AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION AND MIDWEST RELIABILITY ORGANIZATION

AMENDED AND RESTATED DELEGATION AGREEMENT ("Agreement") made as of [January 1, 2011], between the North American Electric Reliability Corporation ("NERC"), an organization certified by the Federal Energy Regulatory Commission ("Commission") pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the Bulk-Power System, and Midwest Reliability Organization, an organization established to develop and enforce Reliability Standards within the geographic boundaries identified on **Exhibit A** to this Agreement, and for other purposes. NERC and Midwest Reliability Organization may be individually referred to herein as "Party" or collectively as "Parties."

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824n) (hereafter "the Act"), which, among other things, provides for the establishment of an electric reliability organization ("ERO") to develop and enforce Reliability Standards applicable to all owners, operators, and users of the Bulk-Power System;

WHEREAS, the Commission has adopted regulations for the implementation of the Act, which are set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39 (the "ERO Regulations");

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the Bulk-Power System, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

Approved by FERC Effective June 25, 2012

WHEREAS, the Act and Section 39.8 of the ERO Regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities ("Regional Entities") such as Midwest Reliability Organization provided that:

(A) The Regional Entity is governed by —

(i) an independent board;

(ii) a balanced stakeholder board; or

(iii) a combination independent and balanced stakeholder board.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of Bulk-Power System reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: "[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved";

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, Midwest Reliability Organization is not organized on an Interconnection-wide basis and therefore is not entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through Midwest Reliability Organization to carry out certain of its activities in furtherance of its responsibilities as the ERO under the Act;

Approved by FERC Effective June 25, 2012

WHEREAS, NERC has concluded that Midwest Reliability Organization meets all requirements of the Act, the ERO Regulations, and the NERC Rules of Procedure as approved by the Commission ("NERC Rules of Procedure") necessary to qualify for delegation; and

WHEREAS, NERC and Midwest Reliability Organization having operated under a predecessor agreement to this Agreement, have negotiated this amended and restated Agreement so as to incorporate the benefits of their mutual experience and lessons learned while operating under the predecessor agreement and thereby provide for the more efficient and effective execution of their respective responsibilities in a transparent manner that is pursuant to Section 215 of the Act and the ERO Regulations;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and Midwest Reliability Organization agree as follows:

1. **Definitions**. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the ERO Regulations, the NERC Rules of Procedure, or the NERC Glossary of Terms Used in Reliability Standards, or, if not so defined, shall be defined as set forth in this Section 1 or elsewhere in the text of this Agreement:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to Midwest Reliability Organization to propose and enforce Reliability Standards pursuant to the Act and to undertake related activities set forth in this Agreement in furtherance of these delegated functions in accordance with the Act, the ERO Regulations and this Agreement.

2. **Representations**.

(a) For purposes of its Delegated Authority, Midwest Reliability Organization hereby represents and warrants to NERC that:

Approved by FERC Effective June 25, 2012

(i) Midwest Reliability Organization is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. Midwest Reliability Organization is governed in accordance with its bylaws by a balanced stakeholder board. Pursuant to these bylaws, no two industry sectors can control any Midwest Reliability Organization decision and no single industry sector can veto any Midwest Reliability Organization decision. The bylaws are attached hereto in **Exhibit B**[1], and as so attached are in full force and effect. No other such corporate governance documents are binding upon Midwest Reliability Organization.

(ii) As set forth in **Exhibit C** hereto[2], Midwest Reliability Organization has developed a standards development procedure, which provides the process that Midwest Reliability Organization may use to develop Regional Reliability Standards that are proposed to NERC for adoption.

(iii) As set forth in **Exhibit D** hereto, Midwest Reliability Organization has adopted the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure, which provides for the enforcement of Reliability Standards within Midwest Reliability Organization's geographic boundaries as shown on **Exhibit A**.

(b) NERC hereby represents and warrants to Midwest Reliability Organization that:

(i) NERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) NERC has been certified as the ERO by the Commission pursuant to the Act.

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[1] The **Exhibit B** from Midwest Reliability Organization shall meet the requirements contained in **Exhibit B** to this Agreement.

[2] The **Exhibit C** from Midwest Reliability Organization shall meet the requirements contained in **Exhibit C** to this Agreement.

Approved by FERC Effective June 25, 2012

3. Covenants.

(a) During the term of this Agreement, Midwest Reliability Organization shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend its Regional Entity Rules without NERC's approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) During the term of this Agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 17 and 18 of this Agreement, NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations or programs of Midwest Reliability Organization under this Agreement without first obtaining the consent of Midwest Reliability Organization which consent shall not be unreasonably withheld or delayed.

(c) During the term of this Agreement, NERC and Midwest Reliability Organization shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of Midwest Reliability Organization in Sections 2 and 3 above, the corporate governance documents set forth in **Exhibit B,** the standards development process set forth in **Exhibit C**, and the compliance monitoring and enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to Midwest Reliability Organization for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries and such other scope set forth on **Exhibit A.** Any exclusions from this delegation of authority to Midwest Reliability Organization within, or additions to this delegation of authority to Midwest Reliability Organization beyond, the geographic boundaries set forth on **Exhibit A** are stated on **Exhibit A**.

(b) [This subsection intentionally left blank].

Approved by FERC Effective June 25, 2012

(c) Nothing in this Agreement shall prohibit Midwest Reliability Organization from entering into an arrangement between one or more other Regional Entities to perform compliance monitoring and enforcement activities outside of its region, on behalf of NERC and/or other Regional Entities, for Registered Entities that have registered functions monitored by more than one Regional Entity, subject to approval by NERC.

(d) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified on **Exhibit A** that is within the United States. Any delegation of authority by ERO Governmental Authorities in Canada or Mexico shall be governed by a separate agreement and is outside the scope of this Agreement; provided, however, that both Midwest Reliability Organization and NERC shall endeavor to ensure that this Agreement and such separate agreements are compatible.

(e) As a condition to this delegation of authority and subject to the provisions of Section 17 of this Agreement, Midwest Reliability Organization shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. <u>Development and Proposal of Reliability Standards</u>.

(a) In connection with its Delegated Authority, Midwest Reliability Organization shall be entitled to:

(i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords Midwest Reliability Organization reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards through Midwest Reliability Organization's process as set forth in **Exhibit C**. Proposals approved through Midwest Reliability Organization's process shall be reviewed by the NERC Board after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule of Procedure 312.3 as it may be amended from time to time. The NERC Board shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection

Approved by FERC Effective June 25, 2012

5(b) of this Agreement if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed Regional Reliability Standard or Regional Variance and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. Midwest Reliability Organization may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the Regional Entity organized on an Interconnection-wide basis shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the Interconnection-wide Regional Entity during NERC's review of the proposal.

6. <u>Enforcement of Compliance with Reliability Standards</u>.

(a) In connection with its delegated authority pursuant to this Agreement, Midwest Reliability Organization shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the geographic boundaries set forth, or as otherwise specified, in **Exhibit A** through the compliance monitoring and enforcement program set forth in **Exhibit D**. NERC and Midwest Reliability Organization agree that this compliance monitoring and enforcement program meets all applicable requirements of the Act, Order No. 672 of the Commission, and the ERO Regulations, including, *inter alia*, the requirement for an audit program pursuant to Section 39.7(a) of the ERO Regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the ERO Regulations and the requirements for due process. Midwest Reliability Organization may not change its compliance monitoring and enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed, and the approval of the Commission. Subject to the rights and limitations specified in Sections 17 and 18 of this Agreement, Midwest Reliability Organization agrees to comply with the NERC Rules of Procedure, with any directives issued

Approved by FERC Effective June 25, 2012

pursuant to Section 8(c) of this Agreement, and with any guidance and directions issued by the NERC Board or a Board committee pursuant to Section 8(d) of this Agreement, in implementing this program.

(b) Midwest Reliability Organization shall report promptly to NERC any Possible Violation, Alleged Violation, or Confirmed Violation of a Reliability Standard, and its eventual disposition by Midwest Reliability Organization Such report shall include the owner's, operator's, or user's name, which Reliability Standard or Reliability Standards were the subject of the Possible Violation, Alleged Violation, or Confirmed Violation, when the Possible Violation, Alleged Violation, or Confirmed Violation occurred, other pertinent facts including circumstances surrounding the Possible Violation, Alleged Violation, or Confirmed Violation with any known risk to the Bulk-Power System, when the Possible Violation, Alleged Violation, or Confirmed Violation was or will be mitigated, the name of a person knowledgeable about the Possible Violation, Alleged Violation, or Confirmed Violation to serve as a point of contact with the Commission, and any other information required by NERC compliance program procedures. NERC shall promptly forward such report to the Commission. NERC and Midwest Reliability Organization shall cooperate in filing such periodic summary reports as the Commission shall from time to time direct on Possible Violations, Alleged Violations, and Confirmed Violations of Reliability Standards and summary analyses of such Possible Violations, Alleged Violations, and Confirmed Violations.

(c) Each Possible Violation, Alleged Violation, or Confirmed Violation shall be treated as nonpublic unless the matter is filed with the Commission as a Notice of Penalty, or, if disclosure is required, dismissed. The disposition of each Possible Violation, Alleged Violation, or Confirmed Violation that relates to a Cybersecurity Incident or that would jeopardize the security of the Bulk-Power System if publicly disclosed shall remain nonpublic unless the Commission directs otherwise.

(d) All dispositions by Midwest Reliability Organization of Possible Violations, Alleged Violations, and Confirmed Violations of Reliability Standards shall be reported to NERC for review and, in the case of Confirmed Violations, penalties or sanctions, and settlements, for approval. Following approval of a disposition by NERC, NERC shall file the disposition with the Commission, if required by, and in accordance with, Section 215(e) of the

Approved by FERC Effective June 25, 2012

Act and Section 39.7 of the ERO Regulations. NERC shall review Midwest Reliability Organization's dispositions based on the following criteria:

(i) whether the disposition is supported by a sufficient record compiled by Midwest Reliability Organization in accordance with the NERC Rules of Procedure, NERC directives and Commission requirements, taking into account the nature of the Possible Violation, Alleged Violation, or Confirmed Violation,

(ii) whether the disposition is consistent with any applicable directives issued pursuant to Section 8(c) of this Agreement, any applicable directions or guidance issued by the NERC Board or a Board committee pursuant to Section 8(d) of this Agreement, or other applicable NERC guidance, concerning the Reliability Standards to which the Possible Violation, Alleged Violation, or Confirmed Violation relates,

(iii) if the disposition is a Confirmed Violation or settlement, whether it provides for a penalty or sanction, or a determination of no penalty or sanction, determined in accordance with the NERC Sanction Guidelines, Appendix 4B to the NERC Rules of Procedure, and

(iv) whether the disposition is reasonably consistent with other dispositions by Midwest Reliability Organization and by other Regional Entities of Possible Violations, Alleged Violations, and Confirmed Violations involving the same or similar facts and circumstances.

NERC may reject any disposition, with an explanation of why NERC believes the disposition does not meet the above criteria. Midwest Reliability Organization may submit a disposition requiring NERC approval that has been rejected by NERC, or a revised disposition following a rejection, directly to the NERC Board Compliance Committee for approval without revising the disposition to address all the grounds on which NERC originally rejected the disposition. The final approval of Midwest Reliability Organization's disposition of a Possible Violation, Alleged Violation, or Confirmed Violation shall be made by the NERC Board Compliance Committee, provided, that the NERC Board or NERC Board Compliance Committee may, by appropriate resolution, delegate authority for final approval of dispositions of specified categories of Possible Violations, Alleged Violations, or Confirmed Violations to the NERC President.

Approved by FERC Effective June 25, 2012

(e) All appeals of penalties imposed by Midwest Reliability Organization as a result of a decision by Midwest Reliability Organization's Hearing Body shall be filed with, heard by and disposed of by, NERC in accordance with the NERC Rules of Procedure.

(f) Midwest Reliability Organization shall maintain the capability to conduct investigations of Possible Violations and Alleged Violations of Reliability Standards and to conduct such investigations in a confidential manner.

(g) Midwest Reliability Organization shall maintain a program of proactive monitoring and enforcement of compliance with Reliability Standards, in accordance with the NERC Compliance Monitoring and Enforcement Program and the annual NERC Compliance Monitoring and Enforcement Program Implementation Plan.

(h) As part of its compliance monitoring and enforcement program, Midwest Reliability Organization shall maintain a conflict of interest policy that assures the integrity and independence of such program, including the integrity and independence of the persons or decision-making bodies making final determinations in compliance enforcement actions under Section 5.0 of the NERC Compliance Monitoring and Enforcement Program. A Regional Entity may have stakeholders lead or participate in its board compliance committee so long as integrity and independence are assured through reasonable and appropriate recusal procedures.

(i) As often as NERC deems necessary, but no less than every five years, NERC shall review Midwest Reliability Organization's compliance monitoring and enforcement program to determine that: (i) the program meets all applicable legal requirements; (ii) actual practices reflect the requirements; and (iii) the program administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties for violations of Reliability Standards constituting comparable levels of threat to reliability of the Bulk-Power System.

7. <u>Delegation-Related Activities</u>.

NERC will engage Midwest Reliability Organization on its behalf to carry out certain of its activities that are in furtherance of Bulk-Power System reliability and NERC's responsibilities as the ERO under the Act or in support of the Delegated Authority, as specified in the NERC Rules of Procedure and listed on **Exhibit E**. These delegation-related activities

Approved by FERC Effective June 25, 2012

shall include, but are not limited to, those described in subsections (a) through (f), each of which shall be considered a statutory activity:

(a) Certification of Bulk-Power System Entities. The NERC Board shall set criteria for certification in accordance with the NERC Rules of Procedure. Midwest Reliability Organization shall issue certifications in accordance with the NERC Rules of Procedure.

(b) Registration of owners, operators, and users of the Bulk-Power System as responsible for compliance with requirements of Reliability Standards.

(i) The NERC Board shall develop criteria for registration of owners, operators, and users of the Bulk-Power System as Registered Entities and shall apply the registration criteria to register owners, operators and users of the Bulk-Power System as Registered Entities.

(ii) NERC shall maintain a registration database of Registered Entities, based on data and information provided by Midwest Reliability Organization and other Regional Entities. Midwest Reliability Organization shall provide timely and accurate information relating to registrations to NERC, on at least a monthly basis, to enable NERC to maintain a registration database that is accurate and up-to-date.

(iii) The NERC Board Compliance Committee shall hear and decide appeals from owners, operators and users of the Bulk-Power System contesting registration, in accordance with the NERC Rules of Procedure. If the NERC Board Compliance Committee upholds the decision to register an owner, operator, or user, NERC shall defend the decision in any subsequent appeal of the decision by the Registered Entity to the Commission.

(c) Reliability Assessment and Performance Analysis. Midwest Reliability Organization shall develop assessments of the reliability of the Bulk-Power System, or ensure that data and information are collected, analyzed and provided to NERC in support of the development of reliability assessments, in accordance with the NERC Rules of Procedure. Midwest Reliability Organization shall also develop and maintain, and collect data in support of the development and maintenance of, reliability performance metrics and assessments of risks to the Reliable Operation of the Bulk-Power System, in accordance with the NERC Rules of Procedure and NERC directives. NERC shall develop data-gathering quality control procedures, forms and reporting mechanisms, which shall be used by Midwest Reliability Organization and other Regional Entities in carrying out their responsibilities under this subsection (c).

Approved by FERC Effective June 25, 2012

(d) Event Analysis and Reliability Improvement. Midwest Reliability Organization shall conduct event analysis pursuant to the NERC Rules of Procedure and applicable governmental regulations. NERC and Midwest Reliability Organization shall coordinate event analysis to support the effective and efficient use of their collective resources, consistency in event analysis, and timely delivery of event analysis reports. In collaboration with NERC, Midwest Reliability Organization shall disseminate to the electric industry lessons learned and other information obtained or resulting from event analysis.

(e) Training and Education. Midwest Reliability Organization may provide training and education to Registered Entities, as it deems necessary, in support of its performance of delegated functions and related activities under this Agreement. NERC may also provide training and education programs to Registered Entities on topics relating to NERC's responsibilities as the ERO.

(f) Situation Awareness and Infrastructure Security.

(i) Midwest Reliability Organization shall gather and assess situation awareness information provided by Registered Entities pursuant to the NERC Rules of Procedure and applicable governmental regulations, and shall provide other data, information and assistance to NERC in support of NERC's activities in monitoring present conditions, and responding to events, on the Bulk-Power System.

(ii) Midwest Reliability Organization shall collaborate with NERC in its efforts to coordinate electric industry activities to promote critical infrastructure protection of the Bulk-Power System in North America.

8. <u>Oversight of Performance of Delegated Functions and Related Activities</u>.

This Section 8 sets forth processes and procedures which the Parties intend shall be used in NERC's oversight of Midwest Reliability Organization's performance of its Delegated Authority and related activities pursuant to this Agreement. It is the intent of NERC and Midwest Reliability Organization that matters relating to NERC's oversight of Midwest Reliability Organization's performance of its Delegated Authority and related activities shall be established or resolved by collaboration between NERC and Midwest Reliability Organization and, where applicable, other Regional Entities, to the maximum extent possible, consistent with the construct that NERC and the Regional Entities are operating together in a collaborative

Approved by FERC Effective June 25, 2012

manner to carry out the responsibilities of the ERO under Section 215 of the Act and the ERO Regulations.

(a) (i) NERC shall develop, in collaboration with Midwest Reliability Organization and other Regional Entities, performance goals, measures and other parameters (including, without limiting the scope of such goals, measures and parameters, financial performance goals, measures and parameters), and performance reports, which shall be used to measure NERC's and Midwest Reliability Organization's performance of their respective functions and related activities. The performance goals, measures and parameters and the form of performance reports shall be approved by the NERC President and shall be made public. Midwest Reliability Organization shall provide data, information and reports to NERC, in accordance with established schedules, to enable NERC to calculate Midwest Reliability Organization's performance to the agreed-upon goals, measures and parameters.

(ii) NERC shall use the performance goals, measures and parameters and performance reports to evaluate Midwest Reliability Organization's performance of its delegated functions and related activities and to provide advice and direction to Midwest Reliability Organization on performance improvements. The performance goals, measures and other parameters and the values of such goals, measures and parameters, shall be reviewed by NERC, Midwest Reliability Organization and the other Regional Entities, revised if appropriate, and made public, on the same timeline as the annual business planning and budgeting process described in Section 9 of this Agreement.

(iii) At the request of the President of NERC, Midwest Reliability Organization shall be required to develop, submit for NERC approval, and implement action plans to address areas of its performance that are reasonably determined by NERC, based on analysis of Midwest Reliability Organization's performance against the performance goals, measures and parameters, or performance of specific activities, to be unsatisfactory, *provided*, that prior to requiring Midwest Reliability Organization to adopt and implement an action plan or other remedial action, NERC shall issue a notice to Midwest Reliability Organization of the need and basis for an action plan or other remedial action and provide an opportunity for Midwest Reliability Organization to submit a written response contesting NERC's evaluation of Midwest Reliability Organization's performance and the need for an action plan. Midwest Reliability Organization may request that the President of NERC reconsider the request, and thereafter may

Approved by FERC Effective June 25, 2012

request that the NERC Board review and reconsider the request. NERC and Midwest Reliability Organization shall work collaboratively as needed in the development and implementation of Midwest Reliability Organization's action plan. A final action plan submitted by Midwest Reliability Organization to NERC shall be made public unless the President of NERC makes a written determination that the action plan or specific portions of the plan should be maintained as non-public.

(b) NERC shall make available to Midwest Reliability Organization standardized training and education programs, which shall be designed taking into account input from Midwest Reliability Organization and other Regional Entities, for Midwest Reliability Organization personnel on topics relating to the delegated functions and related activities.

(c) (i) NERC may issue directives to Midwest Reliability Organization concerning the manner in which Midwest Reliability Organization shall perform its delegated functions and related activities under this Agreement. The NERC Rules of Procedure, or any other ERO Rule requiring approval of the Commission, shall not be considered "directives." NERC shall initiate the development of a directive through a collaborative process with Midwest Reliability Organization and, if applicable, other Regional Entities to which the directive will apply. Any directive developed through the collaborative process shall be approved by, and issued under the signature of, the NERC President.

(ii) If after a period of time that is reasonable under the circumstances, NERC and Midwest Reliability Organization and, if applicable, other Regional Entities are unable to reach agreement on the contents of the directive, NERC may issue the directive with the approval of and under the signature of the NERC President; *provided*, that before the NERC President issues a directive pursuant to this paragraph (ii), Midwest Reliability Organization and, if applicable, other Regional Entities, shall be given a reasonable opportunity to present their positions on, and a suggested alternative version or versions of, the proposed directive to the NERC President.

(iii) Upon issuance of a directive by the NERC President, it shall be binding upon, and shall be complied with by, Midwest Reliability Organization subject to reasonable time periods for adoption, implementation, and funding of any necessary resources. Upon request by Midwest Reliability Organization the NERC Board (or a committee of the Board to which the Board delegates appropriate authority) shall review and shall confirm, revise or

Approved by FERC Effective June 25, 2012

revoke any directive that was issued by the NERC President without Midwest Reliability Organization's agreement, *provided*, that Midwest Reliability Organization shall request such review within thirty (30) days following issuance of the directive by the NERC President unless good cause can be shown for a later request.

(iv) NERC and Midwest Reliability Organization and, if applicable, other Regional Entities, shall collaborate in deciding whether a directive (whether issued pursuant to paragraph (ii) or paragraph (iii)) shall be made public. If no agreement is reached by the date of issuance as to whether the directive shall be made public, the NERC President shall decide whether the directive will be made public, *provided*, that is the intent of the Parties that the NERC President shall apply a presumption that directives should be made public, unless the NERC President makes a written determination stating a specific reason for maintaining a particular directive as non-public.

(d) In addition to the issuance of directives pursuant to subsection (c), the NERC Board (or a Board committee to which the Board has delegated authority) may issue guidance or directions as to the manner in which Midwest Reliability Organization and, if applicable, other Regional Entities, shall perform delegated functions and related activities. The Board or Board committee shall also establish reasonable time periods for the implementation of any such guidance or directions, taking into account the impact on the reliability of the Bulk-Power System and the need for funding of additional resources. Any such guidance or directions shall be stated in writing and shall be public, unless the Board or Board committee makes a written determination stating a specific reason for maintaining particular guidance or directions as non-public. Midwest Reliability Organization either individually or in conjunction with other Regional Entities, may request that the NERC Board or Board committee reconsider or revise the guidance or direction.

(e) NERC shall conduct collaborative reviews with Midwest Reliability Organization either individually or in conjunction with one or more other Regional Entities, that provide for the exchange of information on practices, experiences, and lessons learned in the implementation of the delegated functions.

(f) Any audits of Midwest Reliability Organization performed by NERC shall be limited to an examination of Midwest Reliability Organization's compliance with this Agreement,

Approved by FERC Effective June 25, 2012

NERC's Rules of Procedure, the Compliance Monitoring and Enforcement Program, Commission requirements, and directives that are in effect pursuant to Section 8(c).

(g) The Commission and Commission staff shall have full access to action plans and remedial actions, directives, and directions and guidance issued pursuant to subsections (a)(iii), (c)(iv) and (d), respectively, that are maintained as non-public.

9. **Funding.** Midwest Reliability Organization and NERC shall ensure, subject to Commission approval in accordance with the ERO Regulations, that the delegated functions and related activities described in Sections 5, 6 and 7 and listed on **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) Midwest Reliability Organization shall develop, through a collaborative process with NERC, and propose, an annual business plan and budget, in accordance with ERO Regulations, Commission orders and NERC business planning and budgeting policies and instructions. Midwest Reliability Organization's proposed business plan and budget shall describe the activities necessary for, and provide a budget with adequate resources for, Midwest Reliability Organization to carry out its Delegated Authority under this Agreement, including the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E**. Midwest Reliability Organization's business plan and budget shall show the funding sources and amounts to fund the proposed budget, including as applicable assessments to end users, penalty monies, and other sources of funds.

(b) Midwest Reliability Organization and NERC agree that the portion of Midwest Reliability Organization's approved budget for the functions and activities described in Sections 5, 6 and 7 and listed on **Exhibit E** that is to be funded by assessments, will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on Net Energy for Load, or through such other formula as is proposed by Midwest Reliability Organization and approved by NERC and the Commission. If Midwest Reliability Organization proposes to use a formula other than Net Energy for Load beginning in the following year, Midwest Reliability Organization shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission by May 15 for approval, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the

Approved by FERC Effective June 25, 2012

Commission approves the annual business plan and budget submitted by NERC and Midwest Reliability Organization to the Commission pursuant to the ERO Regulations for such year.

(c) NERC shall determine that the assessments to fund the costs for its statutory functions in its Commission-approved budget are first allocated fairly among the Interconnections and regions according to the applicability of this work to those Interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a Net Energy for Load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide Midwest Reliability Organization with the form or forms for business plan and budget submittal, and any accompanying instructions, in accordance with the schedule for preparation of the business plan and budget developed by NERC and the Regional Entities.

(e) Midwest Reliability Organization shall submit its proposed annual business plan and budget for carrying out its Delegated Authority functions and related activities described in Sections 5, 6 and 7 and listed on Exhibit E, as well as for all other activities of Midwest Reliability Organization to NERC for review and approval in accordance with the annual schedule for the preparation of business plans and budgets which shall be developed collaboratively by NERC and the Regional Entities, as more fully described in **Exhibit E**.

(f) NERC shall fund Midwest Reliability Organization's performance of its Delegated Authority and related activities in accordance with Midwest Reliability Organization's Commission-approved business plan and budget, in the amount of Midwest Reliability Organization's assessments to end users approved by the Commission. **Exhibit E** sets forth the procedures and timing for billing and collecting Midwest Reliability Organization's approved assessments from end users and other entities and payment of the approved assessment amount to Midwest Reliability Organization unless otherwise modified and approved by NERC and the Commission. NERC shall not impose any material obligation or requirement regarding the Delegated Authority upon Midwest Reliability Organization that has not been provided for in an approved business plan and budget or an approved amended or supplemental business plan and budget, without Midwest Reliability Organization's consent.

(g) NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the

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Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC and Midwest Reliability Organization fiscal year budget with the actual results at the NERC and Regional Entity levels. Midwest Reliability Organization shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(h) Midwest Reliability Organization shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) Midwest Reliability Organization shall submit audited financial statements annually, including supporting materials, in a form provided by NERC no later than May 1 of the following year.

(j) **Exhibit E** to this Agreement sets forth the mechanism through which Midwest Reliability Organization shall offset penalty monies it receives against its next year's annual budget for carrying out functions under this Agreement. *Provided*, that, subject to approval by NERC and the Commission, Midwest Reliability Organization may propose and implement an alternative use of penalty monies to that set forth in **Exhibit E**.

10. **Assignment**. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. Midwest Reliability Organization may not delegate in whole or in part it's Delegated Authority to any other entity without NERC's express consent; provided, however, that nothing in this provision shall prohibit Midwest Reliability Organization from contracting with other entities to assist it in carrying out its Delegated Authority, provided Midwest Reliability Organization retains control and responsibility for such Delegated Authority.

11. **Default and Cure**. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the

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following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; *provided however*, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this Section 11, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 18 of this Agreement to resolve a dispute as to whether a Breach has occurred or been cured. The provisions of this Section 11 will survive termination of this Agreement.

12. <u>Term and Termination</u>.

(a) This Agreement shall become effective on [January 1, 2011] (the "Effective Date").

(b) The term of the Agreement shall be five (5) years from the Effective Date, prior to which time NERC shall conduct an audit pursuant to subsection 6(i) to ensure that Midwest Reliability Organization continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If Midwest Reliability Organization meets such requirements, this Agreement may be renewed for another five (5) year term. This Agreement may be renewed for successive additional five (5) year renewal terms provided that prior to the end of each renewal term, NERC shall conduct an audit pursuant to subsection 6(i) to ensure that Midwest Reliability Organization continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. Provided, that either Party may terminate this Agreement as of the end of a term by giving written notice to terminate at least one (1) year prior to the end of the term. If this Agreement is not renewed or becomes subject to termination for any reason, the Parties shall work to provide for a transition of Midwest Reliability Organization's Delegated Authority to NERC or to another eligible entity

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and to provide for the resolution of any wind-up costs associated with termination of this Agreement. The termination of this Agreement shall not take effect until such transition has been effected, unless the transition period exceeds one year, at which time Midwest Reliability Organization may unilaterally terminate.

(c) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by Midwest Reliability Organization and NERC.

(d) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 13), No Third Party Beneficiaries (Section 14) and Confidentiality (Section 15) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

13. <u>Limitation of Liability</u>. Midwest Reliability Organization and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and Midwest Reliability Organization shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of the Midwest Reliability Organization's or NERC's responsibilities under this Agreement or in

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conducting activities under the authority of Section 215 of the Act, except to the extent that the Midwest Reliability Organization or NERC is found liable for gross negligence or intentional misconduct, in which case Midwest Reliability Organization or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

14. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to, any third party.

15. Confidentiality. During the course of the Parties' performance under this Agreement, a Party may receive Confidential Information, as defined in Section 1500 of NERC's Rules of Procedure. Except as set forth herein, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel, in which event the recipient hereby agrees to provide the Party that provided the Confidential Information with prompt notice of such request or requirement in order to enable such issuing Party to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient 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. In the event a protective order or other remedy is not obtained or the issuing Party waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In addition, each Party 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. This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement.

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16. **Amendment**. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

17. **Amendments to the NERC Rules of Procedure.** NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations, or programs of Midwest Reliability Organization under this Agreement without first obtaining the consent of Midwest Reliability Organization which consent shall not be unreasonably withheld or delayed. To the extent Midwest Reliability Organization does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 18 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules of Procedure. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of Midwest Reliability Organization under this Agreement, Midwest Reliability Organization shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by Midwest Reliability Organization to NERC and the Commission, or at such other time as may be mutually agreed by Midwest Reliability Organization and NERC.

18. **Dispute Resolution**. In the event a dispute arises under this Agreement between NERC and Midwest Reliability Organization (including disputes relating to NERC's performance of its obligations under this Agreement and/or disputes relating to Midwest Reliability Organization's performance of its obligations under this Agreement) which cannot be resolved through discussions between representatives of the Parties in the normal course of operations, the Parties shall use the following procedures ("Dispute Resolution") to attempt to resolve the dispute. Midwest Reliability Organization shall not suspend performance of any delegated function, and the Parties shall continue to make reasonable, good faith efforts to comply with their obligations under this Agreement, during the pendency of Dispute Resolution. All notices required to be sent pursuant to this Dispute Resolution procedure shall be sent in accordance with Section 19 of this Agreement. This Dispute Resolution procedure is separate from and in addition to all other processes provided for in this Agreement.

Approved by FERC Effective June 25, 2012

(a) The Party invoking Dispute Resolution shall send a notice to the other Party describing the dispute, stating the invoking Party's position with respect to the dispute, stating that the Party is invoking Dispute Resolution, and naming the Party's designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the invoking Party.

(b) Within three (3) business days after receipt of the notice invoking Dispute Resolution, the receiving Party shall send a notice to the invoking Party acknowledging receipt of the notice invoking Dispute Resolution, stating the receiving Party's position with respect to the dispute, and naming the Party's designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the receiving Party.

(c) During the period commencing three (3) business days and ending twenty (20) business days after the date of the receiving Party's notice, the designated representatives shall engage in good faith negotiations to attempt to resolve the dispute, *provided*, that the designated representatives may agree prior to the end of such twenty (20) business day period that the process should move to the next step of Dispute Resolution.

(d) If the designated representatives are unable to arrive at a resolution of the dispute by the end of the time period described in subsection (c), they shall notify the chief executive officers of their respective Parties. The chief executive officers of the Parties shall thereafter engage in good faith negotiations to attempt to resolve the dispute during the period of twenty (20) business days immediately following the time period described in subsection (c), *provided*, that the chief executive officers may agree prior to the end of such twenty (20) business day period that negotiations are at impasse and the process may move to the next step as described in subsection (f). Upon mutual agreement of the Parties, the twenty (20) business day period may be extended to pursue ongoing good faith negotiations.

(e) If a resolution of the dispute is achieved by the Parties, it shall be memorialized in a writing that is acceptable in form and substance to each party and is signed by the designated representative or chief executive officer on behalf of each Party.

(f) If the Parties are unable to resolve the dispute pursuant to the process described in subsections (a) through (e), then either Party may invoke any other available dispute resolution mechanism, including, without limitation, filing a complaint or petition with the Commission

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requesting resolution of the dispute by the Commission, or filing a complaint for relief in a court having jurisdiction over Parties and the subject matter of the dispute in accordance with Section 20. *Provided, however*, that: (i) it is the intent of the Parties that unresolved disputes shall be presented to and resolved by the Commission if the Commission has and accepts jurisdiction over the subject matter of the dispute, (ii) the Parties may, by mutual agreement, attempt to resolve the dispute through arbitration, mediation, or other process involving resort to an impartial neutral, and (iii) it is the intent of the Parties that resolution of disputes through Commission proceedings, arbitration, mediation, or other use of an impartial neutral, is preferred over resort to judicial proceedings.

(g) This Section 18 shall not apply to compliance enforcement actions against individual Registered Entities.

19. **Notice**. Whether expressly so stated or not, all notices, demands, requests, and other communications required or permitted by or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand or reputable overnight courier:

If to NERC:

North American Electric
Reliability Corporation
116-390 Village Blvd.
Princeton, NJ 08540-5721
Attn: General Counsel
Facsimile: (609) 452-9550

If to Midwest Reliability Organization

Midwest Reliability Organization
2774 Cleveland Avenue North
Roseville, MN 55113
Attn: Sara Patrick
Facsimile: (651) 855-1712

20. **Governing Law.** When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of New Jersey without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action

Approved by FERC Effective June 25, 2012

shall be brought in any state or federal court of competent jurisdiction in New Jersey. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in New Jersey for the purpose of hearing and determining any action not heard and determined by the Commission.

21. **Headings.** The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

22. **Savings Clause**. Nothing in this Agreement shall be construed to preempt or limit any authority that Midwest Reliability Organization may have to adopt reliability requirements or take other actions to maintain reliability of the Bulk-Power System within the geographic boundaries described in **Exhibit A** that are outside the Delegated Authority, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

23. **Entire Agreement.** This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

24. **Execution of Counterparts**. This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the Effective Date.

NORTH AMERICAN
ELECTRIC RELIABILITY CORPORATION

By: Gerald W. Cauley

Name: GERALD W. CAULEY

Title: PRESIDENT AND CEO

Date: 6/25/2012

MIDWEST RELIABILITY
ORGANIZATION

By: Daniel P. Skaar

Name: Daniel P. Skaar

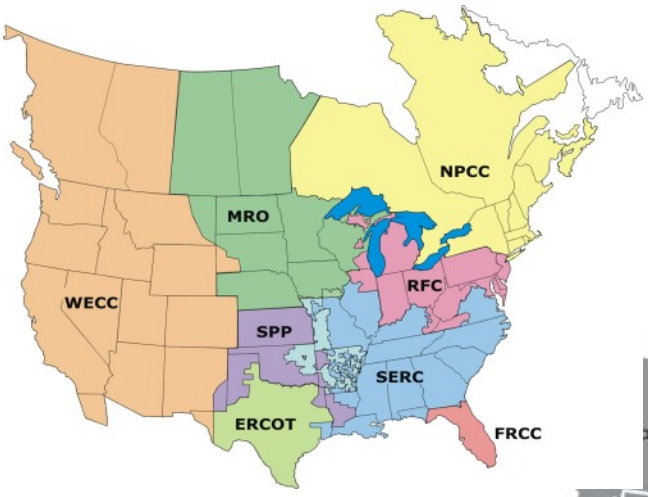
Title: President

Date: 6-26-12

Exhibit A — Regional Boundaries

MRO is one of eight regional entities that comprise the North American Electric Reliability Corporation (NERC). MRO is a not for profit entity committed to safeguarding and improving reliability of the Bulk Power System in the upper Midwest part of North America and the Canadian provinces of Manitoba and Saskatchewan. The Midwest Reliability Organization region supplies approximately 280,000,000 terawatt-hours to more than twenty million people and covers roughly one million square miles.

There are several Regional Transmission Organizations that overlap MRO and other Regional Entity footprints. MRO coordinates its delegated responsibilities with these neighboring Regional Entities to avoid duplicity and ensure consistency and accuracy. MRO does not have affiliates and does not perform any reliability functions that would result in a conflict or inability to perform the delegated responsibilities of this Agreement.



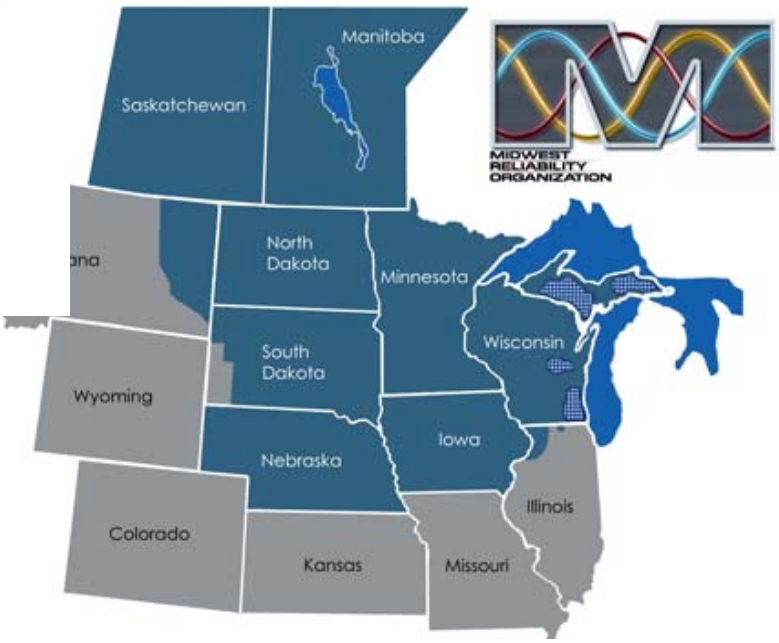


Exhibit B – Governance

Exhibit B shall set forth the Regional Entity's bylaws, which NERC agrees demonstrate that the Regional Entity meets the following criteria:

CRITERION 1: The Regional Entity shall be governed by an independent board, a balanced stakeholder board, or a combination independent and balanced stakeholder board. (Federal Power Act § 215(e)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.)

CRITERION 2: The Regional Entity has established rules that assure its independence of the users and owners and operators of the bulk power system, while assuring fair stakeholder representation in the selection of its directors. Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

CRITERION 3: If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

CRITERION 4: The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

CRITERION 5: The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties. (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)

BYLAWS OF THE

MIDWEST RELIABILITY ORGANIZATION, INC.

As amended through March 29, 2012

Approved by FERC Effective June 25, 2012

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS 1

Section 1.1 Adjunct Member. 1
Section 1.2 Affiliate 1
Section 1.3 Bulk-Power System. 1
Section 1.4 Bulk-Power System Users. 1
Section 1.5 Canadian Utilities 1
Section 1.6 Corporation. 1
Section 1.7 Cooperative. 1
Section 1.8 Corporate Region. 1
Section 1.9 FERC. 2
Section 1.10 Federal Power Marketing Agencies. 2
Section 1.11 Generators and Power Marketers. 2
Section 1.12 Good Utility Practice. 2
Section 1.13 Independent Director 2
Section 1.14 Industry Sector(s) 2
Section 1.15 Investor Owned Utility. 2
Section 1.16 Member. 2
Section 1.17 Membership. 3
Section 1.18 Municipal Utilities 3
Section 1.19 NERC. 3
Section 1.20 Person. 3
Section 1.21 Public Utility District. 3
Section 1.22 Regional Entity. 3
Section 1.23 Regulatory Participant. 3
Section 1.24 Reliability Standard. 3
Section 1.25 Transmission System Operator. 3

ARTICLE 2 PURPOSE 3

Section 2.1 Purpose 3
Section 2.2 Activities 4
Section 2.3 Not-for-Profit Corporation. 4

ARTICLE 3 POWERS 4

Section 3.1 Powers. 4

ARTICLE 4 OFFICES 4

Section 4.1 Offices 4

ARTICLE 5 MEMBERS 4

Section 5.1 Classes of Members 4
Section 5.2 Affiliates. 4
Section 5.3 Admission of Members and Adjunct Members. 4
Section 5.4 Voting Rights. 5
Section 5.5 Transfer of Membership. 5
Section 5.6 Obligations of Members and Adjunct Members 5

TABLE OF CONTENTS
(CONTINUED)

PAGE

Section 5.7 Withdrawal. 5
Section 5.8 Budget and Fees. 5

ARTICLE 6 MEETING OF MEMBERS 6

Section 6.1 Annual Meeting of Members. 6
Section 6.2 Special Meetings of Members. 6
6.2.1. Who May Call. 6
6.2.2. Notice of Meeting. 6
6.2.3. Time and Place of Special Meetings. 6
6.2.4. Notice Requirements; Business Limited. 6
Section 6.3 Notice Requirements. 7
6.3.1. To Whom Given. 7
6.3.2. When Given; Contents. 7
6.3.3. Waiver of Notice; Objections. 7
Section 6.4 Record Date; Determining Members Entitled to Notice and Vote. 7
Section 6.5 Right to Vote; Act of Members. 7
6.5.1. Special Voting Requirements. 8
6.5.2. Change of Dues Structure. 8
6.5.3. Fractional Voting Alternative. 8
Section 6.6 Quorum. 8
Section 6.7 Action by Written Ballot. 8
Section 6.8 Action by Electronic Communication. 8
Section 6.9 Member Representatives; Proxies. 9
6.9.1. Designation of Representative. 9
6.9.2. Authorization. 9
6.9.3. Effective Period. 9
6.9.4. Revocation. 9
Section 6.10 Reimbursement of Membership Meeting Expenses. 9

ARTICLE 7 BOARD OF DIRECTORS 9

Section 7.1 Management of Corporation. 9
Section 7.2 Voting. 10
Section 7.3 Composition of the Board of Directors. 10
Section 7.4 Terms of Directors. 10
Section 7.5 Compensation and Reimbursement. 11
Section 7.6 Vacancies. 11
Section 7.7 Meetings; Notice. 11
Section 7.8 Quorum. 11
Section 7.9 Board Action. 11
Section 7.10 Action Without a Meeting. 11
Section 7.11 Action by Electronic Communication. 11

TABLE OF CONTENTS
(CONTINUED)

PAGE

ARTICLE 8 ORGANIZATIONAL GROUPS 12

Section 8.1 Establishment of Organizational Groups. 12
Section 8.2 Reimbursement. 12

ARTICLE 9 OFFICERS 12

Section 9.1 Officers. 12
Section 9.2 Election and Term of Office. 12
Section 9.3 Removal. 13
Section 9.4 Vacancies. 13
Section 9.5 President. 13
Section 9.6 Secretary. 13
Section 9.7 Treasurer. 13

ARTICLE 10 CERTIFICATES OF MEMBERSHIP 14

Section 10.1 Certificates of Membership 14

ARTICLE 11 BOOKS AND RECORDS 14

Section 11.1 Books and Records; Financial Statements. 14

ARTICLE 12 FISCAL YEAR 14

Section 12.1 Fiscal Year. 14

ARTICLE 13 TRANSFER OF ASSETS 14

Section 13.1 Member Approval Not Required. 14
Section 13.2 Member Approval; When Required. 14

ARTICLE 14 CONTRACTS, CHECKS, DEPOSITS, AND GIFTS 15

Section 14.1 Contracts. 15
Section 14.2 Checks, Drafts, or Orders. 15
Section 14.3 Deposits. 15
Section 14.4 Gifts. 15

ARTICLE 15 INSURANCE, LIABILITY, AND INDEMNIFICATION 15

Section 15.1 Insurance. 15
Section 15.2 Limitations on Liability. 15
Section 15.3 Indemnification. 15

ARTICLE 16 PARTICIPATION BY REGULATORY PARTICIPANTS 17

Section 16.1 Regulatory Participants 17

ARTICLE 17 PARTICIPATION BY FEDERAL POWER MARKETING ADMINISTRATIONS 17

Section 17.1 Power Marketing Administrations Participation. 17
Section 17.2 Failure of Congress to Make Appropriations. 17

TABLE OF CONTENTS
(CONTINUED)

PAGE

Section 17.3 Inapplicability of Bylaws to Congressional Members and Delegates. **17**
Section 17.4 No Solicitation of Power Marketing Administration Participation. **18**
Section 17.5 Provisions Applicable to the Corporation. **18**
17.5.1. No Discrimination. **18**
17.5.2. Contract Work Hours and Safety Standards Act. **18**
17.5.3. Imprisonment. **18**

ARTICLE 18 HEARINGS AND DISPUTE RESOLUTION **18**

Section 18.1 Hearings. **18**
Section 18.2 Disputes. **18**

ARTICLE 19 AMENDMENT OF BYLAWS **19**

Section 19.1 Changes to the Bylaws. **19**

BYLAWS
OF THE
MIDWEST RELIABILITY ORGANIZATION, INC.
a Delaware nonprofit corporation
(the "Corporation")

ARTICLE 1
DEFINITIONS

Section 1.1 Adjunct Member. "Adjunct Member" means an entity that: (1) is not eligible to belong to an Industry Sector; (2) has a material interest in reliability issues in the Corporation's Region and (3) becomes an Adjunct Member of the Corporation.

Section 1.2 Affiliate. "Affiliate" means with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity, as determined in the sole discretion of the board of directors of the Corporation. For this purpose, "control" may be presumed by the direct or indirect ownership of 50 percent or more of the outstanding voting capital stock or other equity interests having ordinary voting power. A member of, or owner of an interest in, a transmission company that FERC has found meets the independence requirements for a regional transmission organization shall not be deemed to be an affiliate of such transmission company.

Section 1.3 Bulk-Power System. "Bulk-Power System" means (1) facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof); and (2) electric energy from generation facilities needed to maintain transmission system reliability. The term does not include facilities used in local distribution of electric energy. The term Bulk-Power System shall be interpreted consistently with any definition given by NERC.

Section 1.4 Bulk-Power System Users. "Bulk-Power System Users" means any entity that sells, purchases, or transmits electric power over the Bulk-Power System, or that owns, operates or maintains facilities or control systems that are part of the Bulk-Power System.

Section 1.5 Canadian Utilities. "Canadian Utilities" means any government-owned utility serving in Canada within the Corporate Region.

Section 1.6 Corporation. "Corporation" means Midwest Reliability Organization, Inc.

Section 1.7 Cooperative. "Cooperative" means an entity serving within the Corporate Region which generally has the following characteristics: (1) private independent electric utility; (2) incorporated under the laws of a state in which they operate; (3) established to provide electric service to its members; (4) owned by the consumers they serve; and (5) governed by a board of directors elected from the membership. This sector includes Generation and Transmission Cooperatives and Public Utility Districts.

Section 1.8 Corporate Region. "Corporate Region" means the geographic area boundaries of the Bulk-Power Systems as designated by the then current delegation agreement.

Section 1.9 FERC. "FERC" means the Federal Energy Regulatory Commission.

Section 1.10 Federal Power Marketing Agencies. "Federal Power Marketing Agencies" means agencies of the federal government created to market power within the Corporate Region.

Section 1.11 Generators and Power Marketers. "Generators and Power Marketers" means any entity that owns or operates more than 50 MW of generation in the Corporate Region, or is a power marketer doing business in the Corporate Region, and that does not qualify also to participate in the Investor-Owned Utility, Cooperative, Municipal Utility, Federal Power Marketing Agency or Canadian Utilities Sector.

Section 1.12 Good Utility Practice. "Good Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the Corporate Region.

Section 1.13 Independent Director. "Independent Director" means an individual who is not (1) an officer or employee of the Corporation; (2) a member, director, officer or employee of a Member or Adjunct Member of the Corporation; (3) a director, officer or employee of any Registered Entity on the NERC registry; or (4) reasonably perceived as having a direct financial interest in the outcome of a decision by the board of directors and who (a) does not have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and (b) meets any additional requirements of independence established by the board of directors.

Section 1.14 Industry Sector(s). "Industry Sector or Sector(s)" means a group of Bulk-Power System Users in the Corporate Region with substantially similar reliability interests, as determined by these Bylaws. The Industry Sectors shall include the following: (1) Transmission System Operators; (2) Generators and Power Marketers; (3) Investor Owned Utilities (4) Cooperatives; (5) Municipal Utilities (6) Federal Power Marketing Agencies; and (7) Canadian Utilities.

Section 1.15 Investor Owned Utility. "Investor Owned Utility" means any for-profit entity that owns and operates a distribution system and serves end-use load within the Corporate Region pursuant to an obligation to serve under state, federal or provincial law, including a default service obligation, or pursuant to a tariff by which the entity offers service to the general public.

Section 1.16 Member. "Member" means any entity eligible to belong to an Industry Sector(s) that becomes a Member of the Corporation.

Section 1.17 Membership. "Membership" includes Adjunct Members and Members of the Corporation. Membership in the Corporation is voluntary and does not affect NERC registration.

Section 1.18 Municipal Utilities. "Municipal Utilities" means any electric utility that is owned by a state or municipality, or group of municipalities, including a joint action agency, which serves within the Corporate Region.

Section 1.19 NERC. "NERC" means the North American Electric Reliability Corporation or a successor entity.

Section 1.20 Person. "Person" means any natural person, corporation, Cooperative, partnership, association, or other private or public entity.

Section 1.21 Public Utility District. "Public Utility District" means an entity that is a state political or governmental subdivision which owns electric generation, transmission and distribution facilities and that was created and organized under state statutes that are different than those that Municipal Utilities in the same state are created and organized under.

Section 1.22 Regional Entity. "Regional Entity" means an entity having authority pursuant to a delegation agreement with NERC and pursuant to any agreements or laws relating to the Corporation's functions in Canada.

Section 1.23 Regulatory Participant. "Regulatory Participant" means any state or provincial regulatory agencies in the Corporate Region exercising authority over the rates, terms or conditions of electric service of an entity other than itself within the Corporate Region, or the planning, siting, construction or operation of electric facilities of an entity other than itself within the Corporate Region, as well as any representatives of FERC, regional advisory bodies that may be established by FERC, or representatives of any federal regulator or agency.

Section 1.24 Reliability Standard. "Reliability Standard" means a NERC reliability standard, duly in effect, under the rules, regulations and laws governing such standards, to provide for reliable operation of the Bulk-Power System.

Section 1.25 Transmission System Operator. "Transmission System Operator" means an entity that operates or controls operation of high voltage transmission facilities within the Corporate Region (more than 300 miles of transmission at 100 kV or greater) that does not also own, operate or control generation within the Corporate Region, except to the limited extent permitted by FERC for independent transmission organizations with respect to ancillary service obligations. Transmission System Operators include: (1) regional transmission organizations; (2) independent transmission providers; (3) independent system operators; (4) and transmission-only companies.

ARTICLE 2
PURPOSE

Section 2.1 Purpose. The Corporation will be a Regional Entity within the NERC structure for the purpose of preserving and enhancing electric service reliability, adequacy and

security in the Corporate Region and other interconnected regions for the benefit of all end-users of electricity and all entities engaged in providing electric services in the Corporate Region.

Section 2.2 Activities. In support and furtherance of its purpose, the Corporation's responsibilities shall include, but not be limited to: (1) proposing Reliability Standards, including regional variances or regional Reliability Standards required to maintain and enhance electric service reliability, adequacy and security in the Corporate Region; (2) assessing compliance with and enforcing Reliability Standards, to the extent authorized by applicable agreements and/or law governing a Member's membership in the Corporation; (3) conducting investigations and data analysis on disturbances, system events, and related matters; (4) conducting long-term assessments of reliability within the Corporate region; and (5) other related activities.

Section 2.3 Not-for-Profit Corporation. The Corporation is operated as a Delaware non-stock, nonprofit corporation and is organized pursuant to the general corporation law of the State of Delaware.

ARTICLE 3
POWERS

Section 3.1 Powers. The Corporation shall have the power to engage in any lawful act or activity for which corporations may be organized under the general corporation law of the State of Delaware, subject to any limitations provided in applicable federal, provincial or state law or in the Corporation's certificate of incorporation or these Bylaws.

ARTICLE 4
OFFICES

Section 4.1 Offices. The principal office of the Corporation shall be located initially within the Corporate Region, at such location as the board of directors may from time to time determine, giving consideration to the total cost to the Corporation and convenience of travel for staff, Members and Regulatory Participants. Once established, the principal office may remain in its location, even if outside the Corporate Region.

ARTICLE 5
MEMBERS

Section 5.1 Classes of Members. The Corporation shall have two classes of members; Adjunct Members and Members.

Section 5.2 Affiliates. Each Affiliate of a Member or Adjunct Member may separately be a Member or Adjunct Member, respectively.

Section 5.3 Admission of Members and Adjunct Members. New Members and Adjunct Members may join the Corporation upon submittal of an application, in a form approved by the president, and payment of the fees as established by the Corporation. An entity applying to be a Member shall designate the Industry Sector to which it belongs. A Member may change its Industry Sector designation once each calendar year, by providing notice to the president at

least sixty (60) days prior to the beginning of such year. The president shall review a membership application and may request demonstration by the applicant that it qualifies for membership in a particular Industry Sector or as an Adjunct Member. Any dispute with respect to a Member's or Adjunct Member's qualifications shall be resolved by the board of directors. The president shall have authority to approve an application for membership, subject to review by the board of directors.

Section 5.4 Voting Rights. Each Member in good standing shall be entitled to one vote in the Industry Sector in which it is a Member, on matters submitted to a vote of Members. A Member delinquent in payment of its dues, fees or other obligations to the Corporation shall not be entitled to a vote.

Section 5.5 Transfer of Membership. Membership or a right arising from such membership may not be transferred except to any Person succeeding to all or substantially all of the assets of the Member or Adjunct Member. The president shall have authority to approve any such transfer, subject to review by the board of directors.

Section 5.6 Obligations of Members and Adjunct Members. By applying for Membership the applicant acknowledges that it is authorized and agrees to comply with, Reliability Standards to the extent such standards are applicable, and other obligations as set forth in these Bylaws or duly adopted by the board of directors in order to achieve the purposes of the Corporation. Such obligations include but are not limited to requirements to provide data and information needed to perform the functions of the Corporation and the payment of dues and any authorized penalties, including penalties and other obligations resulting from violations of Reliability Standards assessed in accordance with NERC rules and subject to applicable regulatory approval.

Section 5.7 Withdrawal. Withdrawal from Membership in the Corporation is accomplished by providing written notice to the president of the Corporation of such intent to withdraw. Such notice shall specify a date, not earlier than thirty (30) days from the date of notice, on which the withdrawal shall become effective; provided however, that any such withdrawing Member or Adjunct Member shall remain liable to the Corporation for any fees, dues, sanctions or obligations to the Corporation incurred during the entity's Membership, as well as its share of any obligations of the Corporation for the current fiscal year. If notice is given after October 1 of the current calendar year, the entity will also be liable for any fees and dues included in the budget for the following fiscal year. Section 5.7 does not apply to any fees, dues, or obligations associated with the Corporation responsibilities under delegated authority from NERC or applicable regulatory authorities.

Section 5.8 Budget and Fees. The board of directors shall propose to NERC a budget for delegated functions exercised by the Corporation pursuant to a delegation agreement with NERC and pursuant to any agreements or laws relating to the Corporation's functions in Canada. For those functions outside the scope of the Corporation's delegated functions, the board of directors may from time to time fix the amount of dues, assessments, or fees, if any, and determine the methods of collection, consistent with this Section, the regulations of applicable government authorities, and any resolutions duly adopted by the Members under Section 6.5.2 of these Bylaws.

ARTICLE 6
MEETING OF MEMBERS

Section 6.1 Annual Meeting of Members. The Members shall hold an annual meeting each calendar year in December, or at such other time specified by the board of directors, in order for Members to review the proposed budget and operations of the Corporation. Adjunct Members may attend the annual meeting of Members. The Membership shall be entitled to at least thirty (30) days prior written notice of the annual meeting. At or before the annual meeting of Members: (1) each Industry Sector shall elect the successor(s), if any, for any director(s) from its Industry Sector whose term will expire before the next annual meeting of the Members, provided however, that any Industry Sector may elect a successor director representing such Industry Sector prior to such annual meeting, in accordance with the provisions of this Article 6, in which case the election of such succeeding director(s) shall be reported to the Corporation at such annual meeting; (2) the Members will elect Independent Directors, if any; (3) the president and treasurer shall report on the activities and financial condition of the Corporation; and (4) the Members shall consider and act upon such other matters as may be raised, consistent with the notice of the annual meeting. The failure to hold an annual meeting in accordance with these Bylaws shall not affect the validity of a corporate action.

Section 6.2 Special Meetings of Members.

6.2.1. Who May Call. Special meetings of the Members may be called by six (6) members of the board of directors, by the president or if at least 10 percent of the Members sign, date, and deliver to the president one or more written demands for a special meeting describing the purpose for which it is to be held. Adjunct Members may attend special meetings of the Members.

6.2.2. Notice of Meeting. Within fifteen (15) days after receipt of a demand for a special meeting from Members, the president shall cause a special meeting to be called and held on notice to the Membership no later than forty-five (45) days after receipt of the demand. If the president fails to cause a special meeting to be called and held as required by this section, a Member making the demand may call the meeting by giving notice under Section 6.3. In either event, notice of the meeting and the costs of the meeting shall be at the expense of the Corporation.

6.2.3. Time and Place of Special Meetings. Special meetings of the Members shall be held at a location designated by the president or the board of directors. If a special meeting is demanded by the Members, the meeting must be held in a facility of appropriate size to accommodate the Membership and at a location within the Corporate Region.

6.2.4. Notice Requirements; Business Limited. The notice of a special meeting must contain a statement of the purposes of the meeting. The business transacted at a special meeting is limited to the purposes stated within the notice of the meeting. Business transacted at a special meeting that is not included in those stated purposes is voidable by or on behalf of the Corporation, unless 90 percent of the Members entitled to vote were present at such meeting or have waived notice of the meeting under Section 6.3.

Section 6.3 Notice Requirements.

6.3.1. To Whom Given. Notice of meetings of Members must be given to the Membership as of the record date determined under Section 6.4. If the meeting is an adjourned meeting and the date, time and place of the meeting were announced at the time of the adjournment, notice is not required unless a new record date for the adjourned meeting is or must be fixed.

6.3.2. When Given; Contents. In all cases where a specific minimum notice period has not been fixed by law or these Bylaws, the notice must be given at least five (5) days before the date of a meeting and not more than sixty (60) days before the date of a meeting. The notice must contain the date, time and place of the meeting, and an agenda of the matters upon which action may be taken at the meeting. A matter may be added to the agenda of a meeting at the meeting upon the affirmative vote of three-quarters (3/4) of the Sector votes cast on a motion to amend the agenda.

6.3.3. Waiver of Notice; Objections. A Member may waive notice of a meeting of Members. A waiver of notice by a Member entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, or by attendance. Attendance by a Member at a meeting is a waiver of notice of that meeting, unless the Member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

Section 6.4 Record Date; Determining Members Entitled to Notice and Vote. The board of directors may fix a date not more than forty (40) days before the date of a meeting of Members as the date for the determination of the Membership entitled to notice of the meeting and the Members entitled to vote at the meeting. When a date is so fixed, only the Membership on that date is entitled to notice and only the Members are entitled to vote at a meeting of the Members unless the board of directors fixes a new date for determining the right to notice and to vote, which it must do if the meeting is adjourned to a date more than sixty (60) days after the record date for determining Membership entitled to notice of the original meeting.

Section 6.5 Right to Vote; Act of Members. Voting of the Members shall be by Industry Sector, with each Industry Sector entitled to the same number of votes as it has directors on the board. If a quorum is present, except with respect to amendments of these Bylaws, modification of a budget approved by the board of directors or termination of the Corporation, the affirmative vote of the majority of the Industry Sector votes present and entitled to vote, which must also be a majority of the required quorum, is the act of the Members, however, in no event will an action of the Members be valid where the action was passed solely by the vote of Members from two Industry Sectors or defeated solely by the vote of Members in a single Industry Sector. Within an Industry Sector, each Member within the Industry Sector shall have one vote. If a quorum is present with respect to the Industry Sector, the affirmative vote of the majority of the Members within the Industry Sector present and entitled to vote, which must also be a majority of the required quorum, is the act of the Industry Sector. All of the Industry

Sector's votes shall be cast consistent with the act of the Industry Sector unless the Industry Sector adopts a fractional voting alternative as described in Section 6.5.3.

6.5.1. Special Voting Requirements. In order to amend the Bylaws, except as provided in Article 19 with respect to the board of directors, two-thirds (2/3) of the Industry Sector votes cast shall be required to approve the proposed amendment. The substance of the proposed amendment must be contained in the notice of the meeting at which the vote will be taken; provided that, the Members may modify a proposed bylaw amendment at the meeting. Two-thirds (2/3) of the Industry Sector votes cast shall be required to approve any proposal to terminate the Corporation. To the extent practicable, all Member votes may be held electronically under such terms and conditions as are approved by the Board.

6.5.2. Change of Dues Structure. The Members may change the dues structure by resolution with an affirmative vote of two-thirds (2/3) of the Industry Sector votes cast.

6.5.3. Fractional Voting Alternative. An Industry Sector may adopt fractional voting. Member votes for and against are converted to percentages and multiplied by the applicable sector weight. Abstentions are not counted and do not impact the voting tabulation.

Section 6.6 Quorum. A quorum for a meeting of Members is a majority of the Industry Sector votes entitled to vote at the meeting. A quorum for a meeting of an Industry Sector is a majority of the Members of that Industry Sector present or voting electronically on matters before the meeting. A quorum is necessary for the transaction of business at a meeting of Members. If a quorum is not present, a meeting may be adjourned from time to time for that reason by the Industry Sectors or Members then represented or present.

Section 6.7 Action by Written Ballot. An action that may be taken at a regular or special meeting of Members may be taken without a meeting if the Corporation mails or delivers a written ballot to every Member entitled to vote on the matter. Whenever possible, voting by Industry Sectors for directors shall be by written ballot preceding the regular meeting of the Members.

Approval by written ballot is valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Solicitations for votes by written ballot must: (1) indicate the number of responses needed to meet the quorum requirements; (2) state the percentage of approvals necessary to approve the matter; and (3) specify the time by which a ballot must be received by the Corporation in order to be counted. A written ballot may not be revoked.

Section 6.8 Action by Electronic Communication. Any vote of an Industry Sector to elect a board member or for any other purpose may be taken by electronic means without a meeting or during a meeting. In addition, a conference among Members by a means of communication through which the participants may simultaneously hear each other during the conference is a meeting of the Members, if the same notice is given of the conference as would

be required for a meeting and if the number of persons participating in the conference is a quorum. Participation in a meeting by this means is personal presence at the meeting. A Member may participate in a meeting of the Members by a means of communication through which the Member, other persons participating, and all persons physically present at the meeting may simultaneously communicate with each other during the meeting. Participation in a meeting by this means constitutes personal presence at the meeting.

Section 6.9 Member Representatives; Proxies.

6.9.1. Designation of Representative. Each year prior to the annual meeting of Members, each Member shall designate the individual authorized to vote on Corporation matters on behalf of the Member, in accordance with procedures approved by the board. A Member may change such designation at any time.

6.9.2. Authorization. The individual designated to vote by a Member may appoint a proxy to vote or otherwise act for the Member at any meeting or electronically by signing an appointment form either personally or by an attorney so designated by the Member.

6.9.3. Effective Period. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. An appointment is valid for the next regular or specially scheduled meeting or electronic ballot. However, a proxy is not valid for more than sixty (60) days from its date of execution.

6.9.4. Revocation. An appointment of a proxy is revocable by the Member. Appointment of a proxy is revoked by the person appointing the proxy by signing and delivering to the secretary or other officer or agent authorized to tabulate proxy votes. This may be done either in a written statement that the appointment of the proxy is revoked or a subsequent appointment form.

Section 6.10 Reimbursement of Membership Meeting Expenses. The Corporation will be under no obligation to reimburse the Membership for expenses associated with their attendance at regular or special Member meetings.

ARTICLE 7
BOARD OF DIRECTORS

Section 7.1 Management of Corporation. Consistent with these Bylaws, the business and affairs of the Corporation shall be managed by or under the direction of a board of directors. The duties of the board will include, but will not be limited to the following: (1) govern the Corporation and oversee all of its activities; (2) establish and oversee all organizational groups; (3) oversee accomplishment of all functions set forth in any delegation or other agreement with NERC or any governmental entity related to development, monitoring and enforcement of Reliability Standards and related matters; (4) approve, revise and enforce Member data and information requirements and related confidentiality requirements; (5) establish and approve an annual budget; (6) represent the Corporation in legal and regulatory proceedings; (7) hire the president. The board of directors shall select a chair and a vice-chair from among the members of the board. The board may establish board committees as appropriate.

Section 7.2 Voting. Each director shall have one vote with respect to decisions of the board.

Section 7.3 Composition of the Board of Directors. The board of directors shall consist of nineteen (19) board members, seventeen (17) of the board members are elected by the Industry Sectors as follows:

(a) Three (3) directors from the Transmission System Operators Sector;

(b) Two (2) directors from the Generators and Power Marketers Sector;

(c) Five (5) directors from the Investor Owned Utilities Sector;

(1) Two (2) directors must be from utilities with less than 3,000 megawatts of end-use load.

(2) Three (3) directors must be from utilities with 3,000 megawatts or greater of end-use load.

(d) Two (2) directors from the Cooperative Sector;

(e) Two (2) directors from the Municipal Utilities Sector;

(f) One (1) director from the Federal Power Marketing Agencies; and

(g) Two (2) directors from the Canadian Utilities Sector provided that both directors are not residents of the same Canadian province.

Provided, however, that in choosing directors from an Industry Sector, there shall not be more directors from a particular Industry Sector than there are actual Members of such Industry Sector.

Members shall endeavor to select directors from Industry Sectors among individuals holding senior management or officer positions in Member organizations, and with a view toward ensuring geographic representation of the Corporate Region on the board. No two directors elected from Industry Sectors may be employees of a single Member or employees of Members that are affiliates. To the extent the Members of an Industry Sector do not select a director, that director position shall remain vacant until a director is selected by the Industry Sector.

Two (2) board members shall be Independent Directors nominated by the board of directors and elected by the Members. Independent Directors shall have relevant senior management expertise and experience to the reliable operation of the bulk power system in North America.

Section 7.4 Terms of Directors. All directors will serve three-year, staggered terms except the initial term for one of the independent directors shall be two (2) years. Any director elected by an Industry Sector may be removed at any time by the affirmative vote of two-thirds (2/3) of the Members of the Industry Sector selecting such director. An Independent Director may be removed by the affirmative vote of two-thirds of the remaining directors. Any director

may be removed by the board of directors for non-attendance of three consecutive board meetings.

Section 7.5 Compensation and Reimbursement. All directors shall have the right to reimbursement by the Corporation of their actual reasonable travel expenses to board meetings or when specifically selected to represent the Corporation at a business meeting. The board of directors may set reasonable compensation for the service provided by Independent Directors; directors elected by an Industry Sector shall not receive compensation.

Section 7.6 Vacancies. If a director resigns, dies, changes corporate affiliation or is removed during the term of office for which elected, the directorship shall thereupon be vacant and shall be filled as soon as practicable and in accordance with the same procedures that the directorship had previously been filled. The successor director shall hold office for the unexpired term of the director replaced.

Section 7.7 Meetings; Notice. An annual meeting of the board of directors shall be held without notice immediately following the annual meeting of the Members to elect the chair and vice-chair of the board of directors for the next year. In addition, regular meetings may be held at such time or times as fixed by the board of directors. Schedules of regular meetings of the board of directors shall be published by the secretary and provided to the Membership. Special meetings of the board of directors may be called by the president or by three directors and shall be held at the principal office of the Corporation, or such other place within the Corporate Region as determined by the president after consultation with the board. Notice of the date, time, and place of a special meeting shall be given by the secretary not less than seven (7) days prior to the meeting by mail, telegram, or electronic communication to each director and the Membership. Except as necessary to discuss personnel issues, litigation or similar sensitive or confidential matters, all meetings of the board of directors shall be open to the Membership and other interested persons.

Section 7.8 Quorum. A majority of the directors currently holding office is a quorum for the transaction of business.

Section 7.9 Board Action. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless the act of a greater number is required by law or these Bylaws, however, in no event will an action of the Directors be valid where the action was passed solely by the vote of Directors from two Industry Sectors or defeated solely by the vote of Directors in a single Industry Sector.

Section 7.10 Action Without a Meeting. An action required or permitted to be taken at a board of directors meeting may be taken by written action, including electronic communication, signed by all of the directors of the Corporation. The written action is effective when signed by the required number of directors, unless a different effective time is provided in the written action.

Section 7.11 Action by Electronic Communication. A conference among directors by a means of communication through which the directors may simultaneously hear each other during the conference is a board meeting if the same notice is given of the conference as would

be required for a meeting and if the number of directors participating in the conference is a quorum. Participation in a meeting by this means constitutes personal presence at the meeting. A director may participate in a board meeting by any means of communication through which the director, other directors participating, and all directors physically present at the meeting may simultaneously communicate with each other during the meeting.

ARTICLE 8
ORGANIZATIONAL GROUPS

Section 8.1 Establishment of Organizational Groups. The board of directors shall establish such organizational groups, consisting of committees, sub-committees, task forces and working groups of Members, as are necessary and appropriate to accomplish the purposes of the Corporation in an efficient and cost-effective manner. All organizational groups shall be subject to the direction and control of the board. The membership of organizational groups shall be determined based upon experience, expertise and geographic diversity and to the extent practicable shall include balanced representation of the Sectors.

The board of directors shall establish policies and procedures governing the creation of organizational groups, how they are populated, how voting and related matters are conducted and how they may be reorganized. The board shall conduct a review of all organizational groups of the Corporation on a periodic basis to ensure that the business of the Corporation is conducted in an efficient, cost-effective manner and shall include a statement of its conclusions and resulting actions in the board's report to Members at the annual meeting.

Section 8.2 Reimbursement. Consistent with the annual budget of the Corporation, the Board may authorize reimbursement by the Corporation for members of organizational groups (other than committees of the whole) of reasonable travel, meals and lodging expenses for organizational group meetings or for representation of the Corporation at other business meetings as authorized by the board. The board of directors may authorize reimbursement for persons acting on behalf of the Corporation, as necessary in the interests of the Corporation.

ARTICLE 9
OFFICERS

Section 9.1 Officers. The officers of the Corporation shall include a president, a secretary, a treasurer and any other officers as may be elected or appointed in accordance with the provisions of this Article. The board of directors may elect or appoint any additional officers that it deems desirable, such other officers to have the authority and perform the duties prescribed by the board of directors. The same individual may hold any number of offices, except that of president.

Section 9.2 Election and Term of Office. The officers of the Corporation shall be elected by the board of directors. Each officer shall hold office at the pleasure of the board. New officers may be created and the positions filled at any meeting of the board of directors. Each elected officer shall hold office until his or her successor has been duly elected and qualified.

Section 9.3 Removal. Any officer elected by the board of directors may be removed by the affirmative vote of two-thirds (2/3) of the board of directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the officer so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 9.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or otherwise, may be filled by the board of directors for the unexpired portion of the term.

Section 9.5 President. The president shall be, in the discretion of the board of directors, either an employee of or contractor to the Corporation and shall:

(a) be the chief executive officer of the Corporation;

(b) sign certificates of membership, and may sign any deeds, mortgages, deeds of trust, notes, bonds, contracts or other instruments authorized by the board of directors to be executed, except in cases in which the signing and execution thereof shall be expressly delegated by the board of directors or by these Bylaws to some other officer or agent of the Corporation; and

(c) perform all duties incident to the office of president and chief executive officer, including hiring and directing staff, and such other duties as may be prescribed by the board of directors from time to time.

Section 9.6 Secretary. The secretary shall ensure that the following duties are carried out:

(a) the minutes of the meetings of the Members and of the board of directors are recorded;

(b) all required notices are duly given in accordance with these Bylaws and as required by law;

(c) a register of the current names and addresses of the Membership is maintained;

(d) a complete copy of the Articles of Incorporation and Bylaws of the Corporation containing all amendments thereto are kept on file at all times, which copies shall always be open to the inspection of the Membership; and

(e) generally perform all duties incident to the office of secretary and such other duties as may be prescribed by the board of directors from time to time.

Section 9.7 Treasurer. The treasurer shall be responsible for the following activities:

(a) maintain custody of all funds and securities of the Corporation;

(b) receipt of and the issuance of receipts for all monies due and payable to the Corporation and for deposit of all such monies in the name of the Corporation in such bank or banks or financial institutions as shall be selected by the board of directors; and

(c) generally perform all duties incident to the office of treasurer and such other duties as may be prescribed by the board of directors from time to time.

ARTICLE 10
CERTIFICATES OF MEMBERSHIP

Section 10.1 Certificates of Membership. The board of directors may provide for the issuance of certificates evidencing Membership in the Corporation, which certificates shall be in such form as may be determined by the board.

ARTICLE 11
BOOKS AND RECORDS

Section 11.1 Books and Records; Financial Statements. The Corporation shall keep at its registered office correct and complete copies of its Articles of Incorporation and Bylaws, accounting records, and minutes of meetings of Members, board of directors, and committees having any of the authority of the board of directors. A Member or Adjunct Member, or the agent or attorney of a Member or Adjunct Member, may inspect all books and records and voting agreements for any proper purpose at any reasonable time. Upon request, the Corporation shall give the Member or Adjunct Member a statement showing the financial result of all operations and transactions affecting income and surplus during its last annual accounting period and a balance sheet containing a summary of its assets and liabilities as of the closing date of the accounting period.

ARTICLE 12
FISCAL YEAR

Section 12.1 Fiscal Year. The fiscal year of the Corporation shall be the calendar year.

ARTICLE 13
TRANSFER OF ASSETS

Section 13.1 Member Approval Not Required. The Corporation, by affirmative vote of the board of directors, may sell, lease, transfer, or dispose of its property and assets in the usual and regular course of its activities and grant a security interest in all or substantially all of its property and assets in the usual and regular course of its activities, upon those terms and conditions and for those considerations, which may be money, securities, or other instruments for the payment of money or other property, as the board of directors considers expedient, in which case no Member approval is required.

Section 13.2 Member Approval; When Required. The Corporation may sell, lease, transfer, or dispose of all or substantially all of its property and assets, including its good will, not in the usual and regular course of its activities, upon those terms and conditions and for those

considerations, which may be money, securities, or other instruments for the payment of money or other property, as the board of directors considers expedient only when approved at a regular or special meeting of the Members by the affirmative vote of two-thirds (2/3) of all the Members. Notice of the meeting must be given to the Membership. The notice must state that a purpose of the meeting is to consider the sale, lease, transfer, or other disposition of all or substantially all of the property and assets of the Corporation.

ARTICLE 14
CONTRACTS, CHECKS, DEPOSITS, AND GIFTS

Section 14.1 Contracts. The board of directors may authorize any officer or officers or agent or agents of the Corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or may be confined to specific instances.

Section 14.2 Checks, Drafts, or Orders. All checks, drafts, or orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers or agent or agents of the Corporation, and in such manner as shall from time to time be determined by resolution of the board of directors.

Section 14.3 Deposits. All funds of the Corporation shall be deposited to the credit of the Corporation in such banks, trust companies, or other depositories as the board of directors may select.

Section 14.4 Gifts. The board of directors may accept on behalf of the Corporation any contribution, gift, bequest, or devise for any purpose of the Corporation.

ARTICLE 15
INSURANCE, LIABILITY, AND INDEMNIFICATION

Section 15.1 Insurance. The president is authorized to procure insurance to protect the Corporation against damages arising out of or related to any directive, order, procedure, action or requirement of the Corporation.

Section 15.2 Limitations on Liability. No director, officer, agent, employee or other representative of the Corporation, and no corporation or other business organization that employs a director of the Corporation, or any director, officer, agent or employee of such corporation or other business organization, shall be personally liable to the Corporation or any Member or Adjunct Member of the Corporation for any act or omission on the part of any such director, officer, agent, employee, or other representative of the Corporation, which was performed or omitted in good faith in his official capacity as a director, officer, agent, employee or other representative of the Corporation. However, this release of liability shall not operate to release such a director, officer, agent, employee or other representative of the Corporation from any personal liability resulting from willful acts or omissions knowingly or intentionally committed or omitted by him in breach of these Bylaws for improper personal benefit or in bad faith.

Section 15.3 Indemnification. It is the intent of the Corporation to indemnify its directors, officers, agents, employees, or other representatives to the maximum extent allowed by

law consistent with these Bylaws. Each director, officer, agent, employee, or other representative of the Corporation shall be indemnified by the Corporation against all judgments, penalties, fines, settlements, and reasonable expenses, including legal fees, incurred by him as a result of, or in connection with, any threatened, pending or completed civil, criminal, administrative, or investigative proceedings to which he may be made a party by reason of his acting or having acted in his official capacity as a director, officer, agent, employee, or representative of the Corporation, or in any other capacity which he may hold at the request of the Corporation, as its representative in any other organization, subject to the following conditions:

(a) Such director, officer, agent, employee, or other representative must have conducted himself in good faith and, in the case of criminal proceedings, he must have had no reasonable cause to believe that his conduct was unlawful. When acting in his official capacity, he must have reasonably believed that his conduct was in the best interests of the Corporation, and, when acting in any other capacity, he must have reasonably believed that his conduct was at least not opposed to the best interests of the Corporation.

(b) If the proceeding was brought by or on behalf of the Corporation, however, indemnification shall be made only with respect to reasonable expenses referenced above. No indemnification of any kind shall be made in any such proceeding in which the director, officer, agent, employee, or other representative shall have been adjudged liable to the Corporation.

(c) In no event, however, will indemnification be made with respect to any described proceeding which charges or alleges improper personal benefit to a director, officer, agent, employee, or other representative and where liability is imposed upon him on the basis of the receipt of such improper personal benefit.

(d) In order for any director, officer, agent, employee, or other representative to receive indemnification under this provision, he shall vigorously assert and pursue any and all defenses to those claims, charges, or proceedings covered hereby which are reasonable and legally available and shall fully cooperate with the Corporation or any attorneys involved in the defense of any such claim, charges, or proceedings on behalf of the Corporation.

(e) No indemnification shall be made in any specific instance until it has been determined by the Corporation that indemnification is permissible in that specific case, under the standards set forth herein and that any expenses claimed or to be incurred are reasonable. These two (2) determinations shall be made by a majority vote of at least a quorum of the board consisting solely of directors who were not parties to the proceeding for which indemnification or reimbursement of expenses is claimed. If such a quorum cannot be obtained, a majority of at least a quorum of the full board, including directors who are parties to said proceeding, shall designate a special legal counsel who shall make said determinations on behalf of the Corporation. In making any such determinations, the termination of any proceeding by judgment, order, settlement,

conviction, or upon plea of nolo contendre, or its equivalent, shall not, in and of itself, be conclusive that the person did not meet the standards set forth herein.

(f) Any reasonable expenses, as shall be determined above, that have been incurred by a director, officer, agent, employee, or other representative who has been made a party to a proceeding as defined herein, may be paid or reimbursed in advance upon a majority vote of a quorum of the full board, including those who may be a party to the same proceeding. However, such director, officer, agent, employee, or other representative shall have provided the Corporation with (i) a written affirmation under oath that he, in good faith, believes that he has met the conditions for indemnification herein, and (ii) a written undertaking that he shall repay any amounts advanced, with interest accumulated at a reasonable rate, if it is ultimately determined that he has not met such conditions. In addition to the indemnification and reimbursement of expenses provided herein, the president shall purchase insurance that would protect the Corporation, its directors, officers, agents, employees, or other representatives against reasonably expected liabilities and expenses arising out of the performance of their duties for the Corporation.

ARTICLE 16
PARTICIPATION BY REGULATORY PARTICIPANTS

Section 16.1 Regulatory Participants. All Regulatory Participants shall be entitled to be Adjunct Members.

ARTICLE 17
PARTICIPATION BY FEDERAL POWER MARKETING ADMINISTRATIONS

Section 17.1 Power Marketing Administrations Participation. The participation by the United States through Federal power marketing administrations (PMA) in the Corporation is subject in all respects to acts of Congress and to regulations of the Secretary of Energy established thereunder. This reservation includes, but is not limited to, the statutory limitations upon the authority of the Secretary of Energy to submit disputes arising hereunder to arbitration. In the event of a conflict between this Article 17 and any other Article of these Bylaws, this Article 17 shall have precedence with respect to the application of these Bylaws to the United States.

Section 17.2 Failure of Congress to Make Appropriations. Where activities provided for herein extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the obligations of the PMA hereunder. In case such appropriations are not made, the Corporation and its Members hereby release the PMA from its contractual obligations under these Bylaws and from all liability due to the failure of Congress to make such appropriation.

Section 17.3 Inapplicability of Bylaws to Congressional Members and Delegates. No member of or delegate to Congress shall be admitted to any share or part of, or to any benefit that may have arisen from, these Bylaws, but this restriction shall not be construed to extend to these Bylaws if made with a corporation or company for its general benefit.

Section 17.4 No Solicitation of Power Marketing Administration Participation. The Corporation and its Membership warrant that no Person or selling agency has been employed or retained to solicit or secure participation by a PMA in the Corporation upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting *bona fide* employees or *bona fide* established commercial or selling agencies maintained by the Membership for the purpose of securing business. For breach or violation of this warranty, a PMA shall have the right to annul its participation in the Corporation without liability or, in its discretion, to deduct from its dues or fees the full amount of such commission, percentage, brokerage, or contingent fee.

Section 17.5 Provisions Applicable to the Corporation. For the purpose of this Section 17.5 the term "Contract" shall mean these Bylaws and the term "Contractor" shall mean the Corporation. During the performance of this Contract, the Contractor agrees to the following provisions.

17.5.1. No Discrimination. Section 202 of the Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as amended by Executive Order No. 12086, 43 Fed. Reg. 46501 (1978), which provides, among other things, that the Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated by reference in the Contract.

17.5.2. Contract Work Hours and Safety Standards Act. The Contract, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act, 40 U.S.C. § 329 (1986) (the "Act"), is subject to the provisions of the Act, 40 U.S.C. §§ 327-333 (1986), and to regulations promulgated by the Secretary of Labor pursuant to the Act.

17.5.3. Imprisonment. The Contractor agrees not to employ any person undergoing sentence of imprisonment in performing the Contract except as provided by 18 U.S.C. § 4082(c)(2) and Executive Order 11755, 39 Fed. Reg. 779 (1973).

ARTICLE 18
HEARINGS AND DISPUTE RESOLUTION

Section 18.1 Hearings. Except as otherwise provided in applicable agreements and/or law governing Membership in the Corporation, the Corporation shall be responsible for making final determinations regarding whether a Registered Entity has violated a Reliability Standard in accordance with the NERC Rules of Procedure.

Section 18.2 Disputes. Dispute resolution procedures will be established by the board of directors for disputes between Members, or between a Member and the Corporation, for issues arising under these Bylaws. Determinations related to violations of Reliability Standards will be resolved in accordance with the NERC Rules of Procedure. Except as otherwise provided in applicable agreements and/or law governing a Member's membership in the corporation.

ARTICLE 19
AMENDMENT OF BYLAWS

Section 19.1 Changes to the Bylaws. The power to adopt, amend or repeal these Bylaws is vested in the Members as set forth in Section 6.5 of these Bylaws; provided however, upon the passage of any federal reliability legislation and/or the adoption of related requirements and procedures by NERC or any regulatory agency with jurisdiction, the board or directors shall have authority upon a two-thirds (2/3) vote to amend these Bylaws as necessary and appropriate to comply with such law and related requirements.

Exhibit C – Regional Standard Development Procedure

Exhibit C shall set forth the Regional Entity's standards development procedure, which NERC agrees meets the following common attributes:

COMMON ATTRIBUTE 1

Proposed regional reliability standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA. No regional reliability standard shall be effective within the Midwest Reliability Organization area unless filed by NERC with FERC and approved by FERC.

COMMON ATTRIBUTE 2

Midwest Reliability Organization regional reliability standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. A Midwest Reliability Organization reliability standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. A regional reliability standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

COMMON ATTRIBUTE 3

Midwest Reliability Organization regional reliability standards, when approved by FERC shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the Midwest Reliability Organization area, regardless of membership in the region.

COMMON ATTRIBUTE 4

Requester — The requester is the sponsor of the regional reliability standard request and may assist in the development of the standard. Any member of Midwest Reliability Organization, or group within Midwest Reliability Organization shall be allowed to request that a regional reliability standard be developed, modified, or withdrawn. Additionally, any entity (person, organization, company, government agency, individual, etc.) that is directly and materially affected by the reliability of the bulk power system in the Midwest Reliability Organization area shall be allowed to request a regional reliability standard be developed, modified, or withdrawn.

COMMON ATTRIBUTE 5

[Standards or other named] committee — The Midwest Reliability Organization Standards Committee manages the standards development process. The Standards Committee will consider which requests for new or revised standards shall be assigned for development (or existing standards considered for deletion). The Standards Committee will advise the Midwest Reliability Organization board on standards presented for adoption.

COMMON ATTRIBUTE 6

[*Alternative 6A: For a Regional Entity that chooses to vote using a balanced stakeholder committee.*] NOT APPLICABLE

The [standards] committee is a balanced stakeholder committee, inclusive of all stakeholder interests that provide for or are materially impacted by the reliability of the bulk power system. [The [standards] committee votes to approve standards.] See Appendix A for the representation model of the [standards] committee.

[*Alternative 6B: For a Regional Entity that chooses to vote using a balanced ballot body of stakeholders.*]

[Registered ballot body — The registered ballot body comprises all entities or individuals that qualify for one of the stakeholder segments; are registered with Midwest Reliability Organization as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. [Each standard action has its own ballot pool formed of interested members of the registered ballot body. Each ballot pool comprises those members of the registered ballot body that respond to a pre-ballot survey for that particular standard action indicating their desire to participate in such a ballot pool.] The representation model of the registered ballot body is provided in Appendix A.

COMMON ATTRIBUTE 7

Midwest Reliability Organization will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in step 1, notice of comment posting period identified in step 4, and notice for vote identified in step 5 below are concurrently posted on both the Midwest Reliability Organization and NERC websites.

COMMON ATTRIBUTE 8

An acceptable standard request shall contain a description of the proposed regional reliability standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard.

COMMON ATTRIBUTE 9

Within [no greater than 60] days of receipt of a completed standard request, the Standards Committee shall determine the disposition of the standard request.

COMMON ATTRIBUTE 10

The Standards Committee may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The Standards Committee may, at its discretion, expand or narrow the scope of the standard request under consideration. The Standards Committee shall prioritize the development of standard in relation to other proposed standards, as may be required based on the volume of requests and resources.
- Reject the standard request. If the Standards Committee rejects a standard request, a written explanation for rejection will be delivered to the requester within [no greater than 30] days of the decision.
- Remand the standard request back to the requester for additional work. The standards process manager will make reasonable efforts to assist the requester in addressing the deficiencies identified by the Standards Committee. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the Standards Committee.

COMMON ATTRIBUTE 11

Any standard request that is accepted by the Standards Committee for development of a standard (or modification or deletion of an existing standard) shall be posted for public viewing on the Midwest Reliability Organization website within [no greater than 30] days of acceptance by the committee.

COMMON ATTRIBUTE 12

The standards process manager shall submit the proposed members of the drafting team to the Standards Committee. The Standards Committee shall approve the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the standards process manager as the committee deems appropriate, and assign development of the proposed standard to the drafting team.

COMMON ATTRIBUTE 13

At the direction from the Standards Committee, the standards process manager shall facilitate the posting of the draft standard on the Midwest Reliability Organization website, along with a draft implementation plan and supporting documents, for a no less than a 30-day comment period. The standards process manager shall provide notice to Midwest Reliability

Organization stakeholders and other potentially interested entities, both within and outside of the Midwest Reliability Organization area, of the posting using communication procedures then currently in effect or by other means as deemed appropriate.

COMMON ATTRIBUTE 14

The drafting team shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The drafting team shall summarize comments that were rejected by the drafting team and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the Midwest Reliability Organization website no later than the next posting of the proposed standard.

COMMON ATTRIBUTE 15

Upon recommendation of the drafting team, and if the Standards Committee concurs that all of the requirements for development of the standard have been met, the standards process manager shall post the proposed standard and implementation plan for ballot and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

COMMON ATTRIBUTE 16

The standards process manager shall schedule a vote by the Midwest Reliability Organization [registered ballot body/Standards Committee]. The vote shall commence no sooner than 15 days and no later than 30 days following the issuance of the notice for the vote.

COMMON ATTRIBUTE 17

[Alternative *17A: For an RE that chooses to vote using a balanced stakeholder committee.*] Not Applicable

The [standards] committee shall give due consideration to the work of the drafting team, as well as the comments of stakeholders and minority objections, in approving a proposed regional reliability standard for submittal to the [Regional Entity Name] board. The [standards] committee may vote to approve or not approve the standard. Alternatively, the [standards] committee may remand the standard to the drafting team for further work or form a new drafting team for that purpose.

[Alternative *17B: For an RE that chooses to vote using a balanced ballot body of stakeholders.*]

The Midwest Reliability Organization registered ballot body shall be able to vote on the proposed standard during a period of not less than 10 days.

COMMON ATTRIBUTE 18

[Alternative *18A: For an RE that chooses to vote using a balanced stakeholder committee.*] Not Applicable

The [standards] committee may not itself modify the standard without issuing a new notice to stakeholders regarding a vote of the modified standard.

[Alternative *18B: For an RE that chooses to vote using a balanced ballot body of stakeholders.*]

All members of Midwest Reliability Organization are eligible to participate in voting on proposed new standards, standard revisions or standard deletions. [Alternatively: Each standard action requires formation of a ballot pool of interested members of the registered ballot body.]

COMMON ATTRIBUTE 19

[Alternative *19A: For an RE that chooses to vote using a balanced stakeholder committee.*]

Actions by the committee shall be recorded in the regular minutes of the committee.

[Alternative *19B: For an RE that chooses to vote using a balanced ballot body of stakeholders.*]

Approval of the proposed regional reliability standard shall require a two thirds majority in the affirmative (affirmative votes divided by the sum of affirmative and negative votes). Abstentions and non-responses shall not count toward the results, except that abstentions may be used in the determination of a quorum. A quorum shall mean 66.7% of the members of the [registered ballot body/ballot pool] submitted a ballot.

COMMON ATTRIBUTE 20

Under no circumstances may the board substantively modify the proposed regional reliability standard.

COMMON ATTRIBUTE 21

Once a regional reliability standard is approved by the board, the standard will be submitted to NERC for approval and filing with FERC

COMMON ATTRIBUTE 22

- **Open** - Participation in the development of a regional reliability standard shall be open to all organizations that are directly and materially affected by the Midwest Reliability

Organization power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in Midwest Reliability Organization, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to the Midwest Reliability Organization members and others.

COMMON ATTRIBUTE 23

- **Balanced -** The Midwest Reliability Organization standards development process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.

COMMON ATTRIBUTE 24

- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system in the Midwest Reliability Organization area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

COMMON ATTRIBUTE 25

- **Fair due process** — The regional reliability standards development procedure shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.

COMMON ATTRIBUTE 26

- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.

COMMON ATTRIBUTE 27

- Does not unnecessarily delay development of the proposed reliability standard.

COMMON ATTRIBUTE 28

Each standard shall enable or support one or more of the reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each standard shall also be consistent with all of the reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

COMMON ATTRIBUTE 29

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all regional reliability standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

COMMON ATTRIBUTE 30

To ensure uniformity of regional reliability standards, a regional reliability standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

COMMON ATTRIBUTE 31

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

COMMON ATTRIBUTE 32

Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire Midwest Reliability Organization area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.

COMMON ATTRIBUTE 33

Measure(s)	Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes

	required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.

COMMON ATTRIBUTE 34

Compliance Monitoring Process	Defines for each measure: • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes. • The entity that is responsible for evaluating data or information to assess performance or outcomes. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving.

Midwest Reliability Organization

Regional Reliability Standards Process Manual

Version 5.0 - Approved by the MRO Board of Directors on December 6, 2012
Approved by FERC Effective June 12, 2013

MRO Regional Reliability Standards Process Manual

Table of Contents

I. Introduction 3

Purpose: 3
Authority: 3
Credits: 3
Background: 3

II. MRO Regional Reliability Standard Definition, Characteristics, and Elements 4

Definition of a MRO Regional Reliability Standard: 4
Characteristics of a MRO Regional Reliability Standard: 4
Elements of a MRO Regional Reliability Standard: 5

III. Roles in the MRO Regional Reliability Standards Development Process 6

Nomination, Revision or Withdrawal of a Standard: 6

IV. MRO Regional Reliability Standards Consensus Development Process 9

Overview 9
Process Steps 11
Step 1 - Request to Develop a Standard, Revise Existing Standard or withdraw a Standard 11
Step 2 - Solicit Public Comments on the SAR 12
Step 3 - Authorization to Proceed With Drafting of a New or Revised Standard 13
Step 4 – Formation of the SDT 13
Step 5 - Draft New or Revised Standard 14
Step 6 - Solicit Public Comments on Draft Standard 16
Step 7 - Field Testing (At the discretion of the SC) 17
Step 8 - Analysis of the Comments and Field Test Results 17
Step 9 - Ballot the New Revised or Withdrawal of Standard 18
Step 10 –Board of Director (BOD) Approval of a Proposed MRO Regional Reliability Standard 20
Step 11 - Implementation of the MRO Regional Reliability Standard 21

V. Interpretations and Appeals 21

Interpretations of MRO Regional Reliability Standards 21
Appeals 22

VI. Errata 24

Approved Reliability Standards 24
Draft Standards 24

VII. Maintenance of MRO Regional Reliability Standards Process 25

Process Revisions 25
Abbreviated Process for Procedural/Administrative Changes 25
Five-Year Review 25
On-line Standards Information System 26
Archived Standards Information 26
Numbering System 26

Approved by FERC Effective June 12, 2013

Supporting Documents 26
Appendix A – MRO Regional Reliability Standards Process Diagram.....28
Appendix B – Information in a Standard Authorization Request 29
Appendix C – MRO Regional Reliability Standard Example 33
Appendix D – Registered Ballot Body (RBB) Registration Procedures 37
Appendix E – Balloting Examples 40

I. Introduction

Purpose:
This manual defines the characteristics of a Midwest Reliability Organization ("MRO") Regional Reliability Standard and establishes the process for proposing Regional Reliability Standards to North American Electric Reliability Corporation ("NERC") for enforcement under direct or delegated authority as designated by the Energy Policy Act of 2005 ("EPAct 2005"), Section 215 in the United States and applicable Canadian authorities. MRO plans to become a Cross-Border Regional Entity ("CBRE") as defined in EPAct 2005 and the final FERC reliability rule consistent with the US-Canadian Bilateral principles. For more information on MRO, please refer to http://www.midwestreliability.org.

The MRO standards process is consensus-based, technically vetted, and open to the public and bordering entities that may be impacted by a proposed Regional Reliability Standard of MRO. MRO Regional Reliability Standards apply to the reliability planning, and operation of bulk power systems located within the MRO region. NERC as the Electric Reliability Organization ("ERO") and the applicable regulatory authorities in the United States and Canada will have the ability to enforce these standards.

Authority:
This manual is published by the authority of the MRO Board of Directors ("BOD") who shall have the sole authority to approve the modifications to this manual. A procedure for revising this manual is provided in section VII titled "Maintenance of MRO Regional Reliability Standards Process."

Credits:
This manual was developed from the NERC Reliability Standards Development Procedure (available at www.nerc.com). Thus, the MRO Regional Reliability Standards process is very similar to the NERC process and the format is the same as the NERC Reliability Standard format.

Background:
NERC and MRO work with all segments of the electric industry, including electricity end-users, to develop standards for the reliable planning and operation of bulk power systems. The purpose of the NERC Reliability Standards is to promote reliability, while at the same time accommodating competitive electricity markets.

EPAct 2005, Section 215 and NERC, ERO provide for Regional Entities ("RE") to propose Regional Reliability Standards to NERC for eventual enforcement within the region of the RE or CBRE. Regions (such as MRO) may develop, through their own processes, regional reliability standards that; go beyond, add detail to, or cover matters not addressed in NERC Reliability Standards. MRO Regional Reliability Standards are proposed to NERC for approval and become enforceable, once approved by NERC and the applicable regulatory authorities in the United States and Canada as Reliability Standards.

MRO Regional Reliability Standards that are proposed shall not be inconsistent with, or less stringent than established NERC Reliability Standards. All MRO Regional

Reliability Standards obligate MRO to monitor and enforce compliance, apply sanctions, if any, consistent with any regional agreements and the NERC rules.

Proposed MRO Regional Reliability Standards shall be subject to approval by NERC, as the ERO, and by applicable regulatory authorities in the United States and Canada, before becoming mandatory and enforceable. No Regional Reliability Standard shall be effective within the MRO area unless approved by NERC and the applicable regulatory authority in the United States or Canada.

MRO proposed Regional Reliability Standards, when approved by NERC and the applicable regulatory authorities in the United States or Canada shall be made part of the body of NERC Reliability Standards and shall be enforced upon applicable bulk power system owners, operators, and users within the MRO region as per applicable delegation agreements.

II. MRO Regional Reliability Standard Definition, Characteristics, and Elements

Definition of a MRO Regional Reliability Standard:
A MRO Regional Reliability Standard defines certain obligations or requirements of entities that operate, plan, and use the bulk power systems of the MRO region.

The Bylaws of MRO define a Reliability Standard as:

> *"Reliability Standard" means a NERC reliability standard, duly in effect, under the rules, regulations and laws governing such standards, to provide for reliable operation of the Bulk-Power System."*

When proposing a Regional Reliability Standard in the MRO region, the obligations or requirements must be material to reliability and be measurable.

Each MRO Regional Reliability Standard shall enable or support one or more of the NERC reliability principles, thereby ensuring that each standard serves a purpose in support of the reliability of the regional bulk power system. Each of those standards shall also be consistent with all of the NERC reliability principles, thereby ensuring that no standard undermines reliability through an unintended consequence.

While MRO Regional Reliability Standards are intended to promote reliability, they must at the same time accommodate electricity markets. All MRO Regional Reliability Standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on electricity markets.

Characteristics of a MRO Regional Reliability Standard:
A MRO Regional Reliability Standard may include standards for the operation and planning of interconnected systems as well as market interface practices. The format and process defined by this manual applies to all MRO Regional Reliability Standards.

A MRO Regional Reliability Standard shall have the following characteristics:

- **Material to Reliability** - A MRO Regional Reliability Standard shall be material to the reliability of bulk power systems in the MRO region. If the reliability of the bulk power systems is compromised without a particular standard or by a failure to comply with that standard, then the standard is material to reliability.

- **Measurable** - A MRO Regional Reliability Standard shall establish technical or performance requirements that can be practically measured.

- **Relative to NERC Reliability Standards** - A MRO Regional Reliability Standard shall go beyond, add detail to, or cover matters not addressed in already approved NERC Reliability Standards.

Elements of a MRO Regional Reliability Standard:
To ensure uniformity of MRO Regional Reliability Standards, a MRO Regional Reliability Standard shall consist of the elements identified in Appendix C of this manual. However, the most current version of the approved NERC Reliability Standard template and its associated elements posted on the NERC website will be used at the time of the development of a MRO Regional Reliability Standard if different from the elements listed in Appendix C.

These elements are intended to apply a systematic discipline in the development and revision of MRO Regional Reliability Standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

The format allows a clear statement of the purpose, requirements, measures, and penalties for non-compliance associated with each standard.

All mandatory requirements of a MRO Regional Reliability Standard shall be within an element of the standard.

Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself. Types of supporting documents are described in a later section of this manual.

III. Roles in the MRO Regional Reliability Standards Development Process

Nomination, Revision or Withdrawal of a Standard:
Any member of MRO or group within the MRO region shall be allowed to request that a MRO Regional Reliability Standard be developed, modified, or withdrawn. Additionally, any person (organization, company, government agency, individual, etc.) who is directly and materially affected by the reliability of the MRO bulk power system shall be allowed to request that a MRO Regional Reliability Standard be developed, modified, or withdrawn.

Process Roles

Board of Directors (BOD) - The BOD shall consider MRO Regional Reliability Standards that have been approved by the Registered Ballot Body ("RBB") and recommended by the Standards Committee to be proposed to NERC and the regulatory authorities for enforcement consistent with direct or delegated regulatory authorities of MRO. Once the proposed MRO Regional Reliability Standard is approved by NERC and the regulatory authorities, it becomes effective in the MRO region consistent with the MRO's direct or delegated regulatory authority.

Compliance Committee (CC) - The mission of the MRO CC is to assure that the compliance program and policies are followed according to the rules and carried out in a non-discriminatory manner, subject to the BOD approval with MRO staff and BOD oversight. The compliance program is designed around compliance with Reliability Standards. The development of a MRO Regional Reliability Standard, in particular the measures and compliance administration portions of the standard, shall have direct input from the CC.

Standards Committee (SC) - The responsibilities of the SC will include:
Managing the standards processes for the development of standards, VRFs, VSLs, definitions, variances and interpretations in accordance with this manual. The responsibilities of the Standards Committee are defined in detail in the Standards Committee's Charter. The Standards Committee is responsible for ensuring that the standards, VRFs, VSLs, definitions, variances and interpretations developed by drafting teams are developed in accordance with the processes in this manual and meet NERC's benchmarks for reliability standards as well as criteria for governmental approval[1].

The Standards Committee has the right to remand work to a drafting team, to reject the work of a drafting team, or to accept the work of a drafting team. The Standards Committee may direct a drafting team to revise its work to follow the processes in this manual or to meet the criteria for NERC's benchmarks for reliability standards, or to meet the criteria for governmental approval. The Standards Committee shall meet at regularly scheduled intervals (either in person, or by other means). All Standards Committee meetings are open to all interested parties.

When presented with a Standard Authorization Request (SAR) the Standards Committee shall determine if the SAR is sufficiently stated to guide standard

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

development and whether the SAR is consistent with this manual. The Standards Committee shall take one of the following actions:

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

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

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

If the Standards Committee accepts a SAR, the Standards Committee shall work with the standards staff to coordinate the posting of the SAR(s).

Compliance Manager (CM) – The Compliance Manager (CM), a MRO staff function, and the CC shall provide input and comments during the standards development process to ensure the measures will be effective and other aspects of the compliance program practically implemented.

Standards Process Manager (SPM) – This is a MRO staff function. The Standards Manager who will act as the SPM shall manage the MRO Regional Reliability Standards Process. The SPM is responsible for ensuring that the development and revision of standards is in accordance with this manual. The SPM works to ensure the integrity of the process and consistency of quality and completeness of the MRO Regional Reliability Standards. The SPM facilitates all steps in the process.

Standards Process Staff - MRO staff will assist the SC, SPM, Requester, and Standard Drafting Team (SDT).

Registered Ballot Body (RBB) - The RBB comprises all entities that:

1. Qualify for one of the Industry Segments approved by the BOD[2], and
2. Are registered in the MRO RBB.

Each voter must be a member of the RBB. **Note: An individual's membership in the RBB will be in a "Pending" stage immediately following registration; in order to be able to vote, your registration must be activated, and activation may take up to 24 hours.**

2 Appendix D contains a description of the latest version of the Industry Segments approved by the Board of Directors.

Each registered member of the RBB is eligible to participate in the voting process for each Standards Action (add, change or withdraw). However, each MRO RBB member (company) may have only one vote per eligible segment.

The RBB will ensure, through its vote, the need for and the technical merits of, a proposed Standards Action and the appropriate consideration of views and objections received during the development process. The RBB votes to approve each Standards Action.

The MRO Regional Reliability Standards Process relies on open and inclusive participation by the electric utility industry and the interested public. Participation and voting is open to non-members of MRO; at this time there are no fees for participation or voting.

Requester - A requester is any person or entity (organization, company, government agency, etc.) that submits a complete request for development, revision, or withdrawal of a standard. Any person or entity that is directly and materially affected by an existing standard or the need for a new standard may submit a completed SAR for any of the three following actions; a new standard to be developed, a revision to an existing standard, or a withdrawal of an existing standard.

SAR Drafting Team - A team of industry experts appointed by the SC, that:

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

Standard Drafting Team (SDT) - A team of industry experts appointed by the SC, that:

- Develops the details of the standard
- Considers and responds to comments
- Participates in industry or regional forums to help build consensus on posted draft standards

Sub-Regional Variance: A sub-regional variance is an approved, alternative method of achieving the reliability intent of one or more requirements in a standard. No Regional Entity or bulk power system owner, operator, or user shall claim a sub-regional variance from a regional reliability standard without approval of such a sub-regional variance through the relevant standard approval procedure for the sub-regional variance. Each sub-regional variance from a regional reliability standard that is approved by NERC and applicable governmental authorities shall be made an enforceable part of the associated regional reliability standard. Regional drafting teams shall aim to develop standards with requirements that apply on a regional basis, minimizing the need for sub-regional variances while still achieving the standard's reliability objectives. If one or more requirements cannot be met or complied with as written because of a physical difference in the bulk power system or because of an operational difference (such as a conflict with a Federally or Provincially approved tariff), but the requirement's reliability objective can be achieved in a different fashion, an entity or a group of entities may pursue a sub-regional variance from one or more requirements in a regional standard. It is the

responsibility of the entity that needs a sub-regional variance to identify that need and initiate the processing of that sub-regional variance through the submittal of a SAR. Such a sub-regional variance may be proposed by a group of sub-regional entities in accordance with Step 1 of this process manual. If approved by MRO, NERC and regulatory authorities, the sub-regional variance shall be enforced within the MRO region pursuant to its delegated authority.

IV. MRO Regional Reliability Standards Consensus Development Process

Overview

The process for development of MRO Regional Reliability Standards to be proposed to NERC and regulatory authorities for approval and eventual enforcement under direct or delegated authority is illustrated in the Process Diagram in Appendix A and has the following characteristics:

- **Inclusive** – Any entity (person, organization, company, government agency, individual, etc.) with a direct material interest in the bulk power system in the MRO area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

- **Openness** - Participation is open to all persons who are directly and materially affected by the reliability of the MRO region bulk power system. There shall be no undue financial barriers to participation. Participation shall not be conditional upon membership in MRO or any organization, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements.

- **Balance** - The MRO Regional Reliability Standards Development Process shall have a balance of interests and shall not be dominated by any two, interest categories and no single interest category shall be able to defeat a matter.

- **Transparent** - All actions material to the development of MRO regional reliability standards shall be transparent. All standards development meetings shall be open and publicly announced on the MRO Web site.

- **Timeliness** - The MRO Regional Reliability Standards Development Process does not unnecessarily delay development of the proposed reliability standard.

- **Fair Due Process** - The MRO Regional Reliability Standards Development Process provides for reasonable notice and opportunity for public comment. The procedure includes public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of all persons who are directly and materially affected.

The MRO Regional Reliability Standards development process is intended to develop consensus, first on the need for the standard, then on the standard itself. The process includes the following key elements:

- **Nomination of a proposed standard, revision to a standard, or withdrawal of a standard** using a SAR.

- **Public posting of the SAR** to allow all parties to review and provide comments on the need for the proposed standard and the expected outcomes and impacts from implementing the proposed standard. Notice of standards shall provide an opportunity for participation by all directly and materially affected persons.

- **Review of the public comments** in response to the SAR and prioritization of proposed standards, leading to the authorization to develop standards for which there is a consensus-based need.

- **Assignment of teams** to draft the new or revised standard.

- **Drafting of the standard.**

- **Public posting of the draft standard** to allow all parties to review and provide comments on the draft standard. At this point, the need for the standard has been established and comments should focus on aspects of the draft standard itself.

- **Field testing of the draft standard and measures**: The need and extent of recommendations for field testing shall be determined by the SDT and submitted through the SPM to the SC for approval. The SDT shall request input from the MRO Standing Committee members.

    - Field-testing may be region-wide or may consist of one or more, lesser scale demonstrations, evaluations, or other SC approved methods.

    - Field-testing should be cost effective and practical, yet sufficient to validate the requirements, measures, measurement processes and other elements of the standard necessary to implement the Compliance Program.

    - For some standards and their associated measures, field-testing may not be appropriate, such as those measures that consist of administrative reports.

- **Formal balloting of the standard** for approval by the RBB.

- **Re-ballot to consider specific comments** by those submitting comments with negative votes.

- **Approval of a MRO Regional Reliability Standard**.

- **Appeals mechanism** as appropriate for the impartial handling of substantive and procedural complaints regarding action or inaction related to the standards process.

Process Steps

The first three steps in the MRO Regional Reliability Standards Development Process serve to establish consensus on the need for the standard.

Step 1 - Request to Develop a Standard, Revise Existing Standard or withdraw a Standard

Objective: A valid SAR shall contain a description of the proposed regional reliability subject matter containing sufficient descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed standard. An example of a SAR form can be found in Appendix B.

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

Requests to develop, revise, interpret, or withdraw a MRO Regional Reliability Standard shall be submitted to the SPM by completing a SAR. Actions in the remaining steps of the standards process apply to proposed new standards, revisions to existing standards, sub-regional variances, interpretations, or withdrawal of existing standards, unless explicitly stated otherwise.

The SAR is a description of the subject matter of the new or revised standard along with a proposed implementation plan and includes:

- Descriptive detail to clearly define the scope of the standard.
- A statement of the purpose of the standard
- A needs statement that provides justification for the development or revision of the standard; including an assessment of the reliability and market interface impacts of implementing or not implementing the standard.

Appendix B provides a sample template of the SAR form.

The SPM shall maintain the SAR form and make it available electronically.

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

The requester shall submit the SAR to the SPM electronically through the Reliability Standards Voting Process (RSVP) application and the SPM shall electronically acknowledge receipt of the SAR within 15 days. The SPM shall send the electronic acknowledgement simultaneously to the requester and to NERC.

The SPM shall assist the requester in developing the SAR, reviewing NERC Reliability Standards to see whether they already address the need, identify issues with interconnected regions, and verify that the SAR complies with this manual. The SPM will respond to the requester within 45 days of the request.

The SPM shall forward all properly completed SARs to the SC. The SC shall meet at established intervals to review all pending SARs. The frequency of the review process will depend on workload; in no case shall a properly completed SAR wait for SC action more than 60 days from the date of receipt.

Within 60 days of receipt of a completed standard request, the SC shall determine the disposition of the standard request. The SC may take one of the following actions:

- Accept the standard request as a candidate for development of a new standard, revision of an existing standard, or deletion of an existing standard. The SC may, at its discretion, expand or narrow the scope of the standard request under consideration. The SC shall prioritize the development of the standard in relation to other proposed standards, as may be required based on the volume of requests and resources.

- Reject the standard request. If the SC rejects a standard request, a written explanation for rejection will be delivered to the requester within 30 days of the decision.

- Remand the standard request back to the requester for additional work. The SPM will make reasonable efforts to assist the requester in addressing the deficiencies identified by the SC. The requester may then resubmit the modified standard request using the process above. The requester may choose to withdraw the standard request from further consideration prior to acceptance by the SC.

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

Step 2 - Solicit Public Comments on the SAR

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

Sequence Considerations: A SAR may be posted only after completion of Step 1. A SAR may at the discretion of the SC, be posted for comment concurrently with a draft standard (Step 6).

Once a SAR has been accepted by the SC as a candidate for the development of a new or revised standard, the SPM shall post the SAR on the RSVP Application for the purpose of soliciting public comments.

The SPM shall notify the RBB, the MRO region, NERC, and other interested parties that the SAR has been accepted by the SC and posted for comment.

Within thirty (30) days of acceptance by the SC, the SAR shall be posted electronically and comments on the SAR(s) will be accepted for a 30-day period from the date of posting. Comments will be accepted on-line using the RSVP application. The SPM will provide a copy of the comments to the requester. In addition, comments will be visible to the RBB during the commenting period. Based on the comments, the equester may decide to: submit the SAR for authorization, withdraw

the SAR, or revise and resubmit it to the SPM for another posting in the next available comment period.

The requester shall give prompt consideration to the written views and objections of all participants. The requester, with support from the SPM or SPM assigned staff, shall make an effort to resolve all expressed objections and shall advise each objector of the disposition of the objection and the reasons therefore. In addition, the SPM shall inform each objector that an appeals process exists within the MRO standards process.

While there is no established limit on the number of times a SAR may be posted for comment, the SC retains the right to reverse its prior decision and reject a SAR if it believes continued revisions are not productive. Once again, the SC shall notify the requester in writing of the rejection and the availability of the Appeals Process. During the SAR comment process, the requester may become aware of potential sub-Regional differences (within MRO) related to the proposed standard. To the extent possible, the requester should make any sub-Regional differences or exceptions a part of the SAR so that, if the SAR is authorized, such variations will be made a part of the draft new or revised standard.

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

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

Sequence Considerations: The SC may formally authorize the development of a standards' action only after due consideration of SAR comments to determine there is consensus on the need, scope and applicability of the proposed standard.

After the public provides comments on the SAR, the requester may decide to submit the SAR to the SC for authorization to draft the standard. The SC reviews the comments received in response to the SAR and any revisions to the SAR. The SC, considering the public comments received and their resolution, may then take one of the following actions:

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

If the SC rejects a SAR, the requester may file an appeal.

Step 4 – Formation of the SDT

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

Sequence Considerations: The SC may appoint a SDT concurrently with or after authorization of the development of a standard (Step 3).

For each new SAR, the SPM shall post a request that interested parties complete a ”SDT Self-Nomination” form utilizing the RSVP application. Those individuals who

complete and submit these self-nomination forms through the RSVP will be considered for appointment to the associated SDT.

Once a SAR has been authorized by the SC to proceed to the drafting stage, the SC shall assign the development of the standard to a SDT. The SPM shall recommend a list of candidates for appointment to the team and shall submit the list to the SC. The SC shall appoint the drafting team membership within 60 days of accepting a standard request for development, modifying the recommendations of the SPM as the committee deems appropriate, and assign development of the proposed standard to the drafting team. In the event that the SC is unable to appoint a drafting team within 60 days, one shall be appointed at the earliest possible date.

The SDT shall elect a Chairman for their team. This team shall consist of individuals who collectively have the necessary technical expertise and work process skills.

The SPM shall assign MRO Standards Process staff personnel to assist in the drafting of the standard.

Step 5 - Draft New or Revised Standard

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

Sequence Considerations: Development of the draft standard follows the authorization by the SC (Step 3) and appointment of a SDT (Step 4). Steps 5 and 6 may be iterated as necessary to consider stakeholder comments and build consensus on the draft standard.

The drafting team shall develop a work plan for completing the regional reliability standard, including the establishment of a milestone schedule for completing critical elements of the work in sufficient detail to ensure that the drafting team will meet the objectives established by the SC. The drafting team shall submit its work plan to the SC for its approval.

The drafting team shall convene periodically, either in person or by electronic means as necessary, to establish work teams (made up of members of the drafting team) as necessary, and perform other activities to complete the proposed standard within the milestone date(s) agreed upon by the SC.

The work product of the drafting team will consist of the following:

- A draft standard consistent with the standard request on which it was based.
- An assessment of the reliability impact of the standard request within the region and in neighboring regions, including appropriate input from the neighboring regions if the standard request is determined to impact any neighboring region.
- An implementation plan, including the nature, extent and duration of field-testing needed, if any.
- Identification of any existing standard that will be deleted, in part or whole, or otherwise impacted by the implementation of the draft standard.
- Technical reports, white papers and/or work papers that provide technical support for the draft standard under consideration.

The team regularly (at frequency determined by the SC) shall inform the SC of its progress in meeting a timely completion of the draft standard.

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

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

If the SDT elects to narrow the SAR, scope or identifies issues not in the SAR scope, then a report shall be prepared and sent to the SC.

Once the standard has been drafted, the SPM in conjunction with the SC shall perform a review for quality[3] and completeness. The review for quality may include a legal review in conjunction with the quality review. Issues discovered after the quality review will be brought to the attention of the SDT for resolution.

Each reliability standard shall include one or more 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 shall establish an objective that is the best approach for bulk power system reliability, considering the costs and benefits of implementing the proposal. Each requirement shall be stated to be objectively measurable by a third party with knowledge or expertise in the area addressed by that requirement.

Requirements should have the following characteristics:

- Each requirement shall identify what the functional entities shall do, under what special conditions (if any), for what reliability benefit.
- Each requirement should be aimed at achieving one objective and written in the 'active' voice.
- If specific results can be practically measured quantitatively, metrics should be provided within the requirement to indicate satisfactory performance.
- To the maximum extent possible, the requirement shall be designed to apply throughout the interconnected MRO Bulk-Power System.

[3] See the latest NERC Quality Review Document.

The SPM shall also ensure the draft standard is within the scope and purpose identified in the SAR. This review shall occur within a 15-day period.

At the direction of the SC, the SPM shall post the new or revised standard for public comment once this review is completed. The SPM shall notify the RBB, the MRO region, NERC, and other interested parties that the new or revised standard has been posted for public comment.

Step 6 - Solicit Public Comments on Draft Standard

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

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

Once a draft standard has been verified by the SPM to be within the scope and purpose of the SAR and in compliance with this manual, the SPM will post the draft standard **for the first formal comment period**. The posting of the draft standard will be linked to the SAR for reference. Comments on the draft standard will be accepted for a **minimum** 30-day period from the notice of posting. Comments will be accepted on-line using the RSVP application and will be viewable during the posted commenting period.

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

The second formal comment period will be 45-day duration and will take place after the SDT has posted its consideration of comments and conforming changes to the associated standard using the RSVP application. Formation of the ballot pool will take place during the first 30-days of the 45-day posting. Balloting, in accordance with Step 9, will occur during the last 10-days.

In all cases, public comments on the draft standard shall be solicited prior to the SC approving the standard going to ballot (Step 9).

Step 7 - Field Testing (At the discretion of the SC)

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

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

Taking into consideration stakeholder comments received through Step 6, the SDT may recommend to the SC or the SC may mandate that a test of one or more aspects of a standard is needed. The MRO Compliance Manager will also evaluate whether field-testing of the compliance elements of the proposed new or revised standard is needed and advise the SC. The SC will approve all field tests of proposed standards based on the recommendations of the SDT and the Compliance Manager. If needed, the SC will also request inputs on technical matters from applicable standing committees or other experts.

Once the field-testing plan is approved, the SPM will, under the direction of the SC, oversee the field-testing of the standard. Throughout the field testing process, compliance with the existing standard is required.

In some cases, measurement may be an administrative task and no field-testing is required at all.

In other cases, one or more limited scale demonstrations, evaluations, or other SC approved method may be sufficient.

Step 8 - Analysis of the Comments and Field Test Results

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

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

The SPM will assemble the comments on the draft standard and distribute those comments to the SDT. The SDT shall give prompt consideration to the written views and objections of all participants. An effort to resolve all expressed objections shall be made, and each objector shall be advised of the disposition of the objection and the reasons therefore. The SDT shall prepare a summary of the comments received and the changes made to the proposed standard as a result of these comments. The SDT shall summarize comments that were rejected by the SDT and the reason(s) that these comments were rejected, in part or whole. The summary, along with a response to each comment received will be posted on the MRO website no later than the next posting of the proposed standard. In addition, each objector will be informed that an appeals process exists within the MRO standards process.

Based on comments received, the SDT may determine there is an opportunity to achieve consensus for the standard. In this case, the SDT may elect to return to Step 5 and revise the draft for another posting. Although there is no predetermined limit on the number of times a draft standard may be revised and posted, the SDT

should ensure the potential benefits of another posting outweigh the burden on the SDT and stakeholders. Returning to Step 5 to continue working on the standard is the prerogative of the SDT, subject to SC oversight.

If the SDT determines the draft standard is ready for ballot, the SDT shall submit the draft standard to the SC with a request to proceed to balloting, along with the comments received and responses to the comments. Based on the comments received and field-testing, the SDT may include revisions that are not substantive. Substantive changes to a draft standard shall not be permitted between the last posting for stakeholder comment and submittal for ballot. A substantive change is one that directly and materially affects the intent or use of the standard. For example, adding, deleting, or revising requirements; or adding, deleting, or revising measurements for which compliance is mandatory. Any non-substantive changes such as: spelling, grammar, or formatting, made prior to going to ballot, will be identified to stakeholders at the time of the ballot notice. If the SDT determines, based on comments received, that substantive changes to the standard are required, the standard will be re-posted for comment and a notice sent to the MRO region, the RBB, NERC, and other interested parties that the revised standard has been re-posted for public comment.

When the SC receives a draft standard that has been recommended for ballot, the SC will review the standard to ensure that the proposed standard is consistent with the scope of the SAR; addresses all of the objectives cited in Steps 1-8, as applicable; and is compatible with other existing standards. If the proposed standard does not pass this review, the SC shall remand the proposed standard to the SDT to address the deficiencies. If the proposed standard passes the review, the SC shall set the proposed standard for ballot as soon as the workflow will accommodate.

If the SC or SDT determines there is insufficient consensus to ballot the standard and further work is unlikely to achieve consensus, the following may occur: (1) the SDT may recommend to the SC that standard drafting be terminated and the SAR withdrawn or (2) the SC may terminate the standard drafting and accept the withdrawal of the SAR. If the SC believes the SDT recommendation is unsubstantiated, the SC may direct other actions consistent with this procedure, such as requesting the SDT to continue or appointing a new SDT.

Step 9 - Ballot the New Revised or Withdrawal of Standard

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

Sequence Considerations: The SC may determine, upon recommendation from the SDT, that all requirements of Steps 1 through 8 have been satisfactorily met before authorizing an action to go to ballot.

If the SC decides to submit the standard to a vote, the SPM shall provide notice of such to the RBB, NERC, as well as other interested parties, and electronically post the standard, and all comments received, the responses to those comments, and an implementation plan. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

First Ballot

Each voter must be a member of the Registered Ballot Body (RBB). **Note: An individual's membership in the RBB will be in a "Pending" stage immediately following registration; in order to be able to vote, your registration must be activated, and activation may take up to 24 hours.**

The ballot will be conducted electronically through the RSVP application. In the event of balloting difficulties with electronic balloting through RSVP, the SC will address the issues and decide the corrective action accordingly to complete the ballot. All members of the RBB shall be eligible to vote on the associated standard except, that only one member from an entity may vote in any given segment. It is the responsibility of the entity to identify and notify the SPM of the eligible voter. The voting options are:

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

The time window for voting shall be designated when the draft standard is posted. In no case shall the voting time window start sooner than fifteen (15) and no later than thirty (30) days from the notice of the posting. The voting time window will be a period of ten (10) days.

This provides a minimum total of twenty-five (25)-days from the initial notice until the end of the voting period. Approval of a MRO Regional Reliability Standard or revision to a MRO Regional Reliability Standard requires:

- A quorum, which is established by at least 4 of the Segments submitting a response with an affirmative vote, a negative vote, or an abstention; and
- An affirmative vote from at least two-thirds of the segments participating in the vote. Each segment vote is determined by the majority of the votes cast in the segment, either affirmative or negative. Abstentions and non-responses will not be counted.

Voting results, comments, and responses, if necessary, will be posted for public viewing as soon as practical after the balloting period closes. Voting results and comments maybe posted prior to the responses.

Balloting examples are provided in Appendix D.

Members of the RBB should submit any comments on the proposed standard during the public comment period. If any Negative votes with comments are received during the ballot period, they shall be addressed in accordance with *Step 8* and included with the re-circulation ballot.

The SPM shall assist the SDT in preparing a response to negative votes submitted with comments.

In addition, the SPM will inform each objector that an appeals process exists within the MRO standards process. A negative vote that does not contain comments does

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

If a quorum of the Segments is not established, the standard shall be re-balloted, allowing ten (10) days for the ballot. If a quorum is not established with the re-ballot, the SPM shall survey the RBB to establish interest in participating in a ballot on the standard.

Second Ballot

In the second ballot (also called a "re-circulation ballot"), members of the RBB shall again be presented the proposed standard (unchanged from the first ballot) along with the reasons for negative votes, the responses, and any resolution of the differences.

All members of the RBB eligible to vote shall be permitted to reconsider and change their vote from the first ballot. Eligible voting members of the RBB that did not respond to the first ballot shall be permitted to vote in the second ballot. Only one vote will be accepted from each organization within a segment.

In the second ballot, votes will be counted by exception only - members on the second ballot may indicate a revision to their original vote, otherwise their vote shall remain the same as in the first ballot. If a second ballot is conducted, the results of the second ballot shall determine the status of the standard, regardless of the outcome of the first ballot.

The voting time window for the second ballot is ten (10) days (to allow members to review comments and responses). The 21-day posting is not required for the second ballot. Members of the RBB may submit comments in the second ballot but no response to those comments is required.

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

The SPM shall post the final outcome of the ballot process. If the standard is rejected, the process is ended and any further work in this area would require a new SAR. If the standard is approved, the SPM shall post the consensus standard and the SC Chair shall present it to the BOD for consideration.

Step 10 –Board of Director (BOD) Approval of a Proposed MRO Regional Reliability Standard

Objective: To have the BOD approve the proposed new or revised, MRO Regional Reliability Standard. Once properly approved by the BOD, accepted by NERC, and accepted for filing by the applicable regulatory authorities in the United States and Canada, the Reliability Standard becomes enforceable.

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

A MRO Regional Reliability Standard submitted for consideration to the BOD must be publicly posted and noticed no less than fifteen (15) and no more than thirty (30) days prior to action by the BOD, included with the standard is the implementation plan that was part of the posting process.

At a regular or special meeting, the BOD shall consider the proposed MRO Regional Reliability Standard. The BOD shall consider the results of the balloting and dissenting opinions. The BOD shall consider any advice offered by the MRO SC. The BOD may accept or reject a standard, but may not substantively modify a proposed MRO Regional Reliability Standard. If the BOD chooses not to propose a standard to NERC and the applicable regulatory authorities in the United States and Canada, it shall provide its reasons for not doing so. Upon acceptance of the standard, the SPM will submit the standard to NERC for approval and filing with the applicable regulatory authorities in the United States and Canada.

A MRO Regional Reliability Standard that is approved by NERC and filed with the applicable regulatory authorities shall become effective in accordance with applicable NERC and applicable regulatory proceedings. The implementation plan is included with the proposed Reliability Standard.

The SPM shall publicly post the standard, showing the final status.

Step 11 - Implementation of the MRO Regional Reliability Standard

Objective: That Organizations subject to the standard use the standard, and the compliance program incorporates the standard into its compliance monitoring and enforcement process.

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

After approval of a MRO Regional Reliability Standard by the applicable authorities in the United States and Canada, the SPM will forward the standard to the Compliance Manager for implementation, enforcement, and monitoring by the CC, which will oversee the implementation and assess the effectiveness.

V. Interpretations and Appeals

Interpretations of MRO Regional Reliability Standards

All persons who are directly and materially affected by the reliability of MRO bulk power systems shall be permitted to request an interpretation of a MRO Regional Reliability Standard. The person requesting an interpretation shall submit a SAR form to the SPM explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The SAR should indicate the material impact to the requesting party or others caused by the lack of clarity or a possibly incorrect interpretation of the standard. The SPM shall provide

notice to the MRO region within ten business days of such a request for interpretation.

Where practical, the SPM will assign the project to the team that developed the associated standard, or to a subset of that drafting team. Once assigned the project, the drafting team should draft and post its interpretation as quickly as practical. The interpretation is intended to provide greater clarity to an existing requirement, and should not modify the intent of the original requirement.

As soon as practical (not more than 45 days), the SDT will draft a written interpretation to the standard addressing the issues raised. The SPM shall take the draft interpretation to the SC for acceptance and coordination of a quality review. The quality review will assess whether the interpretation is clear and provides the requested clarity without expanding the requirement. The results of this review will be provided to the SDT and the SC. After consultation with the SDT, the SC will decide if the interpretation is ready for posting.

The first formal comment period shall be 30-days. The SDT will consider stakeholder input provided during the comment period. If substantive changes are required to the interpretation, another quality review may be required. The second formal comment period shall be 45-days. The initial ballot shall occur during the last 10 days of the 45 day comment period. Balloting shall be consistent with Step 9. Once the ballot is successful, the interpretation shall be sent to the MRO BOD for approval in accordance with Step 10. Implementation of the interpretation will be consistent with Step 11.

Withdrawal of an Interpretation

The interpretation shall stand until such time as the interpretation can be incorporated into a future revision of the regional standard or the interpretation is retired due to a future modification of the applicable requirement. If the interpretation needs to be retired, a SAR shall be prepared and submitted in accordance with Steps 8, 9 and 10 contained in this MRO Regional Reliability Standards Process Manual.

Appeals

Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, or withdrawal of a MRO Regional Reliability Standard shall have the right to appeal. This appeals process applies only to the MRO Regional Reliability Standards process as defined in this manual.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

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

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

Level 1 Appeal

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

Level 2 Appeal

If, after the Level 1 Appeal the appellant remains unsatisfied with the resolution, and indicates such in writing to the SPM, the SPM shall convene a Level 2 Appeals Panel. This panel shall consist of five (5), panel members total appointed by the BOD. In all cases, Level 2 Appeals Panel members shall have no direct affiliation with the participants in the appeal.

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

In addition to the foregoing, a procedural objection that has not been resolved may be submitted to the BOD for consideration at the time the BOD decides whether to approve proposing a particular MRO Regional Reliability Standard for NERC consideration and eventual enforceability. The objection must be in writing, signed by an officer of the objecting entity, and contain a concise statement of the relief requested and a clear demonstration of the facts that justify that relief. The objection must be filed no later than 30 days after the announcement of the vote by the RBB on the MRO Regional Reliability Standard in question.

VI. Errata

Approved Reliability Standards

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

Errata are errors in approved standards that, if corrected, do not change the scope or intent of the associated approved standard and do not have a material impact on the end users of the standard.

1. If the error falls into one of the following categories, the SPM will produce a red line version of the standard that shows the proposed correction:

    a. A misspelled word
    b. An incorrect reference to a requirement or measure
    c. A missing word that, when added, improves readability but does not change the technical content
    d. An error that, if corrected, does not change the scope or technical content of the standard
    e. A discrepancy between the redline and clean versions of a balloted standard

2. If the error does not fall into the above categories as errata, the SC will review the standard to determine if the criticality of the error warrants actions prior to the next scheduled review of the standard.

Draft Standards

If a draft standard is found to have errata, as defined above, during an initial or recirculation ballot period; the SPM shall be allowed to make the changes. The SPM will post a redline version of the document and notify stakeholders.

Errata found during commenting periods will be handled by the commenting process as defined in steps 1 – 8 of section IV.

VII. Maintenance of MRO Regional Reliability Standards Process

Process Revisions

A request to substantively change the MRO Regional Reliability Standards Process Development process shall begin with the preparation of a SAR, and be handled using the same procedure as a request to revise a MRO Regional Reliability Standard. The exception is that a single ballot without regard to negative comments from the RBB shall be conducted and the results of that ballot will be binding. Non-substantive changes will be handled through the abbreviated process listed below. Once approved by the RBB, any proposed revisions to this manual would go to the BOD, NERC, and the applicable authorities in the United States and Canada for approval.

The BOD may make changes to the Industry Segments referenced in Appendix D. These changes shall be carried over to this process without the need to prepare a SAR. In addition, the SC may alter the document number on any existing or proposed standard without going through the MRO Regional Standards Process.

Abbreviated Process for Procedural/Administrative Changes

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

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

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

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

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

e. Reject the proposal.

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

Five-Year Review

The standards process manual and each MRO Regional Reliability Standard shall be reviewed at least once every five (5) years from the effective date or when it was reviewed last, whichever is the later. The review process shall be conducted by soliciting comments from the stakeholders. If no changes are warranted, the SC

shall recommend to the BOD that the Standard or manual be reaffirmed. If the review indicates a need to revise or withdraw the standard or manual, a SAR shall be prepared and submitted to the SPM. The SPM shall be responsible for administration of the five (5) year review of the standards process manual and the MRO Regional Reliability Standards.

On-line Standards Information System

The SPM shall be responsible for maintaining an electronic database of information regarding currently proposed and currently in effect MRO Regional Reliability Standards. This information shall include current standards in effect, proposed revisions to standards, and proposed new standards. This information shall provide a record, for at a minimum the previous five years, of the review and approval process for each MRO Regional Reliability Standard, including public comments received during the development and approval process. This information shall be available through public Internet access.

Archived Standards Information

The SPM shall be responsible for maintaining an historical record of MRO Regional Reliability Standards information that is no longer maintained on-line. Archived information of previously approved standards and version history shall be retained indefinitely as practical, but in no case less than five years or one complete standard review cycle from the date on which the standard was no longer in effect. Archived records of standards information shall be available electronically within 30 days following the receipt by the SPM of a written request.

Numbering System

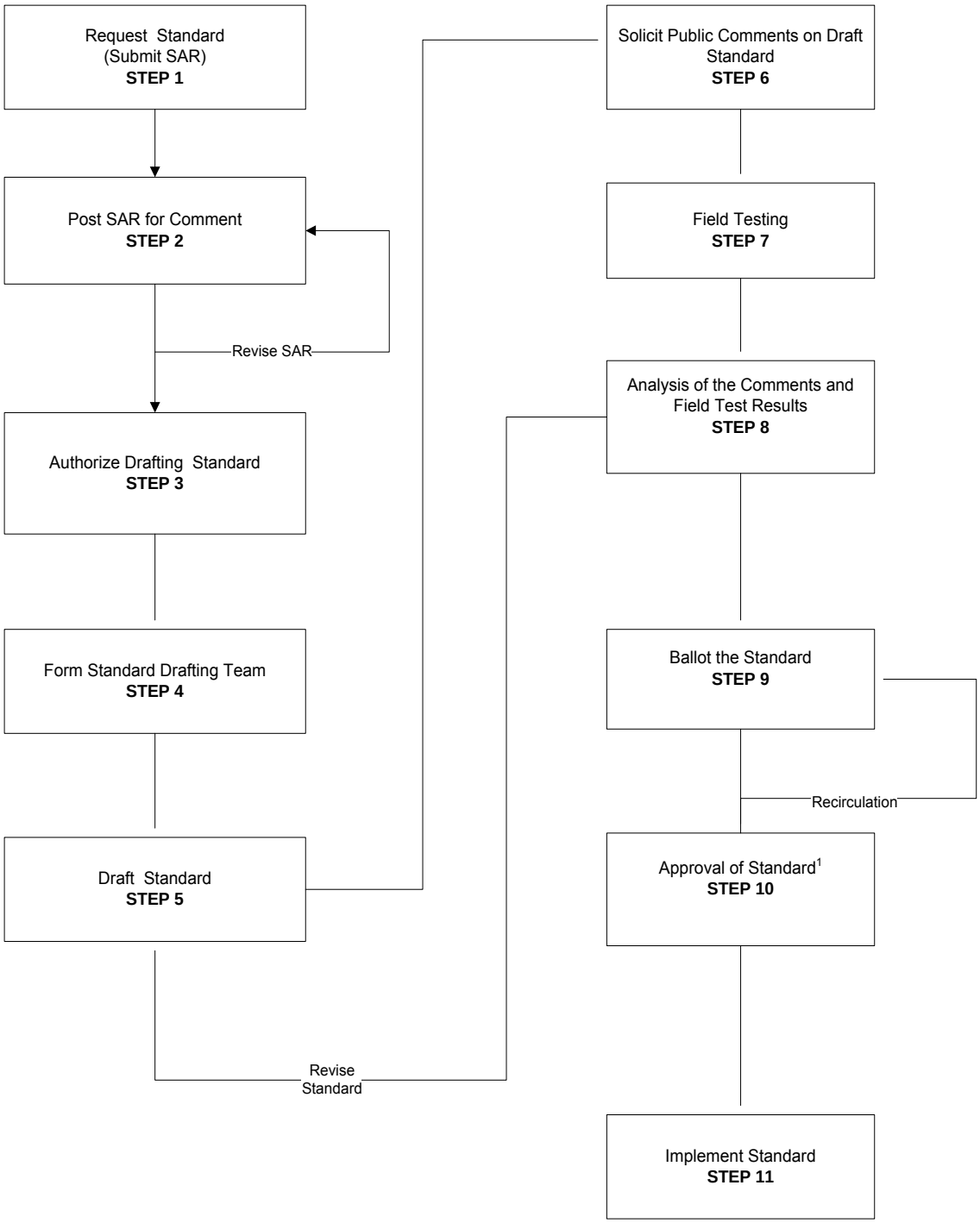
The SPM shall establish, maintain, and electronically post a system of identification numbers that allow MRO Regional Reliability Standards to be categorized and easily referenced. Re-numbering of approved standards does not warrant standard review but will be handled through the SC. The SPM will notify the MRO region and post the information on the RSVP system prior to making the change.

Supporting Documents

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

Type of Document	***Description***	***Approval***
Standard Reference	Descriptive, explanatory information to support the understanding and interpretation of an MRO Regional Reliability Standard.	SC
Standard Supplement	Data forms, pro forma documents, and associated instructions that support the implementation of an MRO Regional Reliability Standard.	As assigned to the MRO Standing Committee
Procedure	Instructions defining a particular process or operation. Procedures may support the implementation of an MRO Regional Reliability Standard.	As assigned to the MRO Standing Committee
Technical Reference	Descriptive, technical information or analysis. A technical reference may support the implementation of an MRO Regional Reliability Standard.	As assigned to the MRO Standing Committee
Guideline	Recommended process that indentifies a method of meeting a requirement under specific conditions. A guideline may support the implementation of an MRO Regional Reliability Standard.	SC

Appendix A – MRO Regional Reliability Standards Process Diagram



[1]After MRO Board approval, the standard is submitted to NERC for approval and filing to the applicable regulatory authorities. Upon regulatory acceptance or approval, the standard becomes enforceable as a Reliability Standard.

Appendix B – Information in a Standard Authorization Request

Below is a template of the required information to complete a Standard Authorization Request. The SPM shall be responsible for implementing and maintaining this form as needed to support the information requirements of the standards process.

Standard Authorization Request Form

Assigned SAR Label: (for in office use only)

Title of Proposed Standard
Request Date

SAR Requestor Information	**SAR Type** *(Check a box for each one that applies.)*	
Name	☐	**New standard**
Primary Contact	☐	**Revision or withdraw of an existing standard**
Telephone **Fax**	☐	**Interpretation of an existing standard**
E-mail	☐	**Urgent action**
	☐	**Other**

Purpose (Describe the purpose of the standard — what the standard will achieve in support of reliability.)

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

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

Reliability Functions

The Standard will Apply to the Following Functions (Check box for each one that applies.)		
☐	Reliability Coordinator	Responsible for the real-time operating reliability of its area and in coordination with its neighboring reliability coordinator's wide-area view.
☐	Balancing Authority	Integrates resource plans ahead of time, and maintains load-interchange-resource balance within its metered boundary and supports system frequency in real time.
☐	Interchange Authority	Authorizes valid and balanced interchange schedules.
☐	Planning Coordinator	Assesses the longer-term reliability of its area and neighboring area.
☐	Resource Planner	Develops a long-term (>one year) plan for the resource adequacy of specific loads within a planning coordinator's area.
☐	Transmission Planner	Develops a long-term (>one year) plan for the reliability of transmission systems within its portion of the planning coordinator area.
☐	Transmission Service Provider	Provides transmission services to qualified market participants under applicable transmission service agreements
☐	Transmission Owner	Owns transmission facilities.
☐	Transmission Operator	Operates and maintains the transmission facilities, and executes switching orders.
☐	Distribution Provider	Provides and operates the "wires" between the transmission system and the customer.
☐	Generator Owner	Owns and maintains generation unit(s).
☐	Generator Operator	Operates generation unit(s) and performs the functions of supplying energy and interconnected operations services.
☐	Purchasing-Selling Entity	The function of purchasing or selling energy, capacity, and all necessary interconnected operations services as required.
☐	Market Operator	Integrates energy, capacity, balancing, and transmission resources to achieve an economic, reliability-constrained dispatch.
☐	Load-Serving Entity	Secures energy and transmission (and related generation services) to serve the end user.

NERC Reliability and Market Interface Principles

Applicable Reliability Principles (Check box for all that apply.)	
☐	1. Interconnected bulk power systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
☐	2. The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
☐	3. Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably.
☐	4. Plans for emergency operation and system restoration of interconnected bulk power systems shall be developed, coordinated, maintained and implemented.
☐	5. Facilities for communication, monitoring and control shall be provided, used and maintained for the reliability of interconnected bulk power systems.
☐	6. Personnel responsible for planning and operating interconnected bulk power systems shall be trained, qualified, and have the responsibility and authority to implement actions.
☐	7. The security of the interconnected bulk power systems shall be assessed, monitored and maintained on a wide area basis.
☐	8. Bulk power systems shall be protected from malicious physical or cyber attacks.

Does the proposed standard comply with all of the following Market Interface Principles? *(Select 'yes' or 'no' from the drop-down box.)*
1. The planning and operation of bulk power systems shall recognize that reliability is an essential requirement of a robust North American economy. Yes
2. A MRO regional reliability standard shall not give any market participant an unfair competitive advantage.Yes
3. A MRO regional reliability standard shall neither mandate nor prohibit any specific market structure. Yes
4. A MRO regional reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes
5. A MRO regional reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes

Related Standards

Standard No.	Explanation

Related SARs

SAR ID	Explanation

Regional Differences

Region	Explanation
TRE	
FRCC	
MRO	
NPCC	
SERC	
RFC	
SPP	
WECC	

Appendix C – MRO Regional Reliability Standard Example

Below is an example of a MRO Regional Reliability Standard. Please see the NERC Regional Reliability Standards Evaluation Procedure for the most current format.

Identification Number	A unique identification number assigned by the SPM.
Title	A brief, descriptive phrase identifying the topic of the MRO Regional Reliability Standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire MRO area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.
Effective Date and Status	The effective date of the MRO Regional Reliability Standard shall be upon NERC and regulatory approvals. The status of the standard will be indicated as active or by reference to one of the numbered steps in the standards process.
Purpose	The purpose of the MRO Regional Reliability Standard shall explicitly state what outcome will be achieved by the approved Reliability Standard. The purpose is agreed to early in the process as a step toward obtaining approval to proceed with the development of the Reliability Standard. The purpose should link the standard to the relevant principle(s).
Requirement(s)	Explicitly stated technical, performance, preparedness, or certification requirements. Each requirement identifies who is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory. Several types of requirements may exist, each with a different approach to measurement: • **Performance-based requirements** define a specific reliability objective or outcome that has a direct, observable effect on the reliability of the bulk power system, i.e., an effect that can be measured using power system data or trends. • **Risk-based requirements** define actions of entities that reduce a stated risk to the reliability of the bulk power system and can be measured by evaluating a particular product or outcome resulting from the required action. • **Capability-based requirements** define capabilities needed to perform reliability functions and can be measured by demonstrating that the capability exists as required. Any additional comments or statements for which compliance is not mandatory, such as background or explanatory information should be placed in a separate document and referenced (see Supporting References).

Violation Risk Factors	The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below: A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition. A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition. A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.
Measure(s)	Each requirement shall be addressed by one or more measures. These measures will be used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure shall identify to whom the measurement applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the full compliance level of each measurement should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.

Glossary of Terms Used in Standards

Definitions of Terms:	All defined terms used in MRO Regional Reliability Standards, shall be defined in the glossary. Definitions may be approved as part of a standards action or as a separate action. All definitions must be approved in accordance with the standards process.

Compliance Administration Elements

Compliance Monitoring Process	The following compliance elements, which are part of the standard and are balloted with the standard are developed for each measure in a standard by the NERC compliance program in coordination with the standard drafting team • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes • The entity that is responsible for evaluating such data or information. • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving.
Violation Severity Levels	Defines the degree to which compliance with a requirement was not achieved. The violation severity levels, are part of the standard and are balloted with the standard, and developed by the MRO compliance program in coordination with the standard drafting team.

Supporting Information Elements

Interpretations	Formal interpretations of Regional Reliability Standard(s) proposed by the MRO and approved by NERC, FERC, and the applicable Canadian regulatory authorities. Interpretations are temporary, as the standard should be revised to incorporate the interpretation.
Implementation Plan	Each Regional Reliability Standard proposed by the MRO and approved by NERC, FERC and the applicable Canadian regulatory authorities shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard.

Supporting References	This section will reference related documents that support implementation of the Reliability Standard proposed by the MRO and approved by NERC and the regulatory authorities, but are not themselves mandatory. Examples include, but are not limited to: • Developmental history of the standard and prior versions • Notes pertaining to implementation or compliance • Standard references • Standard supplements • Procedures • Practices • Guidelines • Training references • Technical references • White papers • Internet links to related information
Data Retention	Each Regional Standard shall identify the data retention requirements and assignment of responsibility for data archiving.
Mitigation Time Horizon	Each Regional Standard shall reference a mitigation time horizon (long-term planning; operations planning; same-day operations; real-time operations and operations assessment) for each requirement.
Regulatory Directives	Each Regional Standard shall be consistent with Regulatory Directives, if applicable.
NERC Reliability Standards	Each Regional Standard shall be consistent with related NERC reliability standards, as applicable.

Appendix D – Registered Ballot Body (RBB) Registration Procedures

The RBB comprises all organizations and entities that:

1. qualify for one of the segments, and
2. are registered with MRO as ballot participants in the voting on standards, and
3. are current with any MRO designated fees associated with this program. Designated fees are defined as fees associated with the Standards Development process. At this time, there are no fees for registration.

Each entity, when initially registering to join the RBB, and will self-select to belong to one or more of the segments described below.

The SPM shall review all applications for joining the RBB, and make a determination of whether the self-selection satisfies at least one of the guidelines to belong to that segment. The entity will then be "credentialed" to participate as a voting member of that segment. The SC will decide disputes, with an appeal to the BOD.

In order to comment or vote you must have an active membership in the RBB. When you submit your registration request, you are placed in a "pending stage" until your account is activated. Activation of your account may take up to 24 hours. You will be unable to submit comments or vote until your account is activated.

All registrations must be done electronically via the RSVP application (http://rsvp.midwestreliability.org). There is no fee for registration at this time.

Segment Qualification Guidelines

The segment qualification guidelines are inclusive; i.e., any entity with a legitimate interest in the electric industry that can meet any one of the guidelines for a segment is entitled to belong to and vote in that segment. Only one vote per entity per segment is permitted.

The general guidelines for all segments are:

- Corporations or organizations with integrated operations or with affiliates that qualify to belong to more than one segment (e.g., Transmission Owners and Load Serving Entities) may belong to each of the segments in which they qualify, provided that each segment constitutes a separate membership in the RBB and is represented by a different representative. Only one vote per entity per segment registered is allowed.

- Corporations, organizations, and entities may participate freely in all subgroups.

- After their initial selection, registered participants may apply to change segments with thirty (30) days notice to the SPM. In addition, a registered participant cannot change segments during a balloting period once the participant has cast a vote or designated a proxy.

- Additionally, the SPM may change a participant segment under certain circumstances. These circumstances will be approved by the SC and posted on the RSVP.

- The qualification guidelines and rules for joining segments, as listed below, will be reviewed periodically by the SC to ensure that the process continues to be fair, open, balanced, and inclusive. Public input shall be solicited in the review of these guidelines.

- Since all balloting of standards will be done electronically, 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, the MRO must have in its possession, either in writing or by e-mail, documentation that the voting right by proxy has been transferred from the registered participant to the agent prior to casting any vote.

Segments

Segment 1: Transmission Owners

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

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

c. Independent transmission companies or organizations, merchant transmission developers, and transmission companies (TRANSCOs) that are in the MRO region and are not RTOs.

d. Excludes RTOs, RCs and ISOs (that are eligible to belong to Segment 2).

Segment 2: Regional Transmission Organizations (RTOs), Regional Transmission Group (RTG), Independent System Operators (ISOs), Reliability Organizations, and Reliability Coordinators

a. Authorized by appropriate regulator to operate as an RTO, RTG, or ISO within or adjacent to MRO.

b. Reliability Organizations certified by NERC or its successor.

c. Reliability Coordinators within or adjacent to MRO.

d. In cases where the RTO or ISO and the RC have exactly the same geographic boundary, both may belong to this segment as long as they are separate entities.

e. A voluntary organization of transmission owners, transmission users and other entities approved by the Commission to efficiently coordinate transmission planning (and expansion), operation and use on a regional (and interregional) basis.

Segment 3: Load-Serving Entities (LSEs)

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

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

Segment 4: Electric Generators

a. Affiliated and independent generators within the MRO region.

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

Segment 5: Electricity Brokers, Aggregators, and Marketers

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

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

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

Segment 6: Electricity End Users

a. Service delivery taken within the MRO region that is not purchased for resale.

b. Agents, associations, consumer advocates can represent groups of end users or a transmission dependent utility. A Transmission Dependent Utility (TDU) is defined as an entity that relies on another entity for transmission service to service the majority of their contractual loads.

Segment 7: Federal, State, and Provincial Regulatory or other Government Entities

a. Does not include Power Marketing Administration or Federal Power Marketing Agency (PMAs) or Tennessee Valley Authority (TVA).

b. May include Public Utility Commissions (PUCs).

Appendix E – Balloting Examples

The MRO voting mechanism differs from NERC in that a quorum is established if at least four Segments have submitted an affirmative, negative or abstention vote. A majority vote within a Segment is determined based on the affirmative and negative votes. A Standard is approved if at least two-thirds of the voting Segments have an affirmative vote. The following are examples of potential voting scenarios. The yellow areas indicate where a Segment did not cast a vote. The green areas with **bold** numbers represent majority votes within a Segment.

Example RBB

Segment	**Number Registered in the RBB**
1. Transmission Owners	15
2. RTO's, ISO's, RRO's & Reliability Coordinators	4
3. Load Serving Entities	16
4. Electric Generators	21
5. Electricity Brokers, Aggregators, & Marketers	7
6. Electricity End Users	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8
Totals	**77**

Example 1 – A quorum has been established with 5 of the 7 Segments having registered an affirmative, negative, or an abstention vote. Two-thirds of the Segments (4 of 5 voting Segments) have voted to approve the Standard. The Standard is approved.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	**10**	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	**3**	0	0	1
3. Load Serving Entities	16	3	**6**	2	5
4. Electric Generators	21	**13**	0	1	7
5. Electricity Brokers, Aggregators, & Marketers	7	0	0	0	7
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	**3**	0	1	4
Totals	77				

Example 2 – A quorum has been established with 4 of the 7 Segments having registered an affirmative, negative, or an abstention vote. Less than two-thirds of the Segments (1 of 4 voting Segments) have voted to approve the Standard. The Standard is NOT approved.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	**10**	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	1	**2**	0	1
3. Load Serving Entities	16	3	**6**	2	5
4. Electric Generators	21	0	0	0	21
5. Electricity Brokers, Aggregators, & Marketers	7	0	0	0	7
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	0	**3**	1	4
Totals	77				

Example 3 – A quorum has not been established because only 3 of the 7 Segments have registered an affirmative, negative, or an abstention vote. The Standard is NOT approved because of a lack of a quorum.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	**10**	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	**4**	0	0	0
3. Load Serving Entities	16	3	**6**	2	5
4. Electric Generators	21	0	0	0	21
5. Electricity Brokers, Aggregators, & Marketers	7	0	0	0	7
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	0	0	0	8
Totals	77				

Example 4 – A quorum has been established with 6 of the 7 Segments having registered an affirmative, negative, or an abstention vote. The Standard is NOT approved because two-thirds of the Segments did not cast an affirmative vote. Segment 2's vote is considered negative because a majority did not cast an affirmative vote.

Segment	Ballot Pool	Votes			
		Affirmative Votes	Negative Votes	Abstain Votes	No Ballot
1. Transmission Owners	15	**10**	2	1	2
2. RTO's, ISO's, RRO's & Reliability Coordinators	4	2	**2**	0	0
3. Load Serving Entities	16	3	**6**	2	5
4. Electric Generators	21	**10**	9	1	1
5. Electricity Brokers, Aggregators, & Marketers	7	**4**	3	0	0
6. Electricity End Users	6	0	0	0	6
7. Federal, State, & Provincial Regulatory or other Government Entities	8	2	**3**	0	3
Totals	77				

EXHIBIT D – COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 REGIONAL COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

Midwest Reliability Organization will implement the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure (which for purposes of this section 1.0 shall not include Attachment 2, Hearing Procedures), to monitor and enforce compliance with Reliability Standards by the owners, operators, and users within Midwest Reliability Organization's geographic or electrical boundaries, and such other scope, set forth on **Exhibit A** of this Agreement.

2.0 REGIONAL HEARING OF COMPLIANCE MATTERS

Midwest Reliability Organization shall establish and maintain a hearing body with authority to conduct and render decisions in compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, or a proposed mitigation plan, which shall be either Midwest Reliability Organization's board or a balanced compliance panel reporting directly to Midwest Reliability Organization's board. Midwest Reliability Organization's hearing body is a balanced subset of its board that is appointed by the board with no more than one member from each sector.

Midwest Reliability Organization shall conduct all compliance hearings in which a Registered Entity may contest a finding of alleged violation, proposed penalty or sanction, proposed Mitigation Plan, or a proposed Remedial Action Directive, in accordance with Attachment 2, Hearing Procedures, to the NERC Compliance Monitoring and Enforcement Program, subject to the following deviations, if any: **NONE**.

3.0 OTHER DECISION-MAKING BODIES

A presiding officer who presides over the reception of evidence may prepare recommendations to be used by the board of directors in preparing its decision in a compliance hearing. In addition to compliance hearings, Midwest Reliability Organization's Hearing Body also reviews and approves settlements in a yes or no fashion, but is not permitted to make modifications to negotiated settlements/agreements.

Exhibit E — Funding

1. Scope of activities funded through the ERO funding mechanism

Midwest Reliability Organization shall include in its annual budget submission to NERC amounts for costs it will incur in performing its delegated functions and related activities as described in Sections 5, 6 and 7 of the Agreement. These activities shall include:

- Reliability Standard Development
- Compliance Monitoring and Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis (including necessary data gathering activities)
- Event Analysis and Reliability Improvement
- Training and Education
- Situation Awareness
- Infrastructure Security

2. Preparation of Annual Business Plan and Budget

(a) NERC and Midwest Reliability Organization in conjunction with the other Regional Entities, shall collaboratively develop an annual schedule for the development, submission, review and approval of Midwest Reliability Organization's business plan and budget. The annual schedule for the preparation of business plans and budgets shall require Midwest Reliability Organization (i) to submit to NERC draft(s) of Midwest Reliability Organization's proposed business plan and budget and other preliminary documents and information, and (ii) to submit a final proposed business plan and budget that has been approved by Midwest Reliability Organization Board of Directors to NERC by July 1 or such other agreed date as provides sufficient time for NERC's review, approval and submission of Midwest Reliability Organization's business plan and budget to the Commission 130 days in advance of the beginning of each fiscal year. The Midwest Reliability Organization business plan and budget submission shall include supporting materials, including Midwest Reliability Organization's complete business plan and organization chart, explaining the proposed collection of all assessments, dues, fees and charges, and the proposed expenditure of the funds to be collected in sufficient detail to justify the requested budgeted expenditures and assessments. Midwest Reliability Organization's business plan and budget and proposed assessments shall provide for reasonable reserve mechanisms for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles.

(b) NERC shall review and approve Midwest Reliability Organization's proposed business plan and budget and proposed assessments for performing the delegated functions and related activities described in Sections 5, 6 and 7 of this Agreement and listed above in Section 1 of this **Exhibit E**, or shall direct Midwest Reliability Organization to make such revisions as NERC deems appropriate prior to approval. NERC shall submit Midwest Reliability Organization's approved business plan and budget and proposed assessments to

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the Commission for approval as part of NERC's overall business plan and budget submission, in accordance with the ERO Regulations.

3. Allocation of Costs

Assessments to fund the costs of Midwest Reliability Organization's delegated functions and related activities pursuant to the Agreement shall be allocated among all load-serving entities on the basis of Net Energy for Load, unless a different method(s) of allocating and calculating such assessments has been submitted to and approved by NERC and the Commission in accordance with Section 9(b) of the Agreement. Midwest Reliability Organization shall submit to NERC annually at the same time it submits its budget request a list of the load-serving entities or designees within its geographic boundaries that shall be responsible for paying Midwest Reliability Organization's assessment and the load-serving entities' proportionate Net Energy for Load, and such other data and information as is necessary to allocate and calculate the allocation of Midwest Reliability Organization's assessment to the load-serving entities or designees under the method(s) of allocation and calculation that will be used.

4. Collection of Funding

(a) NERC shall submit invoices to the load-serving entities or designees identified by Midwest Reliability Organization covering the NERC and Midwest Reliability Organization assessments approved for collection.

(b) NERC shall pursue any non-payments of assessment amounts and shall request assistance from ERO Governmental Authorities as necessary to secure collection. To the extent reasonably practicable, [Regional Entity] shall assist NERC in pursuing and collecting any non-payments. Notwithstanding the foregoing, [Regional Entity] is not responsible and does not assume any liability for recovering non-payments or underpayments of assessment amounts. NERC shall retain sole responsibility for recovering non-payments or underpayments of assessment amounts. NERC shall add the amount of any non-payments by end-users or designees within [REGIONAL ENTITY]'s region, that are reasonably determined to be uncollectible, to NERC's assessments for a subsequent year with the amount of such non-payments to be allocated to end-users within [Regional Entity]'s region.

(c) Upon approval by ERO Governmental Authorities of [Regional Entity]'s annual assessment to fund the costs of its delegated functions and related activities, NERC shall pay [Regional Entity's] annual assessment to Regional Entity in four equal quarterly payments on January 15, April 15, July 15 and October 15 of the budget year.

5. Application of Penalties

Except as otherwise approved by the Commission, all penalty monies received by Midwest Reliability Organization shall be applied as a general offset to Midwest Reliability Organization's budget requirements for U.S.-related activities under this Agreement for the

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subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity.

6. Budget and Funding for Midwest Reliability Organization Non-Statutory Activities

In addition to its delegated functions and related activities, as specified in Sections 5, 6 and 7 of the Agreement and in Section 1 of this **Exhibit E** (such delegated functions and activities referred to in this Section 6 as “statutory activities”), Midwest Reliability Organization performs the following other functions and activities (such other functions and activities being referred to in this Section 6 as "non-statutory activities"): **NONE**.

Midwest Reliability Organization shall employ the following methods and procedures to (i) keep its funding mechanisms for its statutory activities separate from its funding mechanisms for its non-statutory activities, and (ii) record the costs it incurs in the performance of its non-statutory functions separately from the costs it incurs in the performance of its statutory functions: **NOT APPLICABLE.**

Midwest Reliability Organization shall provide its budget for such non-statutory activities to NERC at the same time that Midwest Reliability Organization submits its proposed annual business plan and budget for statutory activities to NERC pursuant to Section 9 of the Agreement. Midwest Reliability Organization budget for non-statutory activities that is provided to NERC shall contain a detailed list of Midwest Reliability Organization’s non-statutory activities and a description of the funding sources for the non-statutory activities. Midwest Reliability Organization agrees that no costs (which shall include a reasonable allocation of Midwest Reliability Organization’s general and administrative costs) of non-statutory activities are to be included in the calculation of Midwest Reliability Organization’s assessments, dues, fees, and other charges for its statutory activities.

7. Amended or Supplemental Business Plans and Budgets

During the course of the fiscal year, if Midwest Reliability Organization determines it does not or will not have sufficient funds to carry out its delegated functions and related activities, Midwest Reliability Organization shall submit to NERC one or more proposed amended or supplemental business plans and budgets and requests for approval of supplemental assessments, reflecting costs, cost increases or funding shortfalls not provided for in Midwest Reliability Organization’s approved business plan and budget for the fiscal year. NERC shall review and approve the proposed amended or supplemental business plan and budget and proposed supplemental assessment, or shall direct Midwest Reliability Organization to make such revisions as NERC deems appropriate prior to approval. NERC shall submit Midwest Reliability Organization’s approved amended or supplemental business plan and budget and proposed supplemental assessment to the Commission for approval.

8. NERC Review of Regional Entity Financial Records

Upon a request made to Midwest Reliability Organization with reasonable notice, NERC shall have access to and may review all financial records of Midwest Reliability

Approved by FERC Effective June 25, 2012

Organization, including records used to prepare Midwest Reliability Organization's financial statements. NERC shall conduct reviews of the quarterly and annual financial statements submitted by Midwest Reliability Organization pursuant to Section 9(h) and (i) of the Agreement. Midwest Reliability Organization shall provide supporting documentation for the quarterly and annual financial statements as reasonably requested by NERC.

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