Reliability Standard’ means a requirement to provide for reliable operation of
21 the bulk electric system. The term includes requirements for the operation of existing
22 bulk electric system facilities, including cyber security protection, and the design of
23 planned additions or modifications to such facilities to the extent necessary to provide for
24 reliable operation of the bulk electric system.

25
26 Both NERC and MRO are of the view that this MOU is generally consistent with the
27 *PRINCIPLES FOR AN ELECTRIC RELIABILITY ORGANIZATION THAT CAN*
28 *FUNCTION ON AN INTERNATIONAL BASIS* published by the “Bilateral Group” (with
29 the exception of the potential to apply penalties). (The Bilateral Group was established in
30 February of 2004 to address issues concerning an international framework for electric
31 reliability).

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This MOU reflects the intent of Saskatchewan to support common North American bulk electric standards and to describe the protocols to achieve such a goal.

Transition

It is recognized in this MOU that Saskatchewan, through SPC, has taken the concrete steps required to implement NERC compliance, through: membership in NERC and MRO; registration on the NERC Compliance Registry; formal SPC Board approval to adopt NERC standards; and approval as a Reliability Coordinator. Given these efforts, NERC and MRO recognize that SPC’s transition to full NERC compliance will require a reasonable timeframe as compared to other bulk electric participants who have been committed to NERC standards for longer periods.

Jurisdiction over Reliability Standards

It is recognized in this MOU that Saskatchewan will retain jurisdiction over bulk electric system reliability, and that at this time SPC has the legislative authority via *The Power Corporation Act* (Saskatchewan) to set standards and enforce compliance for the bulk electric system in the Province of Saskatchewan. The term “Saskatchewan Authority” will refer to the framework of oversight adopted by SPC within the formal legislative authority of SPC. It is recognized that Saskatchewan at some future date may enact specific reliability legislation, and that this MOU represents interim reliability governance pending future changes. SPC commits to notify NERC and MRO of updates or changes to this framework and to notify NERC and MRO of contacts associated with the Saskatchewan Authority and any changes, as appropriate.

This MOU sets forth the mutual expectations the Parties have with respect to jurisdiction, appointment of the Reliability Standards setting bodies, automatic adoption of Reliability Standards approved by NERC and MRO, monitoring and reporting compliance, and the provision of payment for a transparent, fair and attributable allocation of MRO and

1 NERC's reasonable budget costs applicable to Saskatchewan for carrying out its mission
2 based on net-energy-to-load.

3
4 **This MOU is not intended to be an enforceable or binding agreement or contract by**
5 **or against any Party, notwithstanding the occasional use of the term "agree" or the**
6 **use of mandatory language such as "shall" or "will" in either the MOU or its**
7 **appendices. For further clarity, nothing in this MOU is to be construed as creating**
8 **binding legal relations or any partnership, agency or joint or several liabilities**
9 **between any of the Parties, and no penalties may be applied or enforced against any**
10 **of the Parties to this Agreement.**

11
12 **Recognition of NERC and MRO as Saskatchewan's Electric Reliability Standard**
13 **Setting Bodies.**

14
15 Through this MOU, the Parties recognize the Saskatchewan Authority and the intent to
16 establish an interim oversight structure, and the Parties recognize the role that NERC and
17 MRO have with respect to the North American bulk electric system.

18
19 For the purposes of this MOU the Saskatchewan Authority recognizes NERC and MRO
20 to be Saskatchewan's Electric Reliability Standard Setting Bodies.

21
22 It is also recognized that this recognition as the Reliability Standard Setting Bodies can
23 be terminated at any time, with 6 months written notification by SPC.

24
25 **Development, Adoption, Applicability, Challenge, and Compliance Processes of**
26 **Reliability Standards**

27
28 The Parties acknowledge the importance of the active participation of any electricity
29 sector participants from the Province of Saskatchewan in the Reliability Standards
30 development process.

1 NERC commits to notify the Saskatchewan Authority of the major milestones in the
2 development of each Reliability Standard.

3
4 NERC will file its proposed Reliability Standards contemporaneously in all relevant
5 jurisdictions. NERC will notify the Saskatchewan Authority of the actions of other
6 jurisdictions regarding the proposed Reliability Standards. NERC will immediately notify
7 the Saskatchewan Authority if any jurisdiction remands a proposed Reliability Standard
8 and will work with all relevant jurisdictions to resolve the issues raised in the remand.

9 In order to establish transparency and recognition of Saskatchewan's preference for a
10 Reliability Authority oversight system vs. a quasi judicial regulator (due to the small size
11 of the Saskatchewan jurisdiction), this interim process shall create an assessment and
12 review mechanism, should it be required for remand, setting aside of a standard, or to
13 make a finding of non compliance as asserted by NERC or MRO.

14
15 Typically NERC BOT (Board of Trustees) approved standards shall be viewed as being
16 automatically adopted in Saskatchewan, unless: 1. a particular standard has been
17 remanded by any jurisdiction (in which case the standard will not be applicable); or 2.as
18 result of a Saskatchewan Authority review initiated within 120 days of receiving notice
19 of NERC's adoption of a standard (requested in writing by any entity within
20 Saskatchewan, or upon the initiative of the Saskatchewan Authority), a standard may be
21 remanded back to NERC or set aside by the Saskatchewan Authority (thus also not being
22 applicable) or a variance has been duly requested by SPC through the NERC rules and
23 therefore, the standard is set aside for Saskatchewan or a defined geography within
24 Saskatchewan, or; the Saskatchewan Authority chooses to set aside a standard for other
25 reasons at any time.

26
27 The Parties understand that once a Reliability Standard is adopted, and not remanded,
28 challenged, or set aside, compliance with the Reliability Standard will become required in
29 the Province of Saskatchewan. The oversight unit within SPC will be the monitoring,
30 compliance and enforcement authority for the Province, as per their legislative authority.
31 SPC may utilize MRO, NERC, or other resources to complete certain of these reviews.

1 Referring to the attached process map, the Saskatchewan Authority will follow the
2 illustrated compliance process. If findings or any dispute occurs, SPC may choose to hear
3 arguments (through its Reliability Oversight Office). The arguments shall be heard within
4 Saskatchewan, and in no case shall any United States court or regulatory process in the
5 United States be utilized. The Saskatchewan Authority may make a finding of non
6 compliance at any time, however, when following the compliance model illustrated, and
7 upon an opinion being found through the MRO/NERC processes, the Saskatchewan
8 Authority may make a finding of non-compliance, and seek and enforce a mitigation plan
9 from the non-compliant entity.

10
11 The Parties also understand that NERC and MRO intend to conduct monitoring
12 activities, including compliance audits in Saskatchewan with respect to the state of
13 Reliability Standards in the Province of Saskatchewan.

14
15 The Saskatchewan Authority agrees to align to the greatest degree possible to the rules
16 and procedures of NERC and MRO, where such rules support the objectives of this
17 MOU, and do not conflict with Saskatchewan or Canadian laws or regulatory
18 requirements.

19
20 **ERO Funding**

21
22 The Parties acknowledge that the budget costs associated with NERC and MRO are
23 currently included, directly or indirectly, in the rates of entities subject to the
24 Saskatchewan Authority jurisdiction. The Parties agree on the importance of continuing a
25 stable, transparent, fair, and attributable allocation of funding for NERC and MRO with
26 the opportunity for Saskatchewan Authority to approve such funding.

27
28 NERC and MRO commit to an allocation of its reasonable budget costs to SPC
29 applicable to Saskatchewan, based on net-energy-for-load. NERC will make an
30 informational filing of its annual budget and funding requirement with the Saskatchewan
31 Authority, contemporaneously with its filing in other jurisdictions.

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SPC will continue in this interim period to include these reasonable costs as part of its normal annual budget. NERC and MRO will provide information in a timely and relevant manner to the Saskatchewan Authority and will coordinate an opportunity to discuss such costs in a meaningful manner.

Points of Contacts

The points of contact shall be:

NERC
David N. Cook, Vice President & General Counsel
116-390 Village Blvd.
Princeton, NJ 08540
(609) 452-8060

MRO
Sara Patrick
2774 Cleveland Avenue
Roseville, MN 55113

SPC
John McKenzie
2025 Victoria Avenue
Regina, Saskatchewan
Canada S4P 0S1

These points of contact can be amended at any time by notification to the other Parties.

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2 **Signatures**

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5 **Midwest Reliability Organization**

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8 Daniel P. Skaar

9 President

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11 **North American Electric Reliability Corporation**

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14 Richard P. Sergel

15 President & Chief Executive Officer

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19 **Saskatchewan Power Corporation**

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21 
Gary Wilkinson

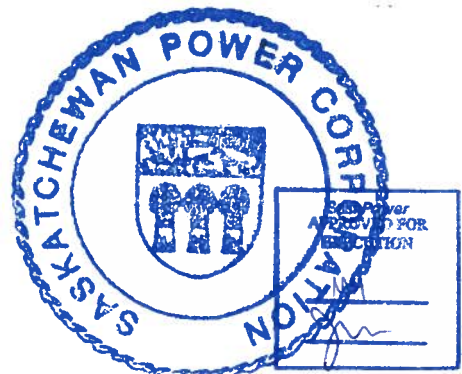
22 Vice President, Planning Environment & Regulatory Affairs

23

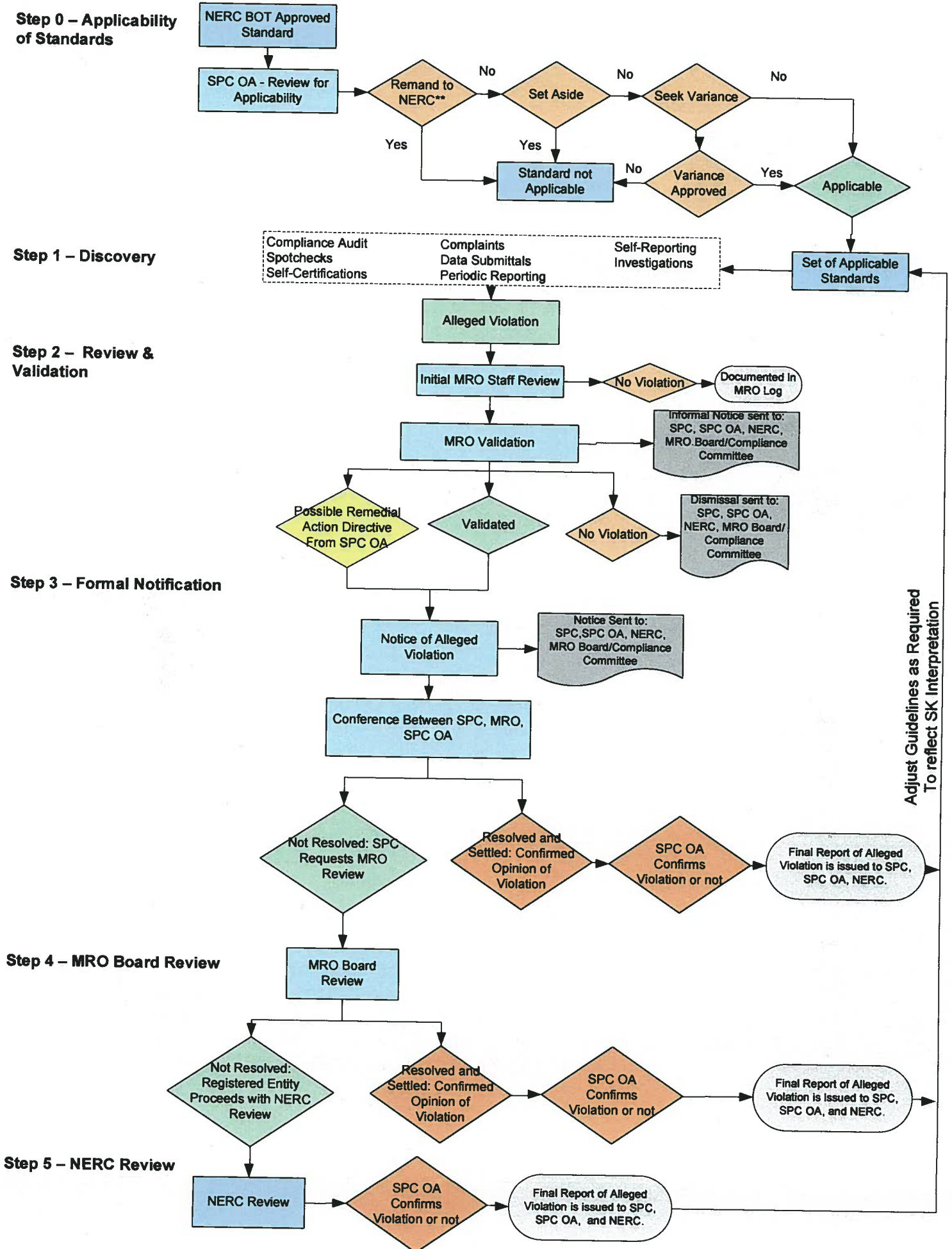
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26 Assistant Secretary



Midwest Reliability Organization Compliance and Enforcement Process Map (Saskatchewan, Canada)



Adjust Guidelines as Required To reflect SK Interpretation

Note:
 SPC- SaskPower Corporation (Entity Equivalents)
 SPC OA- SaskPower Oversight Authority (Regulatory Proxy)
 **-Remand step recognizes that if NERC BOT approved standards are either "not" implemented in any jurisdiction or remanded back to NERC they are considered to "not" be applicable unless specifically recognized by the SPC OA