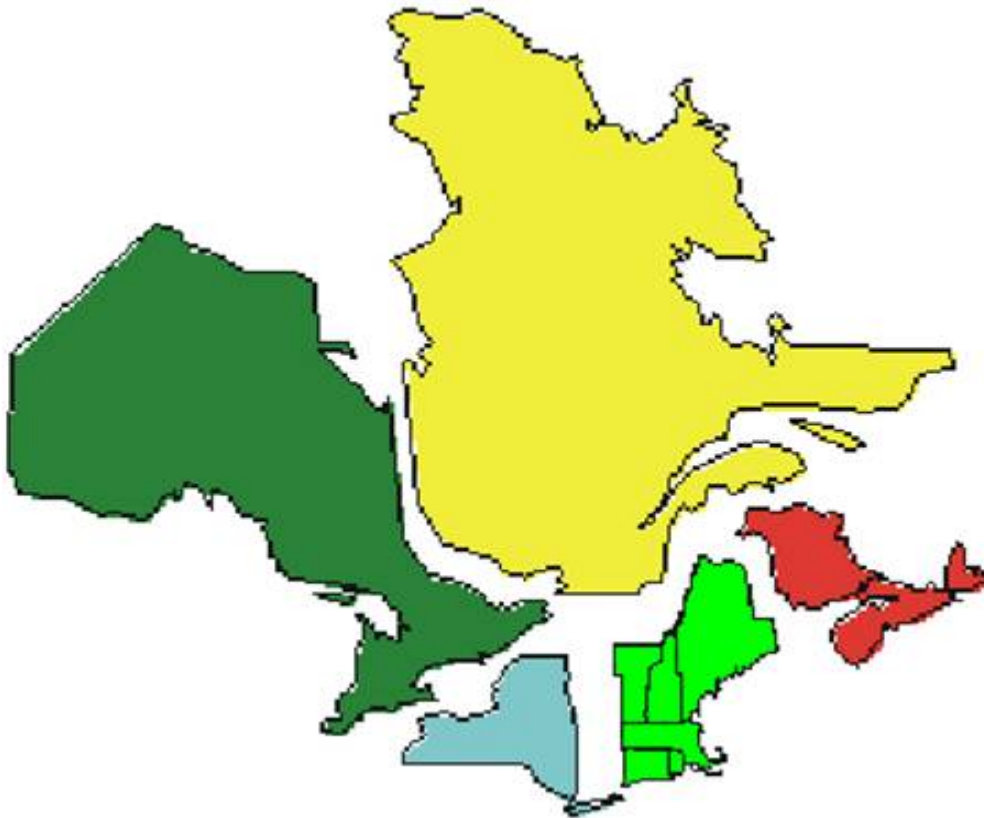




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DRAFT #1

2009 Business Plan and Budget



Northeast Power Coordinating Council, Inc. (NPCC)
(The cross-border regional entity and criteria services corporation for
Northeastern North America)

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Table of Contents

Introduction	3
Membership and Governance	4
Regional Entity Functional Scope	5
Planning Cycle	5
2009 Primary Objectives.....	5
Major 2009 Cost Impacts.....	6
Change in Accounting Methodology	7
Detailed Business Plans and Budgets by Program	8
Section A — 2009 Business Plan	9
Reliability Standards Program	9
Compliance Monitoring and Enforcement and Organization Registration and Certification Program.....	19
Reliability Readiness Evaluation and Improvement Program.....	26
Training, Education, and Operator Certification Program.....	30
Reliability Assessment and Performance Analysis Program.....	35
Situational Awareness and Infrastructure Security Program.....	46
Administrative Services	52
Section B — 2009 Budget	60
2008 Budget and Projection and 2009 Budget Comparisons	60
Personnel Analysis.....	61
2008 NPCC Organization Chart	62
2009 NPCC Organization Chart	63
Reserve Balance.....	64
Regional Entity Assessment Analysis	65
Assessments by Balancing Authority Area.....	65
Breakdown by Statement of Activity Sections	66
Section C — 2009 Criteria Services Division - Non-Statutory Business Plan and Budget.....	70
NPCC Regionally-Specific Criteria Services Background.....	70
Membership and Governance	70
Criteria Services Division Functional Scope	70
2009 Primary Objectives.....	71
Major 2009 Cost Impacts.....	73
2008 Budget and Projection and 2009 Budget Comparisons	74
Personnel Analysis.....	75
2008 Organizational Chart.....	76
2009 Organizational Chart.....	77
Reserve Analysis — 2008–2009.....	78

Introduction

Total NPCC Resources				
(in whole dollars)				
2009 Budget	U.S.	Canada	Mexico	
Regional Entity FTEs	28.2			
Criteria Services FTEs	2.8			
Total FTEs	31			
ERO Funding	\$10,442,306	\$4,536,138	\$5,906,168	
Regional BAA Funding	\$1,061,780	\$461,237	\$600,543	
Total Funding	\$11,504,085	\$4,997,375	\$6,506,711	
NEL	655,695	284,843	370,852	
NEL %	100%	43.44%	56.56%	

¹ Includes the impacts of certain allocations associated with implementation of the compliance program.

Northeast Power Coordinating Council, Inc. (NPCC) is a New York State not-for-profit membership corporation. The purpose of NPCC is to promote and enhance the reliable and efficient operation of the international, interconnected bulk power system in Northeastern North America through (i) the development of regional reliability standards and compliance assessment and enforcement of continent-wide and regional reliability standards, coordination of system planning, design and operations, and assessment of reliability, (collectively, “regional entity activities”), and (ii) the establishment of regionally-specific criteria, and monitoring and enforcement of compliance with such criteria (collectively, “criteria services activities”). NPCC provides the functions and services for Northeastern North America of a cross-border regional entity through a regional entity division, as well as regionally-specific criteria services for Northeastern North America through a criteria services division. NPCC’s website is www.npcc.org.

NPCC is focusing on its core business of reliability as reflected in this 2009 Business Plan and Budget. NPCC will stay true to its over 40 year mission in an international, coordinated approach. First and foremost, reliability must be maintained in Northeastern North America.

Geographically, NPCC U.S. includes the six New England states and the state of New York. NPCC Canada includes the provinces of New Brunswick, Nova Scotia, Ontario and Québec. In total, NPCC covers nearly 1.2 million square miles, and is populated by more than 55 million people. From a net energy for load perspective, NPCC is approximately 43% U.S. and 57% Canadian. With regard to Canada, approximately 70% of Canadian load is within the NPCC Region. NPCC operates as a regional entity under an *Amended and Restated Delegation Agreement* with the North American Electric Reliability Corporation (NERC), the international Electric Reliability Organization (ERO). The delegation agreement describes the enforcement authority delegated to NPCC’s regional entity division. The funding for NPCC’s regional entity division is approved by the NPCC Board of Directors for consideration by NERC and the U.S. federal and Canadian provincial regulatory authorities. Details of the business plans and budget for each program area are included in Section A for the regional entity division. The 2009 regional entity division schedules are shown in Section B. Section C details the criteria services division business plan and budget.

Membership and Governance

NPCC currently has 60 members. There are two categories of membership, Full and General. The two categories distinguish between the U.S. FERC and Canadian provincial regulatory and/or governmental authority agreement regional entity services, and what FERC references as U.S. non-statutory and Canadian provincial authorities in the Region reference as Criteria Services.

General Membership is voluntary and is open to any person or entity, including any entity participating in the Registered Ballot Body of the ERO that has an interest in the reliable operation of the Northeastern North American bulk power system. General Members are subject to compliance with reliability standards and receive additional services from the regional entity division of NPCC.

Full Membership is available to members, which are already general members, and participate in electricity markets in the Northeast. Independent system operators (“ISOs”), regional transmission organizations (“RTOs”), Transcos and other organizations or entities that perform the Balancing Authority function operating in Northeastern North America are expected to be Full Members of NPCC. The New York State Reliability Council and any other sub-regional reliability councils which may be formed are also expected to be Full Members. Full Members are subject to compliance with regionally-specific criteria, in addition to reliability standards, and receive additional services from the criteria services division of NPCC which is not funded by the ERO.

NPCC is governed by a hybrid Board of Directors consisting of stakeholders balanced by sector and an independent Chairman. A maximum of 3 directors per voting sector comprise the Board to provide for fair stakeholder representation. The voting sectors include:

- Sector 1) Transmission Owners
- Sector 2) Reliability Coordinators
- Sector 3) Transmission Dependent Utilities, Distribution Companies, Load Serving Entities
- Sector 4) Generator Owners
- Sector 5) Marketers, Brokers and Aggregators
- Sector 6) Customers
- Sector 7) State and Provincial Regulatory and/or Governmental Authorities
- Sector 8) Sub-Regional Reliability Councils, other Regional Entities and Interested Parties

Seven committees of the Board or program committees reporting to the Board recommend policy on various reliability issues, or handle governance, finance and human resource matters. These Committees include a Regional Standards Committee (RSC), a Compliance Committee (CC), a Reliability Coordinating Committee (RCC), a Public Information Committee, an Audit and Finance Committee, a Pension Committee and a Compensation Committee. The RSC, CC and RCC provide technical policy recommendations to the Board. All general members are eligible for representation on the technical committees.

Industry technical experts from within the membership provide input to the Board through various working groups and task forces as well as the committees. The *Amended and Restated Bylaws* establish NPCC’s independence from users, owners and operators of the bulk-power system through the governance structure, while providing fair stakeholder representation in the

selection of officers. The members, from each of the eight voting sectors, vote to elect directors, in their respective sector.

Compliance and enforcement activities are carried out by the NPCC Compliance Staff and are independent of all users, owners and operators of the bulk power system and from the Hearings officer. Compliance activities are governed in the United States by the *Amended and Restated Regional Delegation Agreement* between NERC and NPCC, delegating portions of NERC's authority as the Electric Reliability Organization under Section 215 of the Federal Power Act to NPCC. A Memoranda of Understanding between the Independent Electricity System Operator in Ontario, NERC and NPCC establishes roles and responsibilities with regard to that Province. Regulatory and/or governmental authority agreements are under development within the provinces of New Brunswick, Nova Scotia and Québec.

Regional Entity Functional Scope

NPCC has been approved by FERC to develop, monitor and enforce continent-wide and regional reliability standards for the reliability of the bulk electric power system in the U.S. portion of the international region and is recognized as a cross-border regional entity effective April 5, 2008, with authority, pursuant to the execution and implementation of an *Amended and Restated Regional Delegation Agreement* with the ERO.

A Canadian Provincial Memorandum of Understanding provides the backstop for NERC and NPCC activities for the Province of Ontario. Canadian Provincial Memoranda of Understanding or regulatory agreements, currently under development by provincial governmental and/or regulatory authorities for New Brunswick, Nova Scotia and Québec, will provide individual backstop regarding those provinces of NPCC Canada.

Planning Cycle

The 2009 Business Plan and Budget is for the calendar year 2009. NPCC engages in an annual business planning cycle and has a complementary Long Term Strategic Plan designed to regionally implement NERC's 2008 - 2013 Strategic Plan.

2009 Primary Objectives

NPCC's primary objectives for 2009 are:

- Ensuring the reliability of the bulk electric power system in Northeastern North America.
- Establishing Regional Reliability Standards for applicable regulatory approvals
- Implementing the Compliance Monitoring and Enforcement Program (CMEM).
- Implementing hearing procedures to provide timely resolution of disputes.
- Improving and enhancing transmission and resource adequacy assessments.
- Remaining the credible source of Northeastern North America international reliability information.
- Advancing the quality and scope of training activities to ensure that operators and Registered Entities have the information and tools they need.
- Improving administrative activities including accounting and budgeting, document control and staffing/human resources.
- Implementing a seamless and cost effective relocation of NPCC's corporate offices

Major 2009 Cost Impacts

For comparison purposes between 2008 and 2009, NPCC's regional entity division core business plan drives a budget increase in total resources representing 21.3 percent over the 2008 regional entity division budget and an increase of 39.3 percent over the 2008 criteria services division budget.

The one time costs associated with a required May, 2009 relocation, coincident with license agreement expiration, execution of a new lease and a standard office space build out for NPCC offices within New York City are estimated to total approximately \$1.4 million. Removal of relocation associated costs from the regional entity division and criteria services division budgets are presented in a ratio of 91 percent to nine percent respectively, (\$1,269,339 and \$125,539 for a total of \$1,394,878) to demonstrate the core increases presented above.

NPCC negotiated an extremely favorable and then under market license agreement some 16 years ago and has been in its current offices for nearly 15 years. While NPCC rents adjusted moderately at years 5 and 10 consistent with its agreement terms, rents in the building over the past decade and a half have nearly tripled. Due diligence review, including assessments of several non-New York City locations: Albany, Boston, waterfront Jersey City, New Jersey, Montreal and Toronto, as well as a non-binding employee survey with regard to the likelihood of retention outside a 50 mile radius of the current location, was performed in the Spring of 2007.

The NPCC Board determined in 2007, based upon many factors including the then projected rental terms for alternate cities, costs associated with employee relocations, terminations, recruiting, and severance, that less costly New York City locations should be identified with a recommended site negotiated for, thereby maintaining focus on cost efficiencies and staff retention. With the commercial real estate market softening, \$500,000 in office space build out costs have not been included in the relocation project cost estimate, as that portion of relocation expenses is projected to be avoided through provision of a building allowance work letter from prospective landlords with which NPCC will negotiate lease terms. While several potential buildings have been identified, NPCC has not initiated negotiations in an effort to get more favorable, lower cost terms and maximize landlord allowances. That said, NPCC must execute a new lease no later than November to meet the required permitting and build out lead times and be able to evacuate the current premises as stipulated by May, 2009.

With the inclusion of all expenses, the 2009 NPCC regional entity division budget is presented with an NPCC requirement of \$10,442,306. This is an increase of 39.2 percent over the 2008 NPCC budget of \$7,504,907. Total NPCC criteria services division non-statutory expenses are presented at \$1,061,780, which is a 58 percent increase over the 2008 Budget of \$672,056. The funding requirement includes a \$75,613 addition to reserves. The additional budget for reserves is consistent with an existing policy targeting a 20% threshold. While there has been an elimination of funding for a contingency account in the NPCC budget per NERC's guidance, no increase to that threshold has been made. An annually established contingency was historically available to fund unforeseen but necessary expenses. The NPCC and NERC Regional Delegation Agreement details that NPCC's funding system shall include reasonable reserve funding for unforeseen and extraordinary expenses and other contingencies, consistent with generally accepted accounting principles. Utilization of operating reserves would provide for regional entity accounting consistency, rather than use of a contingency account within the budget, and could be used to manage risk and fund approved expenses.

With the uncertainty related to actual compliance hearing costs, projected but as yet to be contracted future rent and office relocation costs, the potential necessity to compensate new hires at market rates, the size of the total budget and removal of a contingency account, a discussion to move from a 20% reserve level to a 25% reserve level was had by the NPCC Board and determined to be unnecessary. The office relocation project requires that some \$700,000 in cash reserves be set aside in a Certificate of Deposit type investment to secure a fully collateralized Letter of Credit, in lieu of a security deposit, to be able to execute a lease with a potential landlord for office space. Analysis of the 2009 projected cash flow reflects the cash reserves required to maintain the 20% reserve level, inclusive of the collateralized Letter of Credit, and is based on projected 2009 operating expenses.

The overall budget, regional entity division and criteria services division, includes an increase in personnel from 28 FTEs to 31 FTEs. One position has been added in each of the Compliance, Situational Awareness, and Accounting and Finance areas under the regional entity division.

NERC Budget Increases Not Included in NPCC 2009 Business Plan

This section differentiates the drivers behind NPCC's proposed 23% increase from NERC's 46% increase. The following activities driving parts of the nearly \$12 million increase in funding included in the Draft NERC 2009 Business Plan and Budget are not included in the NPCC Budget:

- *NPCC's standard development process capitalizes on industry-based technical expertise within existing task force and working group structure, rather than establishing separate, individual drafting teams*
- *NPCC compliance staff is growing by 1 FTE compared with NERC's 7 FTEs, from the 2008 budgeted amount, even though the RE has the primary responsibility for compliance and enforcement*
- *NPCC utilizes pre-audit questionnaires to increase the effectiveness and efficiency of on-site audits*
- *NPCC makes extensive use of industry-based technical expertise in its thorough analysis of system events and is not proposing additional staff to support that effort*
- *NPCC will focus staff resources on readiness evaluations within the region, if this NERC program continues, though NPCC is recommending elimination for 2009*
- *NPCC will continue to provide valuable operator seminars, but will not be engaging outside consultants to develop specific training modules*
- *NPCC is not proposing to develop 24/7 Situation Awareness room/capabilities similar to NERC which duplicates functions of the Reliability Coordinators in the Region*
- *NPCC's Business Plan does not include outsourcing of an industry-wide self assessment by NERC at a projected cost of \$1.5 million*

Change in Accounting Methodology

As directed by NERC, NPCC has changed its accounting methodology for personnel benefits, meetings, and travel expenses for 2009, and has moved from allocating these costs by FTE to budgeting these costs *directly* to the program areas. The magnitude of these variances is dependent on the amount of 2008 allocated costs.

The 2009 Business Plan and Budget also reflects overheads and administrative operating expenses captured in the General and Administrative area with these costs allocated as *indirect* costs to the program areas.

Detailed Business Plans and Budgets by Program

Details of the planning, operation, review, and adjustment for each program area are included in Section A. The corresponding budget details are shown in Section B.

Section A — 2009 Business Plan

Reliability Standards Program

Reliability Standards Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	3.5	3.5	3.5
Total Direct Funding	\$785,399	\$785,399	\$753,127
Total Indirect Funding [1]	\$685,877	\$647,773	\$959,718
Total Funding	\$1,471,276	\$1,433,172	\$1,712,844

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$233,826 apportioned to the reliability standards program area associated with the one-time 2009 office relocation project.

Background

The majority of the proposed reliability standards activities for the NPCC region for 2009 will be directly related to development of ERO Reliability Standards, which will be submitted to FERC and applicable Canadian Provincial regulatory and/or governmental authorities for approval, as well as the implementation of the NPCC Regional Reliability Standard Development Procedure.

NPCC has a number of task forces and working groups engaged in the coordination of reliability related activities. These groups provide a coordinated review of all ERO Reliability Standards and serve to develop the NPCC Regional Reliability Standards. This well functioning approach enhances the quality of reliability standards as well as educates and informs users, owners and operators of the international, interconnected bulk power system in Northeastern North America of the reliability standard's requirements and tracks the progress and implementation plans of these standards.

Included in this 2009 BP and Budget are regularly scheduled monthly meetings of the Regional Standards Committee (RSC) and the associated travel and meeting expenses are incorporated herein. Meetings will take place at NPCC's headquarters in New York City, or at other locations in various cities within the Northeastern United States and Canada, as selected from time to time for the convenience of the meeting attendees. To the extent possible, the activities of the reliability standards program will also be conducted by conference calls, use of e-mail, Web site postings, and other means of electronic communications. NPCC will also be participating in the adjoining region's standards processes in person and by electronic communication.

In addition, FERC staff has referred to some of the NERC standards that assign to regional reliability organizations the responsibility of establishing reliability requirements for regional members as "fill in the blank" standards, because Section 215 of the U.S. Federal Power Act does not allow enforcement of an ERO reliability standard upon a Bulk Power System owner, operator or user, including the setting of financial penalties and sanctions, to the extent a portion of the requirements exists outside the standard. NPCC is working closely with NERC in the Regional Reliability Standards Working Group (RRSWG) to address all of the "fill in the blank"

standards. The results of the RRSWG effort appear in the NERC 3 year work plan to revise standards. NPCC regional standards development will be fully coordinated with the development of the standards appearing in the NERC work plan.

In 2009 NPCC will be completing a multiyear project for the development of Reliability Requirements Directories. The main purpose driving the development of these directories is to fulfill and continually satisfy NPCC's obligation, as delineated in the NERC Rules of Procedure, to demonstrate NPCC regional criteria is consistent with and more stringent than the NERC Reliability Standards. The directories are arranged by NPCC criteria topic and take the associated mandatory NERC standards along with any NPCC regional standard and provide a consistent comprehensive set of reliability requirements for the Northeast.

The Reliability Requirements Directory document structure accomplishes a number of objectives, including:

- Consolidating all the NPCC "B" and "C" documents related to the parent "A" criteria Document's topic; for example, having a Special Protection Systems Reliability Requirements Directory greatly simplifies searching for pertinent information regarding their application into one document, effectively reducing the number of NPCC documents.
- Demonstrating consistency with NERC Reliability Standards
- Combining the NERC and any applicable Regional Reliability Standard Requirements into the document.
- Identifying any more stringent NPCC Regional Criteria while removing any duplicative language that may exist between the NPCC criteria and NERC standards
- Incorporating the latest Functional Model language
- Easing future compliance determinations
- Clarifying and simplifying cross-reference "mapping" between NPCC Documentation and NERC Standards Requirements
- Providing opportunities for NPCC to assess need to develop regional standards beyond those specified as part of the NPCC or NERC work plans

NPCC is working with NERC in efforts to gain and maintain recognition as the Electric Reliability Organization in the various jurisdictions in Canada and presently has a memorandum of understanding (MOU) in place with Ontario and is developing further MOUs with New Brunswick, Nova Scotia, and Québec. NERC Standards and NPCC Criteria and Regional standards are mandatory and enforceable in Ontario and New Brunswick as a matter of provincial law. NPCC Standards Program area staff will continue to work with all provincial regulatory agencies within its footprint to ensure adherence to the individual provincial legislation requirements.

Based on the portion of professional/technical staff time and other resources devoted to reliability standards development, NPCC estimates that it will expend 16 percent of its resources on this activity.

Program Description and Functions Performed

Funding Drivers and Reliability Benefits

- Review, comment on, and develop ballot recommendations for all NERC Reliability Standards under development or revision
 - The Northeast benefits from NPCC's coordination of a broad stakeholder review process and development of consensus recommendations to assure proposed standards will support regional international reliability
- Participate in the drafting of key NERC Reliability Standards-UFLS, TPL, Balancing Control etc.
 - The Northeast direct participation in the development of standards ensures reliability requirements that are clear, monitorable and enforceable and support international reliability in the Northeast
- Develop and maintain the set of NPCC Directories
 - The combination of North American and Regional Reliability Standards with the more-stringent NPCC regional criteria provides for consistency and operational clarity
- Participate in the Regional Standards development process for MRO, RFC and SERC to achieve consistency within the Eastern Interconnection
 - Northeast reliability is enhanced by strengthening neighboring regions' reliability standards
- Review all reliability related requirements of all ERO and Regional standards, criteria and ensure consistency, remove redundancies and adopt Functional Model language
 - The unambiguous assignment of reliability requirements to specific functional entities benefits international reliability.
- Review all FERC orders and Provincial Legislation as it relates to the standards, their revision and adoption
 - Northeast reliability benefits from careful analyses of governmental orders or actions adopting standards to assure consistency in interpretation

2009 Goals and Objectives

The standards program goals and objectives for 2009 are grouped into six categories: participation in North American ERO standards development; regional reliability standards development; directory development, standards improvement; business practice interface; process improvement and communication, and ensuring that the more stringent regional criteria is consistent with the reliability standards and does not conflict with those standards.

The goals and objectives of the standards program for 2009 are to:

1) Participate in the ERO Standards Development

- Coordinate the development of ERO reliability standards within NERC's three-year standards work plan
- Conduct thorough reviews of all NERC standards being developed or revised and coordinate comments for Northeastern North America

- Solicit technically qualified candidates from Northeastern North America to participate on each of the NERC drafting teams
- Review and develop comments on FERC preliminary staff assessments as appropriate
- Participate in ballots for ERO standards and provide recommendations to the NPCC Members of the NERC Registered Ballot Body
- Review and develop comments on FERC Notice of Proposed Rulemaking (NOPR) for any and all standards related issues as appropriate
- Evaluate proposed standards utilizing regional technical committees
- Educate and notify stakeholders and regulators about issues related to standards development
- Provide a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC) and NPCC Task Force on Infrastructure Security and Technology (TFIST)

2) Regional Standards Development

- Complete the development of three 2008 standards utilizing the NPCC Regional Reliability Standard Development Procedure
- Draft proposed standards utilizing regional technical committees and working groups in an open and inclusive forum
- Actively participate in the standards development activities of the other regions in the Eastern Interconnection especially the Midwest Reliability Organization “MRO”, Reliability First Corporation “RFC” and Southeast Electric Reliability Council “SERC.” to assure consistency within the Eastern Interconnection.
- Accomplish all directives of ERO and governmental and/or regulatory authorities with regard to regional standards development and procedures
- Adhere to and surpass the ERO work plan milestones as they pertain to targets for the regional standards

3) Standards Improvement

- Achieve NPCC reliability goals and objectives by initiating and efficiently completing standards activities
- Leverage internet and web based tools functionality to ensure inter-regional consistency and quality of regional reliability standards
- Establish long-term strategy for standards improvement and initiate implementation
- Identify additional future regional standard opportunities by completing a set of Regional Reliability Directories incorporating the ERO Reliability Standards, Regional Standards and regionally-specific more stringent Criteria
- Ensure the topics addressed by the reliability standards parallel changing industry needs

4) Business Practices Interface

- Coordinate the review of standards with NPCC members of the North American Electric Standards Review Board
- Identify potential market issues for Regional Standards through NPCC Reliability Coordinating Committee (RCC) reviews

5) Process Improvement

- Identify efficiencies for a coordinated NERC standards development process and NPCC Regional Standards Development Procedure and recommend revisions as applicable
- Participate in the revision and redrafting of the NERC procedure
- Establish targets for NERC and NPCC standards procedure improvement and initiate implementation of the strategy
- Streamline and improve the regional standards process and enhance program tools

6) Communications

- Automate notifications process to assure awareness of dates and proceedings of all standard development activities
- Strengthen the relationship with the industry's technical committees to ensure adequate input to standards development
- Sponsor NPCC Workshops and participate in NERC/ERO to promote awareness and educate the industry
- Promote the reliability objectives of the NERC standards as appropriate to the NPCC members of the NERC Registered Ballot Body

Section 215 Regional Entity Reliability Standards Development

Technically excellent standards that enhance reliability require the full participation of industry experts from all regional entities as well as experts from different stakeholder segments to provide diverse yet helpful perspectives when developing reliability standards. The NPCC RSC promotes the drafting team process and solicits drafting team members from appropriate NPCC technical bodies.

NPCC RSC will also provide notifications to Northeastern North America NERC Registered Ballot Body members of applicable deadlines for ballot pool registration and for casting ballots thereby promoting achievement of quorum requirements. This support will enhance efficiency of the NERC procedure.

NPCC will also participate in the development and revision of standards as directed by FERC and other governmental and/or regulatory authorities. FERC has identified 56 NERC Reliability Standards needing "further work". These standards, along with additional standards delineated in the NERC three-year work plan as needing revision, will be ready to be reviewed and revised throughout 2009 and are included as follows.

NPCC will provide support and coordination of NERC standards development activities for the following:

- Standards Initiated for Revision in 2007 still to be worked on through 2009 (32 total standards)
- Standards Initiated for Revision in 2008 still to be worked on through 2009 (7 total standards)
- Standards to be Initiated for Revision (or New) in 2009 (40 total standards)

The above standards, taken from the NERC three-year work plan account for at least 79 total standards that will be reviewed, commented on as necessary, and coordinated, tracked and

communicated with the NPCC membership. NPCC will also participate in the development of new standards resulting from lessons learned through NPCC and NERC programs (e.g., reliability performance assessment, compliance enforcement, readiness evaluations, training, and situation awareness and infrastructure protection).

Regional Standards Development

The NPCC Regional Standards Development Procedure will develop/complete a minimum of three regional reliability standards as noted below and in accordance with the timelines in the NERC three-year standards work plan. These regional standards will include, but not be restricted to the following:

- Underfrequency Load Shedding (UFLS)
- Special Protection Systems (SPS)
- Balancing Resource and Demand, reserve sharing and requirements

All regional entities will develop these three standards (UFLS, Balancing, and SPS) to support the corresponding NERC ERO standards outlined in the work plan. These three standards, along with the associated ERO standards address the “fill in the blank” standards which FERC currently is “holding” for future action. NPCC is also participating in the NERC Regional Reliability Standards Working Group to strive to achieve uniformity and coordination between the regional entities’ standards.

NPCC is also participating actively in the development of adjoining Region’s standards by participating on the drafting teams and also in the review and commenting processes available. In addition NPCC is registered to cast ballot where and as allowed by the individual adjoining Region’s reliability standards development procedure.

Standards Improvement

Improvement in the quality of a standard can be quantified in a number of ways. The standards should identify an achievable, technically excellent reliability goal or objective. This goal should be measurable and have specific and concise requirements associated with it. How the reliability goal or objective is achieved will not be the focus of the process. Full participation from industry experts to provide proper technical guidance as well as multiple segments to provide diverse viewpoints is critical to the quality of the resultant standard. These attributes, along with open postings and notifications to allow the industry opportunities to participate are the key components to a successful process and achieving quality standards.

NPCC is committed to providing support to the ERO in its standard development activities. Process improvements resulting from conducting a thorough review of standards and the procedure itself will result in technically superior and excellent standards.

NPCC has developed a mapping document which shows the relationship of each of the NERC RS requirements approved by the NERC BOT with NPCC document language. On an ongoing basis NPCC will achieve consistency as outlined in the NERC Rules of Procedure by developing reliability directories that incorporate NPCC’s more stringent regionally specific criteria and regional standards into a single document with the applicable NERC Reliability Standards.

Business Practice Interface

NPCC is an open organization that includes within its membership market participants as well as individuals involved with the North American Electricity Standards Board. During open process review of regional standards and the posting for comment on the NERC website, effective interface with those entities familiar with the business practices is achieved.

Standards Process Improvement

NPCC RSC and staff regularly participate in the NERC Standards Committee activities and contribute to develop revisions of the standards procedure manual. The RSC also seeks efficiencies in the regional standards procedure and utilizes and refines web based tools for easier user interface and to provide effective and timely notifications of standards activities.

Communications

- Educate and inform industry stakeholders through web based tools and participation in NERC Reliability Standards Workshops
- Update and inform governmental regulators and/or authorities on the standards development work plan and processes through individual project discussions and annual meetings/conferences
- Develop standards program communications that support NERC's overall communications platform
- Develop and maintain NPCC Reliability Directories that will enable users, owners and operators of the international bulk power system in the Region the ability to apply reliability requirements in NERC and NPCC as well as the more stringent NPCC regionally-specific criteria

Funding Requirements — Explanation of Increase (Decrease)

2009 reliability standards program expenses are driven by the need for additional activities of NPCC standards drafting teams. NPCC anticipates greatly expanded activity (yet no increase in FTEs) in the area of Eastern Interconnection interregional participation and support of adjoining regional drafting activities specifically (RFC and MRO and SERC). These activities will result in greater consistency between the regional entities and also promote coordination and reduce comments on standard drafts thus expediting the standards approval. The effort will also broaden the knowledge and experience base and potentially lead to better reliability coordination.

Staffing Needs

Hiring Plans

Based on the existing and proposed work as outlined in this business plan along with the proposed interregional participation, NPCC will maintain the standards program area staff at 2008 levels.

Shared Employees

Not applicable

Consultants

NPCC will continue to rely on consultants for subject matter expertise on an as-needed basis throughout 2009. Due to the amount of regional documents being converted into Directories and the maintenance of the Directories once completed, NPCC estimates consultant services equivalent to one FTE will be required within the program area.

Reliability Standards Program

Funding sources and related expenses for the reliability standards section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Standards					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 785,399	\$ 785,399	\$ -	\$ 753,127	\$ (32,273)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 785,399	\$ 785,399	\$ -	\$ 753,127	\$ (32,273)
Expenses					
Personnel Expenses					
Salaries	\$ 301,206	\$ 301,206	\$ -	\$ 332,878	\$ 31,672
Payroll Taxes	20,942	20,942	-	20,665	(277)
Benefits	84,552	84,552	-	93,349	8,797
Retirement Costs	43,750	43,750	-	33,980	(9,770)
Total Personnel Expenses	\$ 450,451	\$ 450,451	\$ -	\$ 480,872	\$ 30,421
Meeting Expenses					
Meetings	\$ 20,250	\$ 20,250	\$ -	\$ 32,125	\$ 11,875
Travel	81,250	81,250	-	118,338	37,088
Conference Calls	5,625	5,625	-	7,792	2,167
Total Meeting Expenses	\$ 107,125	\$ 107,125	\$ -	\$ 158,255	\$ 51,130
Operating Expenses					
Consultants	\$ 227,824	\$ 227,824	\$ -	\$ 114,000	\$ (113,824)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 227,824	\$ 227,824	\$ -	\$ 114,000	\$ (113,824)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 785,399	\$ 785,399	\$ -	\$ 753,127	\$ (32,273)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- ERO funding.

Personnel Expenses

- Salary, payroll taxes, benefits, and savings and retirement expenses for 3.5 FTEs

Meeting Expenses

- Meeting, staff and consultant travel, and conference call expenses in support of the NERC Standards Committee, Regional Reliability Standards Working Group, NERC Drafting Teams, RFC, MRO, and SERC Regional Drafting Team and Standards development activities, the NPCC Regional Standards Committee and NPCC Task Force and Working Group meetings during development of Directories and Standards.

Operating Expenses

- Consultant expenses:
 - Consultant expenses to assist in the regional standards development process and facilitation of Regional SARs
 - Consultant expenses to assist in the development of the NPCC Regional Reliability Directories

Compliance Monitoring and Enforcement and Organization Registration and Certification Program

Compliance Monitoring and Enforcement and Organization Registration and Certification Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	7.5	8.5	8.5
Total Direct Funding	\$1,727,832	\$1,927,832 ²	\$2,068,724
Total Indirect Funding [1]	\$1,469,736	\$1,573,162 ²	\$2,330,743
Total Funding	\$3,197,568	\$3,500,994 ²	\$4,399,467

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$567,862 apportioned to the compliance monitoring and enforcement and organization registration and certification program area associated with the one-time 2009 office relocation project.

² The 2008 projection of some \$200,000 in total of the one-time (2008 only) available surplus from the 2007 budget year that can be applied to fund the compliance program area is driven by approved but under-budgeted personnel costs associated with FTE hires in this area and the advance hiring of a qualified compliance enforcement professional with specific critical infrastructure protection (CIP) background to address CIP standards implementation efforts beginning in 2008. Should there be a large number of hearings or costs associated with hearings are higher than anticipated, additional usage of the 2007 surplus would be recommended during 2008.

Background

The NPCC Compliance Program utilizes the NERC Compliance Monitoring and Enforcement Program (CMEP) to monitor, assess and enforce compliance, in the United States, to NERC Reliability Standards and Regional Reliability Standards of those entities contained in the NPCC Compliance Registry. NPCC implements the CMEP to meet its FERC and Canadian provincial governmental and/or regulatory requirements of NERC Program #400 – Compliance Enforcement. In 2009, the CMEP will include, for the first time, the monitoring, assessment and enforcement of NERC Reliability Standards related to cyber security.

In the Canadian portion of the region, NPCC monitors, assesses and enforces compliance to NERC Reliability Standards, Regional Reliability Standards and NPCC Criteria in accordance with approved Memoranda of Understanding and Implementation Agreement(s) that are in place or currently under development for each individual Canadian province within the Region. An agreement has been executed with Ontario and implementation agreements are being reviewed in the Québec, New Brunswick and Nova Scotia provinces. Each agreement will describe the particular process that will be utilized, by NPCC, to conduct the monitoring and assessment of compliance requirements in the associated province. Penalties and sanctions related to NERC Reliability Standards and Regional Standards will be administered by the defined provincial governmental and/or regulatory authorities as described in each discreet agreement. NPCC will issue non-monetary sanctions to responsible Canadian entities for violations of NPCC Criteria.

NPCC's CMEP uses the following eight methods to monitor compliance by the Registered Entities with the reliability standards. The requirements of the NPCC CMEP program are specified in the NPCC Regional Delegation Agreement with NERC. Subject to variations

between NPCC's CMEP and those of other regional entities, NPCC seeks to implement the program in a manner similar to the programs of other regional entities:

- **Compliance Audits** – NPCC conducts either on-site or off-site audits of all Registered Entities.
- **Self-Certification** – NPCC reviews Registered Entity certifications of compliance or non-compliance with standards on an annual basis.
- **Spot Checking** – NPCC verifies compliance with specific standards, primarily in connection with reviews of self-certification.
- **Compliance Violation Investigations** – Violation investigations are usually the result of a system event or disturbance, but may result from other sources.
- **Self-Reporting** – NPCC undertakes a monitoring process that is specifically designed to work in conjunction with a Registered Entity's continuous monitoring efforts by its internal compliance programs.
- **Periodic Data Submittals** – NPCC reviews monthly and quarterly reports that are submitted regarding compliance with certain standards.
- **Exception Reporting** – NPCC requires reports on a small set of standards when violations occur.
- **Complaints** – The NPCC compliance staff is alerted to a potential violation that is then investigated.

Each alleged violation will be reviewed and processed by NPCC and if confirmed will have an appropriate sanction recommended to NERC and FERC or the appropriate Canadian governmental and/or regulatory authority.

The compliance function is also involved in the following processes in support of its activities:

- **Registration** – Facilitating the registration process by ensuring that there are no gaps in the registration of entities in Northeastern North America and resolving registration disputes
- **Penalty calculations** – Determining, as appropriate, proposed penalties for alleged violations
- **Settlement negotiations** – Conducting settlement negotiations with Registered Entities when requested
- **Hearings and Appeals** – Participating in all hearings and appeals
- **Certification of Balancing Authorities, Reliability Coordinators and Transmission Operators** – Conducting the certification process as required

The NPCC Compliance Committee (CC), a Committee of the NPCC Board of Directors (BOD), provides policy input to the CMEP, and an oversight role to insure that the NPCC Compliance Staff properly implements the CMEP. This balanced stakeholder committee consists of representatives of the eight voting sectors as described in the NPCC *Bylaws* and is chaired by the Assistant Vice President - Compliance. The CC is also responsible for impaneling a Hearing Body to resolve contested compliance and/or sanction or penalty determinations. Hearings will be conducted by an independent Hearing Officer. The CC will also have working groups reporting to it as deemed necessary.

NPCC utilizes a web-based CMEP Data Administration Application (CDAA) to receive, review and analyze all data associated with the CMEP. NPCC will continue to enhance the CDAA to address the recommendations of its membership. This application is also being used by NERC and five other Regional Entities, specifically WECC, FRCC, RFC, TRE and SERC, as well as NERC. The CDAA Users Group will be the forum for member input and recommendations for the evolving application.

In 2009 NPCC, under NERC Program #500 - Organization Registration and Certification, will continue to maintain and revise the Compliance Registry to assure that the Registry contains the most current and accurate information. It will also assure that the necessary certification processes are implemented keeping Organization Certification current.

In 2009 there is an increase in the manpower requirements in the Compliance Monitoring and Enforcement and Organization Registration and Certification Programs of an additional 1.0 FTE. This increase is based on implementation of the CMEP including an expanded Compliance Audit and Spot Check Program, continued monitoring, maintenance and revision of the NPCC Compliance Registry and further enhancements and development of the CMEP Data Administration Application (CDAA).

Based on the portion of professional/technical staff time and other resources devoted to compliance monitoring and enforcement and organizational registration and certification, NPCC estimates that it will expend 42 percent of its resources on this activity.

Program Description and Functions Performed

The CMEP consists of a number of activities including administration (including CDAA development); entity registration; review and verification of self – certifications; implementation of the Compliance Audit/Spot Check Program; issuance of violation – related notices; tracking, review and approval of mitigation plans; issuance of Remedial Action Directives; conduct of hearings , as necessary and engagement in settlement proceedings, as necessary. The costs associated with the administration; entity registration and implementation of the Compliance Audit/Spot Check Program activities are allocated, in Canada, consistent with applicable Memoranda of Understanding and NERC’s *Policy on Allocation of Certain Compliance and Enforcement Costs*.

Funding Drivers and Reliability Benefits

- Expanded Scope of Compliance Committee
 - The Northeast benefits from increased stakeholder oversight of the implementation of the compliance monitoring and enforcement program
- Expanded Number and Scope of Compliance Audits
 - Northeast international reliability benefits from the increased thoroughness and rigor of NPCC’s Compliance Audits
- Expanded Compliance Registry, increased interaction with Registered Entities
 - The inclusion in the registry of all users, owners and operators that have a material impact on the reliability of the international bulk power system is critical to assuring reliability in the Northeast

- Expanded participation in NERC Compliance Related Activities
 - Reliability in the Northeast benefits from NPCC's sharing it's lessons learned from CMEP implementation with NERC and other regional entities
- Expanded Scope of Compliance Related Activities in Canada (Monitoring and Assessment of Compliance to Reliability Standards, Compliance Program Evaluation)
 - The Northeast benefits from a strong reliability framework that supports international reliability interdependency
- Expanded Activities in Inter- Regional Compliance Related Matters
 - Northeast reliability benefits from the consistent application of compliance activities across regions
- Increased Compliance Data Reporting and Data Retention Requirements
 - The registered entities in the Northeast benefit from NPCC's automated compliance data submittal portals
- CDAA and compliance web site enhancement
 - The Northeast benefits from enhanced transparency and predictability regarding compliance

2009 Goals and Objectives

- Conduct 2009 CMEP incorporating all NERC Reliability Standards contained in the NERC monitored list for 2009 and any approved and applicable Regional Reliability Standards
 - Implement settlement process when applicable and send proper notifications to NERC and FERC
 - Conduct necessary Hearings related to resolution of outstanding disputes regarding violations and/or sanctions. Send results of hearings to NERC and FERC
- Implement compliance responsibilities identified in the approved Canadian Memoranda of Understanding and/or Implementation Agreements
- Provide NPCC Regional input, through participation in appropriate NERC compliance committees, on policy and implementation issues related to compliance, including the development of compliance elements for all new or revised NERC Reliability Standards
- Provide required information to NERC on a timely basis including reporting of alleged violations and confirmed violations
- Track the progress of, report status of, and approve mitigation plans
- Conduct 2009 Compliance Audit Schedule of an estimated total of 125 Compliance Audits. The 2009 Audits will be categorized by the scope of the audit based on the number of requirements for each registered entity contained on the monitored list of reliability Standards for 2007, 2008 and 2009. Four categories have been established based on the number of requirements to be audited. In 2009 there are projected to be 16 "large" on-site audits, 80 "large" off-site audits, 16 "medium" audits and 13 "small" audits. The estimates for the number of Compliance Audits are also based on the projected total number of registered entities for each type and the established three-year cycle for RC, BA, TOP Compliance Audits and the established six-year cycle for all other registered entity types.

- Conduct spot check program during the year. A spot check can be viewed as a limited unscheduled off-site compliance audit that will be utilized to verify self certification submittals that have been done earlier in the year. In 2009 the number of spot checks to be done is estimated to be 200
- Assure that NPCC Staff is trained to conduct Compliance Audits
- Maintain Regional Compliance Auditor Training Program, including the implementation of the “train- the- trainer” function envisioned by the Region. This function is contingent upon the development, by NERC, of the proper training module.
- Work with the Training, Education and Operator Certification and Reliability Readiness Evaluation and Improvement Programs to review and maintain compliance auditor training requirements
- Provide input to the development of compliance elements within proposed NPCC Regional Reliability Standards
- Enhance the CDAA to expand its capabilities from both the registered entity perspective and the NPCC Compliance Staff perspective. Use established CDAA Users Group to seek input from the user community as to ways to enhance the application. Provide applicable training to staff personnel to allow for the development of enhanced compliance program reporting
- Conduct 2009 Compliance Workshops

Funding Requirements – Explanation of Increase (Decrease)

2009 compliance enforcement program expenses are driven by additional staffing and the associated costs of conducting audits, investigations, hearings and appeals. The scope of both the on-site and table-top audits has expanded from 2007 to 2008 and will expand again in 2009. The expansion in scope is mainly due to an increase in the number of standards that are included in the actively monitored program for each year. In 2007, about 50 of the FERC-approved standards were included. This number will increase to 83 standards in 2008. Auditing of the CIP standards will be added to the CMEP in 2009.

Staffing Needs

Hiring Plans

One additional FTE will be hired for 2009 to conduct the responsibilities of implementing the CMEP, raising the FTE count from 7.5 to 8.5. Contract dollars have been included for the Hearing Officer position. Training will be required in order to facilitate consistency and quality of the compliance process.

Shared Employees

Not Applicable.

Contractors

Four Contract auditors will be utilized for the execution of off-site and on-site Compliance Audits. The use of independent contractors continues to be the most cost-effective way to provide the additional specialized resources needed for investigations, hearings and appeals.

Compliance Enforcement and Organization Registration and Certification Program

Funding sources and related expenses for the compliance enforcement and organization registration and certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Compliance and Organization Registration and Certification					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,727,832	\$ 1,927,832	\$ 200,000	\$ 2,068,724	\$ 140,893
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,727,832	\$ 1,927,832	\$ 200,000	\$ 2,068,724	\$ 140,893
Expenses					
Personnel Expenses					
Salaries	\$ 679,505	\$ 831,415	\$ 151,910	\$ 993,903	\$ 162,488
Payroll Taxes	47,076	56,134	9,058	61,441	5,308
Benefits	181,183	214,891	33,708	223,385	8,494
Retirement Costs	93,750	99,074	5,324	92,376	(6,698)
Total Personnel Expenses	\$ 1,001,513	\$ 1,201,513	\$ 200,000	\$ 1,371,105	\$ 169,592
Meeting Expenses					
Meetings	\$ 43,393	\$ 43,393	\$ -	\$ 73,125	\$ 29,732
Travel	174,107	174,107	-	207,890	33,783
Conference Calls	12,054	12,054	-	12,000	(54)
Total Meeting Expenses	\$ 229,554	\$ 229,554	\$ -	\$ 293,015	\$ 63,461
Operating Expenses					
Consultants	\$ 406,765	\$ 406,765	\$ -	\$ 134,400	\$ (272,365)
Contracts	90,000	90,000	-	270,204	180,204
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 496,765	\$ 496,765	\$ -	\$ 404,604	\$ (92,161)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,727,832	\$ 1,927,832	\$ 200,000	\$ 2,068,724	\$ 140,893
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

ERO funding.

Personnel Expenses

Personnel expenses increase in the 2008 Budget Projection and will increase in 2009 due to the addition of a Senior Compliance Engineer position to support the increased auditing and spot checking requirements.

Meeting Expenses

Meeting costs will increase to reflect the increased costs of Compliance User Group meetings and workshops. Travel expenditure is budgeted to increase because most audits and investigations will require travel. Travel will also be required as necessary to participate in appeals of decisions resulting from the hearing process.

Operating Expenses

Costs for the CDAA are included in the contract budget. The CDAA is critical for the secure submittal of compliance data by the Registered Entities. The increased budget will allow for additions and updates. The contracts budget will also increase as the use of independent contractors continues to be the most cost-effective way to provide the additional specialized resources needed for investigations, hearings and appeals.

Reliability Readiness Evaluation and Improvement Program

Reliability Readiness Evaluation and Improvement Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1	1	1
Total Direct Funding	\$232,567	\$232,567	\$265,356
Total Indirect Funding [1]	\$195,965	\$185,078	\$274,205
Total Funding	\$428,532	\$417,645	\$539,561

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$66,807 apportioned to the reliability readiness evaluation and improvement program area associated with the one-time 2009 office relocation project.

Background

The Reliability Readiness Evaluation and Improvement Program independently reviews the operations of all Balancing Authorities, Transmission Operators, Reliability Coordinators and Transmission Owners that support the reliable operation of the bulk power system in North America, and evaluates their readiness to maintain secure and reliable operations. Further, the evaluations identify examples of excellence in operations as well as areas in need of improvement. The Readiness Evaluations are independent of the NERC compliance program.

The goal of the Reliability Readiness Evaluation and Improvement Program recognizes the fact that the Reliability Standards cannot identify the operating culture within an entity, and that the NERC Reliability Standards only establish a minimum level of operating performance.

The Readiness Evaluations are designed to ensure that operators of the bulk power system have the tools, processes and procedures in place to operate reliably. The evaluations help the Balancing Authorities, Transmission Operators, Transmission Owners and Reliability Coordinators recognize and assess their responsibilities necessary to continue reliable operation.

Based on the portion of professional/technical staff time and other resources devoted to reliability readiness evaluation and improvement, NPCC estimates that it will spend 5 percent of its resources on this activity. NPCC again recommends that these evaluations be eliminated and would remove this program if authorized to do so by NERC.

Program Description and Functions Performed

The NERC Reliability Readiness Evaluation and Improvement Program is supported by volunteers solicited from the industry, with a Team Leader contracted by NERC and a regional entity staff co-lead. The Reliability Readiness Evaluations activities are conducted on-site at the locations of the evaluated entities, and the findings and conclusions of the review team are assembled in a final report made available to the public as well as the industry through the web site of the NERC.

Funding Drivers and Reliability Benefits

- Serve as the team co-lead for, and ensure the completion of, the Readiness Evaluations of the five RCs within NPCC
 - The Northeast benefits from the efficiencies gained through NPCC's extensive knowledge of the operational aspects of the region, ensuring that each Readiness

Evaluation review team conducts its assessment with a thorough understanding of the unique operating challenges faced by the United States and Canadian entities within NPCC

- Monitor and track status to completion of recommendations directed to the NPCC entities through the REs
 - Northeast reliability benefits from the NPCC Task Force on Coordination of Operation's follow-up activities to the recommendations presented in the report of each readiness evaluation
- No participation in RE teams outside of NPCC in 2009
 - The Northeast benefits from NPCC's focusing on evaluations within the Northeast to foster the sharing of examples of excellence applicable to the region

2009 Goals and Objectives

The calendar year 2009 will commence the final year of the second three-year cycle of the Reliability Readiness Evaluation and Improvement program. The five Reliability Coordinators within NPCC: HQTÉ, the IESO, the NYISO, the ISO-NE and the NBSO, will be scheduled for a Readiness Evaluation of their roles as Reliability Coordinator, Balancing Authority and Transmission Operator.

Funding Requirements — Explanation of Increase (Decrease)

No FTE change required. By the end of 2008, Readiness Evaluations of five Transmission Owners in NPCC will have been conducted, one more Readiness Evaluation than is scheduled for 2009. Further, the Readiness Evaluation for a Transmission Owner requires one less day than the more extensive combined Readiness Evaluation of an RC-BA-TOP.

Staffing Needs

Hiring Plans

There will be no increase in staff for Readiness Evaluations in 2009. Five Readiness Evaluations are planned within NPCC in 2009.

Shared Employees

Not applicable.

Contractors

In 2009, \$30,000 has been allocated for an independent contractor who will assist in the NERC Reliability Readiness Evaluation and Improvement Programs to be conducted in NPCC in 2009.

Reliability Readiness Evaluations and Improvement Program

Funding sources and related expenses for the reliability readiness audits and improvement section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Readiness Evaluation and Improvement					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 232,567	\$ 232,567	\$ -	\$ 265,356	\$ 32,789
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 232,567	\$ 232,567	\$ -	\$ 265,356	\$ 32,789
Expenses					
Personnel Expenses					
Salaries	\$ 134,448	\$ 134,448	\$ -	\$ 150,506	\$ 16,058
Payroll Taxes	8,619	8,619	-	9,018	399
Benefits	24,158	24,158	-	12,474	(11,684)
Retirement Costs	12,500	12,500	-	24,569	12,069
Total Personnel Expenses	\$ 179,725	\$ 179,725	\$ -	\$ 196,567	\$ 16,842
Meeting Expenses					
Meetings	\$ 5,786	\$ 5,786	\$ -	\$ 5,751	\$ (35)
Travel	23,214	23,214	-	30,811	7,597
Conference Calls	1,607	1,607	-	2,227	620
Total Meeting Expenses	\$ 30,607	\$ 30,607	\$ -	\$ 38,789	\$ 8,182
Operating Expenses					
Consultants	\$ 22,235	\$ 22,235	\$ -	\$ -	\$ (22,235)
Contracts	-	-	-	30,000	30,000
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maint.	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 22,235	\$ 22,235	\$ -	\$ 30,000	\$ 7,765
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 232,567	\$ 232,567	\$ -	\$ 265,356	\$ 32,789
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 Projection and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

ERO Funding

Personnel Expenses

There will be no increase in staffing for the Readiness Evaluation Program.

Meeting Expenses

Total travel and meeting expenses for the Readiness Evaluation Program incorporate the five scheduled evaluations within NPCC.

Operating Expenses

Contractor expenses for 2009 will be used to cover the evaluations scheduled in 2009. The increase is also attributable to the potential need to provide alternate coverage for NPCC personnel when they are unavailable for Readiness Evaluations due to conflicts in work schedules.

Training, Education, and Operator Certification Program

Training, Education, and Operator Certification Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	0.5	0.5	0.1
Total Direct Funding	\$120,770	\$120,770	\$70,292
Total Indirect Funding [1]	\$97,982	\$92,539	\$27,421
Total Funding	\$218,752	\$213,309	\$97,712

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$6,681 apportioned to the training, education, and operator certification program area associated with the one-time 2009 office relocation project.

Background

System Operator Certification Program Background and Description

The System Operator Certification Program incorporates a requirement to use continuing education hours (CE hours) to maintain a credential that is valid for three years. Successfully passing an examination earns a credential and a certificate that is valid for three years. Accumulation of the proper number and type of CE hours from NERC-approved learning activities within that three-year period maintains the validity of that credential for the next three years. A new certificate is issued indicating the new expiration date.

The program provides that:

1. System operators seeking to obtain a credential must pass an examination to earn the credential
2. A certificate, valid for three years, will be issued to successful candidates
3. A certified system operator must accumulate a minimum number of CE hours in specific training topics before their certificate expires to maintain their credential. The minimum number of CE hours is based on each credential:
 - a. 200 CE hours for Reliability Operator
 - b. 160 CE hours for Balancing, Interchange, and Transmission Operator
 - c. 140 CE hours for Balancing and Interchange Operator
 - d. 140 CE hours for Transmission Operator

NERC specifies the detailed requirements of training content that is accepted for CE hours.

Examples of these requirements are:

- Training focuses on content and/or implementation of NERC standards
- Training includes simulations (i.e., table-top exercises, training simulators, emergency drills, practice emergency procedures, restoration, black start, etc.)

Based on the portion of professional/technical staff time and other resources devoted to training, education, and operator certification, NPCC estimates that it will expend 1 percent of its resources on this activity.

Funding Drivers and Reliability Benefits

- Decrease of 0.4 FTEs in 2009
- Provide and fund two high-quality continuing education seminars for system operators, schedulers and dispatchers
 - System operators and schedulers participating in the Seminars get exposure to NPCC issues and current industry operations topics, review recent NPCC or major external disturbances, discuss projected conditions for the coming summer or winter peak season and participate in “hands on” exercises pertaining to system operation practices. Seminar attendees also receive CE hours and each Area utilizes the seminar content by including it in their internal training programs to provide CE hours to all system operators. Furthermore, the seminars help to improve system operation coordination through better camaraderie among operators
- Review and revise the curriculum of the training seminars to better emphasize NERC standards, regional standards and business practices, NPCC wide-area operations and regionally-specific criteria and procedures
 - Enhance the system operator’s awareness and knowledge of the standards, criteria and procedures they apply in real time operation
- Provide more sharing of new training approaches, exchange of information on internal methods of system operator selection, training material and training sessions
 - Enhanced efficiency and cost savings in the training programs in the NPCC Areas

2009 Continuing Education Program Goals and Objectives

- Integrate the NERC Continuing Education program into the respective training programs of the NPCC Balancing Authority Areas (BAAs)
- Where achievable, consolidate training among the NPCC BAAs in the development of course work accredited for Continuing Education Hours
- Enhance the semiannual NPCC System Operators Training Seminar to permit accredited Continuing Education Hours for its participants
- Identify NPCC System Operators Training Seminar content that could be incorporated into the training programs of the NPCC BAAs and, whenever practical, use the content in those programs
- Identify and establish any necessary training requirements which may result from the entity certification process

Training Program Background and Description

NPCC provides continuing education and training for system operators, schedulers and dispatchers. In 2009, NPCC will increase the emphasis on training relating to the NERC Standards, the Regional Standards and Business Practices.

2009 Training Goals and Objectives

- NPCC will continue to provide high-quality continuing education seminars for system operators, schedulers and dispatchers
- NPCC will continue to review and revise the curriculum of the seminars as needed, and will increase the emphasis on training relating to the NERC Standards, the Regional Standards and Business Practices

Program Description and Functions Performed

NPCC establishes and coordinates programs for system operator training relating to inter-Area matters, criteria, terminology, policies and operating instructions. It develops training seminars, held twice yearly, at which potential operational problems for the coming season are discussed, internal training methods and techniques are exchanged, the implementation of NPCC policies are discussed, significant disturbances are reviewed for lessons to be learned and “table-top” drills and event simulations are conducted to replicate selected operational problems. NPCC also evaluates and proposes new techniques and training aids as they become available.

Funding Requirements — Explanation of Increase (Decrease)

The NPCC Training Program will require no registration fees for training sessions beginning in 2009. The Dispatcher Training Working Group will support both operator training and NPCC member training. It will be 100% funded through NPCC.

Staffing Needs

Hiring Plans

There will be a decrease in staff from 0.5 FTEs to 0.1 FTEs.

Shared Employees

There are no shared employees.

Contractors

There are no contractors associated with this program area.

Training, Education, and Operator Certification Program

Funding sources and related expenses for the training, education, and operator certification section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Training and Education					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 120,770	\$ 120,770	\$ -	\$ 70,292	\$ (50,478)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 120,770	\$ 120,770	\$ -	\$ 70,292	\$ (50,478)
Expenses					
Personnel Expenses					
Salaries	\$ 71,641	\$ 71,641	\$ -	\$ 16,435	\$ (55,205)
Payroll Taxes	4,379	4,379	-	922	(3,457)
Benefits	12,079	12,079	-	5,281	(6,798)
Retirement Costs	6,250	6,250	-	21,684	15,434
Total Personnel Expenses	\$ 94,348	\$ 94,348	\$ -	\$ 44,322	\$ (50,027)
Meeting Expenses					
Meetings	\$ 2,893	\$ 2,893	\$ -	\$ 20,875	\$ 17,982
Travel	11,607	11,607	-	4,595	(7,012)
Conference Calls	804	804	-	500	(304)
Total Meeting Expenses	\$ 15,304	\$ 15,304	\$ -	\$ 25,970	\$ 10,666
Operating Expenses					
Consultants	\$ 11,118	\$ 11,118	\$ -	\$ -	\$ (11,118)
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 11,118	\$ 11,118	\$ -	\$ -	\$ (11,118)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 120,770	\$ 120,770	\$ -	\$ 70,292	\$ (50,478)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan section of this document:

Funding Sources

- ERO funding

Personnel Expenses

There will be a decrease in staff from 0.5 FTEs to 0.1 FTEs.

Meeting Expenses

- Dispatcher training workshop will be funded through NPCC

Reliability Assessment and Performance Analysis Program

Reliability Assessment and Performance Analysis Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	3.5	3.5	3.9
Total Direct Funding	\$1,043,610	\$1,043,610	\$1,559,513
Total Indirect Funding [1]	\$685,877	\$647,773	\$1,069,400
Total Funding	\$1,729,487	\$1,691,383	\$2,628,912

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$260,549 apportioned to the reliability assessment and performance analysis program area associated with the one-time 2009 office relocation project.

Background

NPCC coordinates operation and planning among the NPCC Areas and NERC to enhance the reliability of the interconnected bulk power system, including the development of operating procedures affecting the reliability and operability of interconnected power systems. NPCC has established the Reliability Coordinating Committee (RCC) as the top technical committee to integrate the “deliverables” of several NPCC’s programs.

Seasonal assessments of the overall NPCC resource adequacy assessments are performed and possible actions to mitigate any potential problems are identified. NPCC reviews operations and disturbances both internal and external to the Region in order to identify any lessons to be learned and recommends any necessary follow-up actions.

If appropriate, enhancements to Regional Standards or NPCC’s more stringent, regionally specific reliability requirements are also recommended. NPCC promotes and conducts both inter-Area and interregional studies to enhance reliability and operational effectiveness, and provides a forum for the discussion and coordination of operating issues within the NPCC Areas and with other Regions.

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the performance of reliability and adequacy assessments, the analysis of significant system events on the bulk power system, and to the development of reliability metrics and benchmarks, NPCC estimates that it will expend 25 percent of its resources on this activity.

Resource Adequacy Assessments Objectives

NPCC, through its Reliability Coordinating Committee (RCC), Task Forces and Working Groups performs assessments of the future resource adequacy of the Region. Consistent with the applicable NERC Reliability Standards, these efforts are summarized below:

- Review the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves in accordance with the related NPCC reliability directories associated with the *Guidelines for Area Review of Resource Adequacy* and the *Basic Criteria for the Design and Operation of Interconnected Power Systems*
- Assess the impact of planned the transmission and resource additions or modifications on NPCC system reliability in accordance with the related NPCC reliability directories

associated with the *Guidelines for NPCC Transmission Reviews* and the *Basic Criteria for the Design and Operation of Interconnected Power Systems*

Operations Reliability Objectives

NPCC's operations reliability objectives, defined within the scope of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Promoting, and providing a forum for, the active coordination of reliability and operation among the NPCC Areas and NERC Regions to enhance the reliability of the interconnected Bulk Power System
- Conducting seasonal reviews of the overall reliability of the generation and transmission systems in NPCC. Reviewing the operational readiness of NPCC and recommending possible actions to mitigate any potential problems identified for the coming operating period
- Ensuring the effectiveness of NPCC operations through:
 - the review of operations and disturbances and by providing any necessary follow-up, including the recommendation of remedial or mitigating actions; and
 - the development of criteria and procedures
- Promoting and sponsoring inter-Area and interregional studies to enhance reliability and operational effectiveness
- Providing NPCC recommendations for the NERC Operating Committee, its Subcommittees and Working Groups

Planning Reliability Objectives

NPCC's planning reliability objectives, defined within the scope of the NPCC Task Force on Coordination of Planning (TFCP) include, but are not confined to:

- Promoting reliability through the coordination of NPCC Area planning processes and activities
- Initiating reviews of any NPCC documents in response to lessons learned from major system events
- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves
- Coordinating the reliability review of the future NPCC Area plans, including an analysis of resource and transmission system additions, and the potential inter-Area effects of special protection systems
- Coordinating the reliability review of proposed new or modified special protection systems in NPCC
- Encouraging Area planning organizations to initiate inter-Area and interregional studies where improved reliability may be achievable through joint planning.
- Interfacing with and providing information to the NERC Planning Committee, its Subcommittees, and Working Groups
- Coordinating NPCC responses to related FERC and regulatory/governmental agencies
- Promoting use of emerging technologies that are not inconsistent with current best practices
- Reviewing and modifying documents to reflect prudent application of new technologies

System Protection Reliability Objectives

NPCC's system protection reliability objectives, defined within the scope of the NPCC Task Force on System Protection (TFSP) include, but are not confined to:

- Conducting appropriate reviews, modifying existing NPCC documents and submit reports, as required
- Reviewing and analyzing the performance of protection systems following selected major power system disturbances and events, inside as well as outside the NPCC region.
- Providing technical advice on protection to NPCC and other groups
- Reviewing and assessing regulatory and industry based documents as they relate to system protection. Providing technical representation to working groups for review of such documents. Reviewing and assessing significant protection issues of common interest or informational value
- Maintaining an effective liaison with North America groups working in the protection areas
- Exchanging information with other power pools, Regional Reliability Councils, Regional Transmission Organizations and other industry groups on matters concerned with system protection

System Studies Reliability Objectives

NPCC's system studies reliability objectives, defined within the scope of the NPCC Task Force on System Studies (TFSS) include, but are not confined to:

- Providing for active overall coordination of system studies of the reliability of the interconnected bulk power system and for the review of related NPCC documents
- Reviewing the list of bulk power system (BPS) elements, in accordance with the "Classification of Bulk Power System Elements" (currently NPCC Document A-10), based on material presented by the Areas. Participate in reviews and updates of each Area's BPS List
- Reviewing and classifying new and modified Special Protection Systems (SPS) in NPCC.
- Annually reviewing and updating the NPCC SPS List
- Conducting such load flow, transient stability, and other studies as required analyzing the overall reliability of the planned bulk power transmission systems of NPCC and the interconnections between NPCC and other regional reliability organizations. As a part of this effort, analyze potential inter-Area effects of Special Protection Systems.
- Conducting analytical studies as appropriate to support the coordination of system planning, system operation and system protection in NPCC
- Maintaining, through the SS-37 Working Group, a library of load flow base cases and associated dynamics data, for use in and support of Area Reviews, overall transmission assessments, operational studies, inter-Regional studies, etc., coordinating this effort with the NERC inter-regional base case development process
- In conjunction with other NPCC Task Forces, reviewing major system disturbances to ascertain the adequacy of the interconnected systems. Also, reviewing any associated recommendations for system modifications and considering the need for changes to NPCC's more stringent regionally specific reliability requirements
- Identifying and recommending improved system study techniques, including, but is not limited to, the following:
 - improved techniques and models for power system simulation

- improved techniques for power system reliability assessment
- Conducting a periodic review of the adequacy of the NPCC underfrequency load shedding program
- Annually reviewing and updating a list of NPCC underfrequency load shedding
- Maintaining a listing and monitor status of major transmission and generation projects within NPCC
- Monitoring the work of industry research and development organizations such as the IEEE, Canadian Electricity Association, Electric Power Research Institute, CIGRE and other technical organizations

Funding Drivers and Reliability Benefits

- Addition of 0.4 FTEs in 2009
 - The Northeast benefits from NPCC's additional support of the following identified reliability related activities anticipated for 2009:
- Increased support for NERC data requests in 2009 (TADS Phase I & II and GADS)
 - The Northeast benefits from NPCC's role as the Regional Entity TADs coordinator from associated administrative responsibilities including requesting and follow-up to NERC's TOs data request; review of the TOs responses for regional consistency, and coordination of responses for circuits owned by different TOs. It is anticipated that similar responsibilities/activities will be expected of the Regional Entities for GADS in 2009.
- Participation in the expanded scope of the NERC Data Collection Working Group activities in 2009
 - The Northeast benefits by NPCC's:
 - providing improvements to the current NERC Reliability Assessment Subcommittee Data Collection efforts that make sense given the markets operating in the northeast
 - working with NERC and EIA on forthcoming changes related to the Presidential Permitting process for Canadian/Mexico to US interconnections
 - supporting FERC Demand-Side Management data collection efforts building upon the mechanisms already in-place in the northeast, rather than creating conflicting requirements 'from scratch'
 - leading the effort in demonstrating risk assessment approaches to capacity margin analysis that support, not conflict with NPCC regional resource adequacy assessments
- Increased involvement required by the NERC Reliability Assessment Subcommittee 2009 Long Term Reliability Assessment (new requirement for Scenario Analysis in 2009). This will include some participation in a coordinated effort among most of the Regions in the Eastern Interconnection
 - Through both provincial initiatives within Canada together with legislation in New York and several of the New England states, NPCC as a Region will fall within the parameters defined for the 2008 RAS Long-Term Reliability Assessment "Scenario #1: Accelerated Renewable Integration." As defined by the constraints of this assessment, the ability of NPCC to accommodate 15% of its annual energy projections for the ten-year study period from new sources of renewable energy will be examined. As further stipulated, a maximum of 5% of the energy needs will be achieved through various energy efficiency initiatives.

The Northeast benefits from NPCC's coordination of the New York ISO and the ISO New England Inc. participation in the Joint Coordinated System Plan, (proposed along with the Midwest ISO, PJM, SPP, MAPP and TVA) with the inclusion of the three NPCC Canadian entities into the Joint ISO Planning Committee (JIPC) analysis of renewables. As part of its current collaborative efforts, the JIPC group is assessing globally the challenges of integrating renewable resources in the Eastern Interconnection. The results of these studies will be used to:

- identify the percentage energy contributions of renewable energy;
 - estimate the reduction in system demand realized from the implementation of DSM programs and energy efficiency initiatives; and
 - examine the capability of the projected transmission system to support the expected concentration of new renewable resources
- Improving system modeling tools and data: validating the reactive power, load power factor, and voltage profile data in the NPCC library power flow cases, pursuant to NERC BOT Blackout Recommendation #14 (Model Data Verification): NPCC developed a three - step plan: 1) compile existing NPCC and Area procedures regarding validation of models used in power flow and stability analyses; 2) review and assess the adequacy of the existing procedures; 3) if necessary, recommend new procedures considered necessary to provide for adequate model validation
 - The Northeast benefits from NPCC's participation in these activities that directly support the follow-up analysis to ensure that future assessments of the Underfrequency Load Shedding (UFLS) Program include: a) sensitivity studies to examine the impact of unexpected load or generation loss near the electrical center of unstable swings during island formation; b) simulation of island formation across Area and regional boundaries and modeling more severe conditions including modeling of initiating disturbances and non-coincident tripping of circuits across the island boundary; c) the impact of low voltages on UFLS relay performance including under-voltage supervision and accuracy of frequency measurements; and d) identification of large load areas within NPCC that are frequently deficient in generation by more than 25% and that are susceptible to islanding and assessment of the performance of such islands
 - Expanded efforts of the Eastern Interconnection Reliability Assessment Group (ERAG) The Northeast benefits from NPCC's participation in the ERAG interregional steady state system assessment studies for seasonal and future considerations by:
 - satisfying requirements in the NERC TPL standard
 - improving steady state and dynamic simulation models for regional, interregional and system disturbance analysis studies
 - analyzing system disturbances and operating tool failures for lessons learned

2009 Operations Reliability Goals and Objectives

NPCC's operations reliability goals and objectives, as identified by the 2008-2009 Work Plan of the NPCC Task Force on Coordination of Operation (TFCO) include, but are not confined to:

- Conducting seasonal reviews of the overall reliability of the generation and transmission systems in NPCC, and coordinate these efforts with parallel assessments conducted by the NPCC Task Force on Coordination of Planning and by NERC. Reviewing the operational readiness of NPCC and recommend possible actions to mitigate any potential problems identified for each operating period
- Facilitating the effectiveness of NPCC operations through the review of operations and system disturbances and by providing any necessary follow-up, including the recommendation of remedial or mitigating actions
- Facilitating the reliable operational integration of new bulk power system facilities.
- Promoting and sponsor inter-Reliability Coordinator area and interregional studies to enhance reliability and operational effectiveness
- Providing coordination of operating issues with other NPCC Task Forces and other Regions
- Assessing the potential impact of wind energy penetration on control performance
- Identifying metering requirements for loads that provide ancillary services
- Conducting and coordinating Regional pre-operational readiness evaluations in preparation for NERC certification of functional entities

2009 Planning Reliability Goals and Objectives

NPCC's 2009 planning reliability goals and objectives, as identified by the 2008 - 2009 Work Plan of the NPCC Task Force on Coordination of Planning (TFCP) include, but are not confined to:

2003 Blackout Recommendations

- Completing any outstanding 2003 Blackout Recommendation follow-up analyses, including any further Blackout Recommendation activities as they are developed by the NERC Blackout Recommendation Task Force (BRTF) or NPCC
- Evaluating Under-Voltage Load Shedding (UVLS) applicability and capability within NPCC. Coordinate to ensure that further UVLS analysis beyond the initial feasibility/screening study is completed according to schedules

System Protection

- Evaluating system protection and control to address the limiting propagation of a cascading failure
- Defining and determining the requirements for synchronized reserve
- Coordinating, monitoring, reviewing, and making recommendations on proposed or modified NPCC Special Protection Systems
- Monitoring the actions of the NERC Transmission Issues Subcommittee (TIS) in the area of system protection and control

Facilitating Wide-Area Planning

- Supporting the Joint ISO/RTO Planning Committee activities, including implementation of the Northeast Planning Protocol, and performing interconnection reliability analyses, as required
- Following the U.S. Department of Energy (DOE) Eastern Interconnect Phasor Project
- Participating in the DOE Congestion Study and designation of National Interest Electric Transmission Corridors

Resource Adequacy

- Estimating, on a consistent basis, the amount of interconnection as NPCC assistance available to the NPCC Areas for the time period 2010 – 2012
- Reviewing the adequacy of the NPCC systems to supply load considering forecast demand, installed and planned supply and demand resources and required reserves
- Performing pre-seasonal Multi-Area Probabilistic Reliability Assessments of the NPCC area
- Performing an overall interregional long range resource adequacy overview of the NPCC areas and its neighboring Regions
- Identifying potential reliability impacts associated with existing and proposed NPCC Area and neighboring Regions market mechanisms, and providing Regional liaison with NERC/NAESB goals, objectives and activities
- Ensuring coordination and submittal of data and assumptions for conducting NPCC and NERC reliability assessments through participation on the NERC Data Collection Working Group
- Participating in surveys and monitoring the activities of the NERC Resource Issues Subcommittee (RIS)
- Performing the scenario analyses required as part of the NERC Reliability Assessment Subcommittee (RAS) 2009 Long Term Resource Assessment (LTRA)

2009 System Protection Reliability Goals and Objectives

NPCC's system protection reliability objectives, as defined by the 2008 – 2009 Work Plan of the NPCC Task Force on System Protection (TFSP) include, but are not confined to:

System Protection Assessments

- Reviewing and analyzing the performance of protection systems following selected major power system disturbances and events, inside as well as outside NPCC
- Reviewing and assessing regulatory and industry based documents as they relate to system protection. Providing technical representation to working groups for review of such documents
- Identifying the need for special studies and new documents, recommend action to the RCC, and performing special assignments and studies as directed or authorized
- Assessing proposed protection systems and special protection systems in NPCC

Information Exchange

- Maintaining an effective liaison with the NERC System Protection & Control Task Force
- Exchanging information with Independent System Operators, power pools, Regional Entities, Regional Reliability Organizations, Regional Transmission Organizations and other industry groups on matters concerned with system protection
- Providing technical advice on protection issues to NPCC and coordinating with other Task Forces on the application of Intelligent Electronic Devices (IEDs) that include functions related to energy management systems in addition to their protective functions, in order to safeguard the integrity of the protective functions
- Reviewing and assessing significant protection issues of common interest or informational value

Maintenance Evaluation

- Collecting data relative to Bulk Power System maintenance practices to evaluate protection system maintenance costs and the impact on Bulk Power System performance. This data will be used to optimize protection system maintenance requirements

2009 System Studies Reliability Goals and Objectives

NPCC's system studies reliability goals and objectives, as identified in the 2008 – 2009 Work Plan of the NPCC Task Force on System Studies (TFSS) include, but are not confined to:

Reliability Assessments

- Conducting Area Transmission Reviews, based on material presented by the Areas, to assess the impact of planned transmission and resource additions or modifications on system reliability. Through the Area transmission reviews, re-evaluate the performance and classification of existing SPS and Dynamic Control Systems
- Reviewing and classifying new and modified Special Protection Systems (SPS), in NPCC. Annually reviewing and updating the NPCC SPS list
- Reviewing and approving changes to Area's lists of Bulk Power System (BPS) elements, in accordance with the "Classification of Bulk Power System Elements" (currently NPCC Document A-10). Annually reviewing and updating of the NPCC BPS list
- Performing the NPCC Overall Transmission Study to evaluate the steady state and dynamic performance of the NPCC Region, including the calculation of Inter-Area transfer capabilities and extreme contingency performance
- Conducting annual reviews and updates of the NPCC library of power flow base cases and associated dynamics data, for use in and support of planning studies, operating studies, and reliability assessments, and coordinating this effort with the NERC interregional base case development process through the MMWG
- Conducting such load flow, transient stability, and other studies as required analyzing the overall reliability of the planned bulk power transmission systems of NPCC and the interconnections between NPCC and other regional entities. As a part of this effort, analyzing potential inter-Area effects of Special Protection Systems
- Maintaining a listing and monitoring the status of existing and proposed major transmission and generation projects within NPCC; annually updating the NPCC Electric System Map, including interconnections with adjacent regions for the existing facilities

Blackout 2003 Follow-up Analysis

- Investigating specific protection system changes on NPCC interfaces whose performance proved to be critical during the Blackout sequence of events
- Completing Task 5 of the TFSS August 14, 2003 Northeast Blackout Study Plan, evaluating various possible mitigation measures to improve the ability of the NPCC member systems to withstand a major system disturbance originating from a wide range of initiating conditions
- Making improvements in modeling tools and data: validate the reactive power, load power factor, and voltage profile data in the NPCC library power flow cases. Surveying methods available now to create accurate power flow models based on actual operating data, reviewing initiatives underway by NERC, determining how much effort would be required to develop a common approach within NPCC and identifying its associated costs
- Reviewing past industry efforts to study dynamic load behavior, and contact technical experts within the industry to benefit from their research. Focusing on load behavior

during large frequency and voltage excursions and the ability to model when load is tripped. Recommending whether to develop improved models for use in analysis of major disturbances or to develop appropriate models at the time of analyzing a disturbance

Based on the portion of professional/technical staff time and other resources devoted to reliability assessment and performance analysis, NPCC estimates that it will spend 25.2 percent of its resources on this activity.

Funding Requirements — Explanation of Increase (Decrease)

For the Reliability Assessment and Performance Analysis Program, the increase from 3.5 FTEs in 2008 to 3.9 FTEs in 2009 is driven primarily by:

- Increased support for NERC data requests in 2009 (TADS Phase I & II, GADS, possible DADS (Demand-Side Availability Data)
- Participation in the expand scope of the NERC Data Collection Working Group activities in 2009
- Increased involvement required by the NERC Reliability Assessment Subcommittee 2009 Long Term Reliability Assessment (new requirement for Scenario Analysis in 2009)
- Improving system modeling tools and data: validating the reactive power, load power factor, and voltage profile data in the NPCC library power flow cases

Staffing Needs

Hiring Plans

Increase from 3.5 FTEs in 2008 to 3.9 FTEs in 2009

Shared Employees

None

Reliability Assessment and Performance Analysis Program

Funding sources and related expenses for the reliability assessment and performance analysis section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Reliability Assessment and Performance Analysis					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 1,043,610	\$ 1,043,610	\$ -	\$ 1,559,513	\$ 515,902
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 1,043,610	\$ 1,043,610	\$ -	\$ 1,559,513	\$ 515,902
Expenses					
Personnel Expenses					
Salaries	\$ 432,523	\$ 432,523	\$ -	\$ 642,840	\$ 210,317
Payroll Taxes	27,836	27,836	-	35,980	8,144
Benefits	84,552	84,552	-	147,908	63,356
Retirement Costs	43,750	43,750	-	96,293	52,543
Total Personnel Expenses	\$ 588,661	\$ 588,661	\$ -	\$ 923,022	\$ 334,360
Meeting Expenses					
Meetings	\$ 20,250	\$ 20,250	\$ -	\$ 60,125	\$ 39,875
Travel	81,250	81,250	-	181,339	100,089
Conference Calls	5,625	5,625	-	28,489	22,864
Total Meeting Expenses	\$ 107,125	\$ 107,125	\$ -	\$ 269,953	\$ 162,828
Operating Expenses					
Consultants	\$ 247,824	\$ 247,824	\$ -	\$ 95,200	\$ (152,624)
Contracts	100,000	100,000	-	271,338	171,338
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 347,824	\$ 347,824	\$ -	\$ 366,538	\$ 18,714
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 1,043,610	\$ 1,043,610	\$ -	\$ 1,559,513	\$ 515,902
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- ERO Funding

Situational Awareness and Infrastructure Security Program

Situation Awareness and Infrastructure Security Program Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	1	1	2
Total Direct Funding	\$263,328	\$263,327	\$515,398
Total Indirect Funding [1]	\$195,965	\$185,078	\$548,410
Total Funding	\$459,292	\$448,405	\$1,063,808

¹ Indirect funding is calculated by allocating all administrative services funding to the operational program areas on a proportional FTE basis. Total 2009 indirect funding includes \$133,615 apportioned to the situational awareness and infrastructure security program area associated with the one-time 2009 office relocation project.

Background

The Situation Awareness and Infrastructure Security Program is the combination of near real time awareness of conditions on the bulk power system with the programs necessary to increase the physical and cyber security of the electricity infrastructure. This includes the operation and maintenance of tools and other support services for the benefit of reliability coordinators and other system operators. Maintaining the real-time awareness of conditions on the interconnected bulk power systems of the NPCC Areas (including awareness of abnormal events, communicating information concerning system conditions and abnormal events to, and facilitating real-time communications among, system operators responsible for the reliable operation of the bulk power systems) is critical to maintaining reliable operation within NPCC.

On an ongoing basis, NPCC monitors the operational status of the bulk power system and coordinates normal and pre-emergency communication, awareness and assistance in addition to the same during an emergency among the Areas. The industry is notified of significant bulk power system events that have occurred in one Area, and which have the potential to impact reliability in other NPCC Areas or Regions external to NPCC. These events include contingencies on the bulk power system, potential shortfalls of operating reserve, operating problems, potential security threats and potential threats or disruptions to the cyber systems of the Areas.

To assist in the evaluation of emerging tools to better identify evolving system conditions, NPCC actively coordinates the utilization of existing operational aids, and the implementation of new operational aids, including the Area Control Error (ACE) and Frequency Monitoring System; the NERC Hotline; Real-time Flows; the System Data Exchange (SDX); the Reliability Coordinator Information System (RCIS); the Transmission Services Information Network (TSIN); the Interchange Distribution Calculator (IDC); the interregional Security Network (ISN); and the Central Repository for Security Events (CRC).

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the Situation Awareness and Infrastructure Security Program activities and functions, NPCC estimates that it will expend 10 percent of its resources on this activity.

Program Description and Functions Performed

System Operations Security Objectives

NPCC's system operations security objectives are defined within the scope of the NPCC Task Force on Coordination of Operation, (TFCO) and include, but are not confined to:

- Coordinating interregional pre-emergency actions in the event of a threat to the security of the Northeastern North American bulk power supply system
- Assisting in the development of real time operating tools assuring cyber security concerns are addressed

Critical Infrastructure Objectives

NPCC's critical infrastructure objectives are defined within the scope of the NPCC Task Force on Infrastructure Security & Technology, (TFIST) and include, but are not confined to:

- Providing a forum for NPCC review of proposed and posted documents from the NERC Critical Infrastructure Protection Committee (CIPC)
- Representing and advocating NPCC's position in the activities of NERC groups involved in the development and/or implementation of physical and cyber security

Funding Drivers and Reliability Benefits

- Addition of 1 FTE in 2009
 - The Northeast benefits from NPCC's enhanced ability to identify the wide area view among the NPCC Members
- Increased requirements for collection and dissemination of data to support increased situational awareness
 - NPCC opposes the NERC proposal for a 24/7 Situation Awareness room which will duplicate functions of the Reliability Coordinators in the Region. In its place, the Regions are proposing a posting of daily operational parameters to satisfy all regulatory reporting needs
- Expand web services for real-time operational data through the NPCC web site
 - The Northeast benefits from the enhanced communications and expanded wide area view which each of the five Reliability Coordinators in NPCC will receive through more visible situational awareness
- Implementation of FERC Order 706 (Cyber Security Standard)
 - The Northeast benefits from NPCC's preparation of comments and input to each posted SAR / Standard addressing cyber security, ensuring that the unique concerns of the Canadian and US Members of NPCC are reflected
 - Support the five Working Groups associated with the Task Force on Infrastructure Security and Technology (TFIST):The Northeast and the Members of NPCC benefit from the exchange of current information, the identification of problem areas and the knowledge shared by these Working Groups
- Provide NPCC Reliability Coordinator information on daily projected system conditions and provide support in the development of tools to display real time information on power system conditions
 - Satisfies FERC's request for short term and near real time system conditions information to indicate status of the power system and provide an indication of operating problems

2009 Operational Situation Awareness Goals and Objectives

NPCC's 2009 operational situation awareness goals and objectives, as identified by the 2008 – 2009 Work Plan of the NPCC Task Force on Coordination of Planning, (TFCO) include, but are not confined to:

- Expanding the applications of web services for real-time operational data through the NPCC web site. The objective is to provide a common page that can be displayed in the control room of each Reliability Coordinator, populated with selected key reliability parameters throughout NPCC
- Direct Voice Communications Among All NPCC Reliability Coordinators
- Weekly Area Coordination Conference Calls
Each week conference calls of the operations management personnel are initiated by NPCC to discuss operations expected, and identify possible concerns, during the forthcoming ten-day period (weekend and week following)
- Daily Area Control Room Coordination Conference Calls
Each morning, the NPCC Reliability Coordinator control rooms also take part in a regularly scheduled conference call. The goal of this call is to alert all neighboring Reliability Coordinators of any potential emerging problems which could lead to reliability concerns in the course of the day's operations. Subjects for discussion are limited to credible events which could impact the ability of a Reliability Coordinator to serve its load and meet its operating reserve obligations, or which would impose a burden to the neighboring NPCC Areas or the Eastern Interconnection
- Emergency Preparedness Conference Call
The NPCC Emergency Preparedness Conference Call augments the regularly scheduled weekly and daily Area_coordination conference call process to enable the Operations Managers in NPCC, and, as required, their counterparts in neighboring Regions, to rapidly communicate the status of current operating conditions and facilitate the procurement of assistance during, or in anticipation of, emergency conditions.
- Area Control Room Coordination Conference Calls
The senior shift supervisor of each of the NPCC Reliability Coordinator control rooms also takes part in a regularly scheduled conference call. The goal of this call is to alert all neighboring Reliability Coordinators of any potential emerging problems. Subjects for discussion are limited to credible events which could impact the ability of a Reliability Coordinator to serve its load and meet its operating reserve obligations, or which would impose a burden to the Interconnection.

2009 Critical Infrastructure Goals and Objectives

NPCC's 2009 critical infrastructure goals and objectives, as identified by the 2008 – 2009 Work Plan of the NPCC Task Force on Infrastructure Security & Technology, (TFIST) include, but are not confined to:

- Participating in the NERC Regional CIPC Liaison Task Force, to provide NPCC input into the process whereby future Department of Homeland Security (DHS) notifications are disseminated to the industry
- Annually reviewing infrastructure security & technologies and providing recommendations, when appropriate, to the RCC to enhance physical and cyber security in compliance with NERC guidelines/standards

- Reviewing of NPCC's information protection in order to be consistent with the requirements of the NERC Cyber Security Standards
- Addressing timely issues and updating member system personnel associated with the provision of on-line computer systems for operation of the power system, through the activities of the IST-1 (Infrastructure Security & Technology Workshop) Working Group
- Providing a forum to identify, discuss and advance the technology of telecommunications infrastructure for the reliable operation of the NPCC Inc. Bulk Power System while also supporting TFIST in their work on issues related to telecommunications, through the activities of the IST-2 (Telecommunications) Working Group
- Providing a forum to identify, discuss and advance the EMS-SCADA technology of EMS-SCADA for the reliable operation of the NPCC Bulk Power System while also supporting TFIST in their work on issues related to EMS-SCADA, through the activities of the IST-3 (EMS-SCADA) Working Group
- Providing a forum to identify, discuss and advance the cyber security for the reliable operation of the NPCC Bulk Power System while also supporting TFIST in their work on issues related to cyber security, through the activities of the IST-4 (Cyber Security) Working Group
- Providing a forum to identify, discuss and advance the use physical security for the reliable operation of the NPCC Bulk Power System while also supporting TFIST in their work on issues related to physical security, through the activities of the IST-5 (Physical Security) Working Group

Funding Requirements — Explanation of Increase (Decrease)

For the Infrastructure Security portion of this Program, the main drivers for the increase anticipated for 2009 are the additional effort required for implementation of FERC Order 706 (Cyber Security Standard) and the support of all five of the TFIST Working Groups.

Although NPCC has no 'Critical Assets' per se, TFIST has recommended that NPCC protect information identified as 'sensitive' by its members according to the Cyber Security Standards information protection requirements.

Staffing Needs

For the Situation Awareness and Infrastructure Security Program, the increase from 1 FTE in 2008 to 1.5 FTE in 2009 is driven primarily by:

- All five TFIST Working Groups will be active and meeting regularly in 2009 (only IST-1 & IST-2 are active in 2008)
- Additional effort required for implementation of FERC Order 706 (Cyber Security Standard), including participation the NERC Cyber Security SAR in response to the FERC Order

Situational Awareness and Infrastructure Security Program

Funding sources and related expenses for the situation awareness and infrastructure security section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Situational Awareness and Infrastructure Security					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 263,327	\$ 263,327	\$ -	\$ 515,398	\$ 252,071
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 263,327	\$ 263,327	\$ -	\$ 515,398	\$ 252,071
Expenses					
Personnel Expenses					
Salaries	\$ 142,582	\$ 142,582	\$ -	\$ 324,602	\$ 182,021
Payroll Taxes	8,746	8,746	-	18,378	9,632
Benefits	24,158	24,158	-	57,242	33,084
Retirement Costs	12,500	12,500	-	35,723	23,223
Total Personnel Expenses	\$ 187,985	\$ 187,985	\$ -	\$ 435,945	\$ 247,960
Meeting Expenses					
Meetings	\$ 5,786	\$ 5,786	\$ -	\$ 13,751	\$ 7,965
Travel	23,214	23,214	-	31,811	8,597
Conference Calls	1,607	1,607	-	2,840	1,233
Total Meeting Expenses	\$ 30,607	\$ 30,607	\$ -	\$ 48,402	\$ 17,795
Operating Expenses					
Consultants	\$ 22,235	\$ 22,235	\$ -	\$ -	\$ (22,235)
Contracts	22,500	22,500	-	31,051	8,551
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ 44,735	\$ 44,735	\$ -	\$ 31,051	\$ (13,684)
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 263,327	\$ 263,327	\$ -	\$ 515,398	\$ 252,071
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Summary of 2008 and 2009 Budgeted Funding and Expenses

Funding and expenses in this section provide for the following items to meet the objectives as defined in the business plan.

Funding Sources

- ERO Funding

Administrative Services

Administrative Services Resources			
(in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	8.2	8.2	9.2
Total Indirect Funding [1]	\$3,331,402	\$3,331,402	\$5,209,896

¹ Represents the sum of the indirect costs associated with all of the previously identified program areas. Total 2009 administrative services direct funding includes \$1,269,339 associated with the one-time 2009 office relocation project.

Technical Committees and Members' Forums

Members' Forums

The success of the NPCC programs depends on the active and direct volunteerism and participation of its members. The stakeholders are the source of expertise in the industry. To promote the reliable and efficient operation of the interconnected bulk power systems in Northeastern North America, NPCC invites high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior executives within NPCC and NERC to identify and discuss emerging issues related to the reliability of the NPCC Region.

2009 Members' Forums Goals and Objectives

- The 2009 NPCC General Meeting provides an opportunity for NPCC Members to meet high level policy makers from Federal, Provincial and State regulatory and/or governmental authorities and senior NERC and NPCC executives to discuss topics related to the reliable planning and operation of the power system, including consideration of emerging reliability, critical infrastructure and environmental issues.

2009 Public Information Committee Goals and Objectives

The objective of the NPCC Public Information Committee is to highlight and summarize NPCC activities and accomplishments in the past year, disseminate and coordinate the appropriate release of information to the media, respond to related requests for information, and coordinate with related NPCC Area, NERC media and public information activities. Activities anticipated for 2009 include, but are not limited to:

- Conducting the 2009 Media Event – release of the 2009 Summer NPCC Reliability Assessment(s)
- Developing the NPCC 2009 Summer and Winter Reliability Outlooks
- Compiling the 2009 NPCC Statistical Brochure
- Preparing the 2009 NPCC Year-In-Review
- Updating the 2009 NPCC Primer
- Participation in NERC 2009 communication initiatives:
 - Monthly Regional communications teleconferences
 - Development of Compliance background information (FAQ) and sample press releases

- Preparation of NERC Standards background information and outreach to Registered Entities
- Coordination of Emergency or “Blackout” communications plans
- Joint face-to-face meetings with other related NERC groups (i.e., situational awareness group, Reliability Assessment Subcommittee, etc.)

Funding Requirements — Explanation of Increase (Decrease)

For the Public Information portion of this Program, participation in the additional NERC communications initiatives planned for 2009 drives the increase over the 2008 Budget.

Technical Committees and Member Forums

Funding sources and related expenses for the Members' Forums section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Technical Committees and Member Forums					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 71,417	\$ 71,417	\$ -	\$ 57,037	\$ (14,379)
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 71,417	\$ 71,417	\$ -	\$ 57,037	\$ (14,379)
Expenses					
Personnel Expenses					
Salaries	\$ 57,563	\$ 57,563	\$ -	\$ 31,701	\$ (25,863)
Payroll Taxes	2,856	2,856	-	2,490	(367)
Benefits	7,247	7,247	-	13,180	5,932
Retirement Costs	3,750	3,750	-	9,667	5,917
Total Personnel Expenses	\$ 71,417	\$ 71,417	\$ -	\$ 57,037	\$ (14,379)
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 71,417	\$ 71,417	\$ -	\$ 57,037	\$ (14,379)
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

General and Administrative

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
General and Administrative					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 2,793,199	\$ 2,793,199	\$ -	\$ 3,666,682	\$ 873,483
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 2,793,199	\$ 2,793,199	\$ -	\$ 3,666,682	\$ 873,483
Expenses					
Personnel Expenses					
Salaries	\$ 594,072	\$ 594,072	\$ -	\$ 701,179	\$ 107,107
Payroll Taxes	21,694	21,694	-	22,891	1,197
Benefits	89,383	89,383	-	137,164	47,780
Retirement Costs	46,250	46,250	-	117,982	71,732
Total Personnel Expenses	\$ 751,400	\$ 751,400	\$ -	\$ 979,216	\$ 227,816
Meeting Expenses					
Meetings	\$ 47,443	\$ 47,443	\$ -	\$ 37,951	\$ (9,492)
Travel	190,357	190,357	-	270,249	79,892
Conference Calls	13,179	13,179	-	2,256	(10,923)
Total Meeting Expenses	\$ 250,979	\$ 250,979	\$ -	\$ 310,456	\$ 59,477
Operating Expenses					
Consultants	\$ 90,000	\$ 90,000	\$ -	\$ 20,400	\$ (69,600)
Contracts	55,800	55,800	-	125,407	69,607
Office Rent	297,000	297,000	-	554,683	257,683
Office Costs	336,870	336,870	-	267,060	(69,810)
Professional Services	686,700	686,700	-	89,362	(597,338)
Computer Purchase & Maintenance	9,000	9,000	-	278,915	269,915
Furniture & Equipment	4,500	4,500	-	788,515	784,015
Miscellaneous	-	-	-	27,300	27,300
Depreciation	21,150	21,150	-	-	(21,150)
Contingency	289,800	289,800	-	-	(289,800)
Total Operating Expenses	\$ 1,790,820	\$ 1,790,820	\$ -	\$ 2,151,643	\$ 360,823
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 225,367	\$ 225,367
Total Expenses	\$ 2,793,199	\$ 2,793,199	\$ -	\$ 3,666,682	\$ 873,483
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Legal and Regulatory

Funding sources and related expenses for the general and administrative section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Legal and Regulatory					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ -	\$ -	\$ -	\$ 546,000	\$ 546,000
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ -	\$ -	\$ -	\$ 546,000	\$ 546,000
Expenses					
Personnel Expenses					
Salaries	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Taxes	-	-	-	-	-
Benefits	-	-	-	-	-
Retirement Costs	-	-	-	-	-
Total Personnel Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	546,000	546,000
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 546,000	\$ 546,000
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ -	\$ -	\$ -	\$ 546,000	\$ 546,000
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Information Technology

Funding sources and related expenses for the information technology section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Information Technology					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 264,368	\$ 264,368	\$ -	\$ 388,351	\$ 123,983
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 264,368	\$ 264,368	\$ -	\$ 388,351	\$ 123,983
Expenses					
Personnel Expenses					
Salaries	\$ 184,410	\$ 184,410	\$ -	\$ 252,432	\$ 68,021
Payroll Taxes	13,974	13,974	-	17,332	3,358
Benefits	43,484	43,484	-	76,526	33,042
Retirement Costs	22,500	22,500	-	42,062	19,562
Total Personnel Expenses	\$ 264,368	\$ 264,368	\$ -	\$ 388,351	\$ 123,983
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 264,368	\$ 264,368	\$ -	\$ 388,351	\$ 123,983
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Human Resources

Funding sources and related expenses for the human resources section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Human Resources					
Funding	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
ERO Assessments	\$ 34,428	\$ 34,428	\$ -	\$ 142,175	\$ 107,747
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 34,428	\$ 34,428	\$ -	\$ 142,175	\$ 107,747
Expenses					
Personnel Expenses					
Salaries	\$ 21,510	\$ 21,510	\$ -	\$ 89,833	\$ 68,322
Payroll Taxes	1,920	1,920	-	7,001	5,081
Benefits	7,247	7,247	-	30,011	22,763
Retirement Costs	3,750	3,750	-	15,331	11,581
Total Personnel Expenses	\$ 34,428	\$ 34,428	\$ -	\$ 142,175	\$ 107,747
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	-	-
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Other Non-Operating Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 34,428	\$ 34,428	\$ -	\$ 142,175	\$ 107,747
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Finance and Accounting

Funding sources and related expenses for the accounting and finance section of the 2009 business plan are shown in the table below.

Statement of Activities					
2008 Budget & Projection, and 2009 Budget					
Finance and Accounting					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 167,990	\$ 167,990	\$ -	\$ 409,651	\$ 241,661
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 167,990	\$ 167,990	\$ -	\$ 409,651	\$ 241,661
Expenses					
Personnel Expenses					
Salaries	\$ 83,159	\$ 83,159	\$ -	\$ 197,957	\$ 114,798
Payroll Taxes	7,850	7,850	-	14,334	6,483
Benefits	50,731	50,731	-	48,941	(1,790)
Retirement Costs	26,250	26,250	-	11,919	(14,331)
Total Personnel Expenses	\$ 167,990	\$ 167,990	\$ -	\$ 273,151	\$ 105,161
Meeting Expenses					
Meetings	\$ -	\$ -	\$ -	\$ -	\$ -
Travel	-	-	-	-	-
Conference Calls	-	-	-	-	-
Total Meeting Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
Consultants	\$ -	\$ -	\$ -	\$ -	\$ -
Contracts	-	-	-	-	-
Office Rent	-	-	-	-	-
Office Costs	-	-	-	-	-
Professional Services	-	-	-	136,500	136,500
Computer Purchase & Maintenance	-	-	-	-	-
Furniture & Equipment	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Depreciation	-	-	-	-	-
Contingency	-	-	-	-	-
Total Operating Expenses	\$ -	\$ -	\$ -	\$ 136,500	\$ 136,500
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 167,990	\$ 167,990	\$ -	\$ 409,651	\$ 241,661
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Section B — 2009 Budget

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

Statement of Activities 2008 Budget & Projection, and 2009 Budget					
STATUTORY					
	2008 Budget	2008 Projection	2008 Projection Variance to 2008 Budget Over(Under)	2009 Budget	2009 Budget Variance to 2008 Projection Over(Under)
Funding					
ERO Assessments	\$ 7,504,907	\$ 7,704,907	\$ 200,000	\$ 10,442,306	\$ 2,737,399
Membership Dues	-	-	-	-	-
Testing Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Workshops	-	-	-	-	-
Interest	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Funding	\$ 7,504,907	\$ 7,704,907	\$ 200,000	\$ 10,442,306	\$ 2,737,399
Expenses					
Personnel Expenses					
Salaries	\$ 2,702,620	\$ 2,854,530	\$ 151,910	\$ 3,734,265	\$ 879,735
Payroll Taxes	165,893	174,951	9,058	210,452	35,501
Benefits	608,774	642,482	33,708	845,460	202,978
Retirement Costs	315,000	320,324	5,324	501,586	181,262
Total Personnel Expenses	\$ 3,792,287	\$ 3,992,287	\$ 200,000	\$ 5,291,763	\$ 1,299,476
Meeting Expenses					
Meetings	\$ 145,800	\$ 145,800	\$ -	\$ 243,703	\$ 97,903
Travel	585,000	585,000	-	845,033	260,033
Conference Calls	40,500	40,500	-	56,104	15,604
Total Meeting Expenses	\$ 771,300	\$ 771,300	\$ -	\$ 1,144,840	\$ 373,540
Operating Expenses					
Consultants	\$ 1,028,000	\$ 1,028,000	\$ -	\$ 364,000	\$ (664,000)
Contracts	268,300	268,300	-	728,000	459,700
Office Rent	297,000	297,000	-	554,683	257,683
Office Costs	336,870	336,870	-	267,060	(69,810)
Professional Services	686,700	686,700	-	771,862	85,162
Computer Purchase & Maint.	9,000	9,000	-	278,915	269,915
Furniture & Equipment	4,500	4,500	-	788,515	784,015
Miscellaneous	-	-	-	27,300	27,300
Depreciation	21,150	21,150	-	-	(21,150)
Contingency	289,800	289,800	-	-	(289,800)
Total Operating Expenses	\$ 2,941,320	\$ 2,941,320	\$ -	\$ 3,780,336	\$ 839,016
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 225,367	\$ 225,367
Total Expenses	\$ 7,504,907	\$ 7,704,907	\$ 200,000	\$ 10,442,306	\$ 2,737,399
Change in Assets	\$ -	\$ -	\$ -	\$ -	\$ -

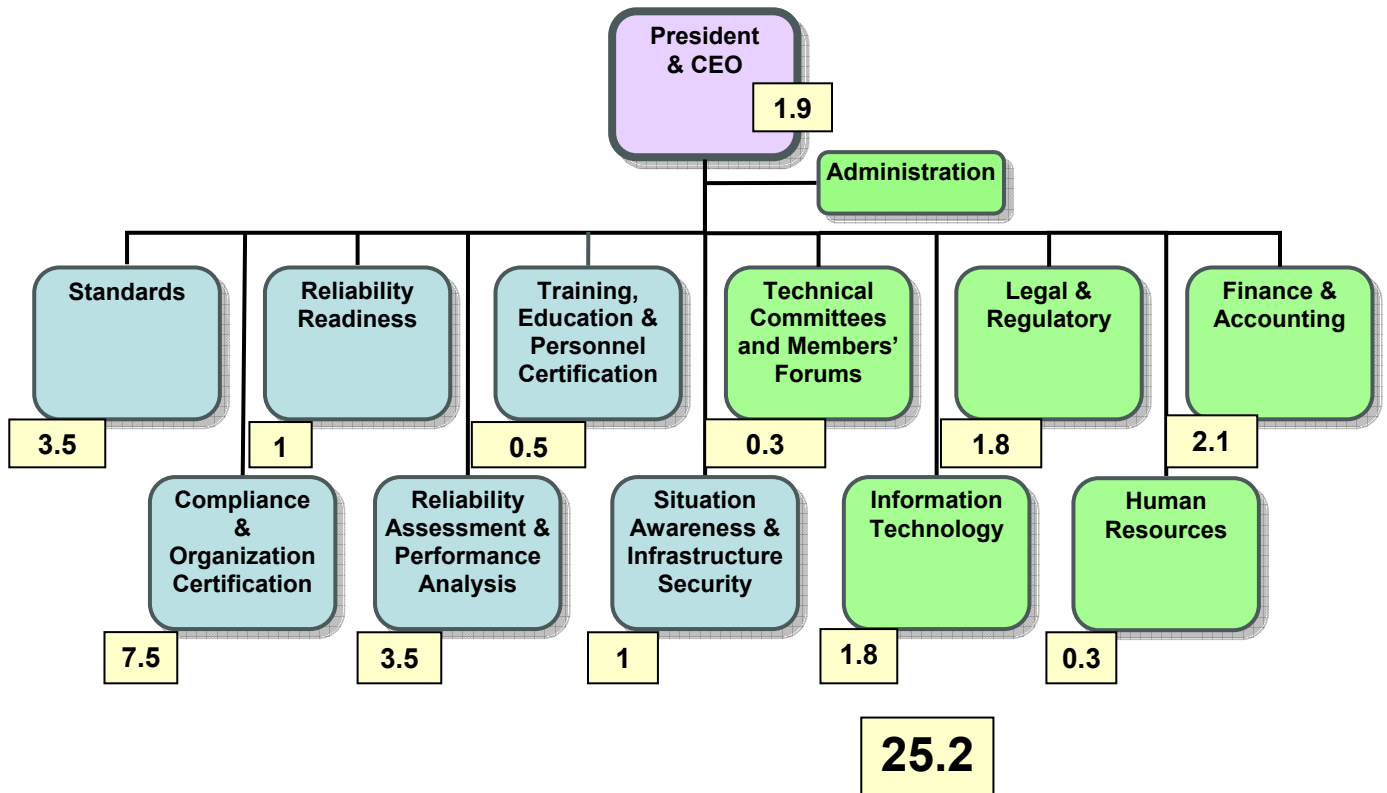
Personnel Analysis

Table 2

Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change
Operational Programs				
Reliability Standards	3.5	3.5	3.5	0.0
Compliance and Organization Registration and Certification	7.5	8.5	8.5	1.0
Reliability Readiness Evaluation and Improvement	1.0	1.0	1.0	0.0
Training and Education	0.5	0.5	0.1	-0.4
Reliability Assessment and Performance Analysis	3.5	3.5	3.9	0.4
Situational Awareness and Infrastructure Security	1.0	1.0	2.0	1.0
Total FTEs Operational Programs	17.0	18.0	19.0	2.0
Administrative Programs				
Member Forums	0.3	0.3	0.5	0.2
General & Administrative	1.9	1.9	1.9	0.0
Information Technology	1.8	1.8	2.0	0.2
Legal and Regulatory	1.8	1.8	1.8	0.0
Human Resources	0.3	0.3	1.0	0.7
Accounting	2.1	2.1	2.0	-0.1
Total FTEs Administrative Programs	8.2	8.2	9.2	1.0
Total FTEs	25.2	26.2	28.2	3.0

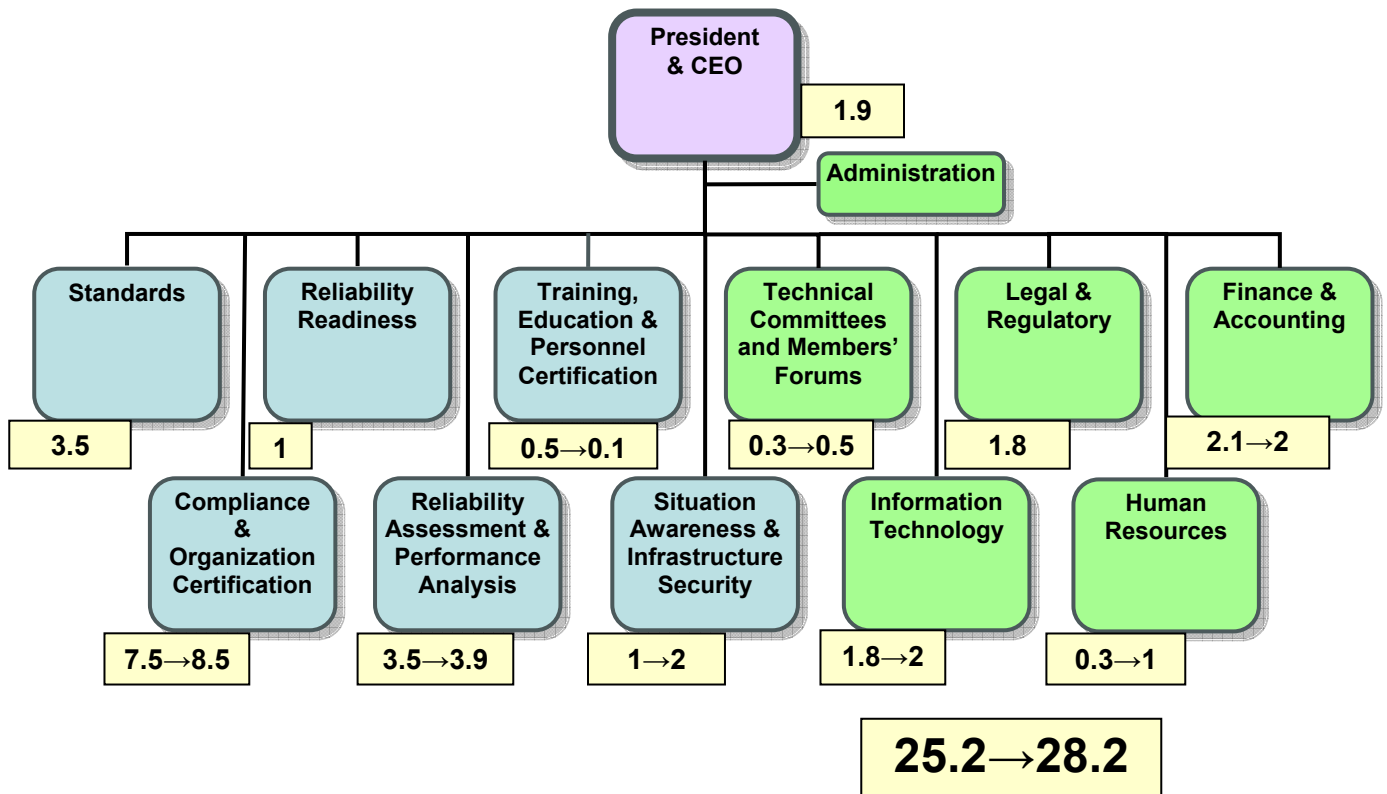
2008 NPCC Organization Chart

2008 NPCC Organization Chart



2009 NPCC Organization Chart

2009 NPCC Organization Chart



Reserve Balance

Table 5

Reserve Analysis 2008-2009	
STATUTORY - Regional Entity Division	
Cash Available 2008	
Beginning Cash @ January 1, 2008 ¹	2,056,011
2008 ERO Funding (from LSEs or designees)	<u>7,648,718</u>
Total Cash Available 2008	<u>9,704,729</u>
Cash Needed 2008	
2008 NPCC Regional Entity Division Budget	(7,504,907)
Expenditure from 2007 Surplus for Compliance Program Related Activities	<u>(200,000)</u>
2008 Projected expenses (Cash basis) ²	(7,704,907)
Total Cash Needed 2008	<u>(7,704,907)</u>
Projected Ending Cash Balance, December 31, 2008	<u>1,999,822</u>
Desired Cash Balance, December 31, 2009 ³	2,075,188
<i>(20% of Total Regional Entity Budget of 10,375,940)</i>	
Less: Projected Cash Balance December 31, 2008	(1,999,822)
Increase(decrease) in assessments needed to raise cash balance	<u>75,366</u>
2009 Assessment	
Adjustment to increase/(decrease) cash balance	<u>75,366</u>
2009 Assessment and reserve adjustment	<u>75,366</u>

¹ Assumes all other assets remain at same levels as 12/31/08

² Assumes all other liabilities remain at same levels as 12/31/08

³ NPCC Board of Directors at its 4/29/08 meeting determined that a 20% reserve level remains appropriate

Regional Entity Assessment Analysis

In the area of assessments for 2009 there are two distinct funding mechanisms. For the Regional Entity division, the North American Electric Reliability Corporation (NERC) will assess load serving entities (LSEs) or their designees (within NPCC the designees are the Balancing Authority Areas (BAAs) for New York, New England, New Brunswick, Nova Scotia, Ontario and Quebec) based upon 2007 proportional Net Energy for Load and other specific program area funding arrangements and make quarterly remittances to the Regional Entity on or about the 15th day of January, April, July and October, 2009. For funding associated with the Criteria Services division, the Independent System Operators (ISO)/BAAs will be assessed by NPCC for their proportional share of the divisional budget based upon 2007 NEL within the Region. Non ISO/BAA Full Members will be assessed no membership fee for 2009.

Assessments by Balancing Authority Area

Table 6



**Draft 1 - NPCC 2009 Regional Entity (RE) and Criteria Services (CS)
Divisional Funding Information**

A-1 NPCC Balancing Authorities (LSE Designees)	B-1 2007 Net Energy for Load (GWh)	C-1 2007 NEL % of NPCC Total	D-1 2009 ¹ NPCC RE w/o CORC Direct	E-1 2009 NPCC CS Division	F-1 2009 NPCC Funding w/o CORC Direct
New England	134,425	19.98555%	1,673,506	212,203	1,885,709
New York	167,341	24.87931%	2,083,290	264,164	2,347,453
Ontario	152,205	22.62898%	1,894,856	240,270	2,135,126
Quebec	191,029	28.40111%	2,378,190	301,557	2,679,748
New Brunswick	14,972	2.22595%	186,392	23,635	210,027
Nova Scotia	<u>12,639</u>	<u>1.87910%</u>	<u>157,348</u>	<u>19,952</u>	<u>177,299</u>
<i>Total</i>	672,611	100.00000%	\$8,373,582	\$1,061,780	\$9,435,362

2009 CORC Direct Funding

A-2 NPCC Balancing Authorities (LSE Designees)	B-2 2009 ² NEL Based 55% CORC Direct	C-2 2009 Draft 1 Audit Based Methodology	D-2 2009 ³ Audit Based 45% CORC Direct	E-2 2009 Total CORC Direct Funding	F-2 2009 RE Division Total Funding (D-1 plus E-2)	G-2 2009 NPCC Total Funding (E-1 plus F-2)
New England	227,395	64.58%	601,192	828,587	2,502,093	2,714,295
New York	283,076	26.00%	242,041	525,117	2,608,407	2,872,570
Ontario	257,472	0.00%	0	257,472	2,152,328	2,392,598
Quebec	323,147	3.50%	32,582	355,730	2,733,920	3,035,477
New Brunswick	25,327	3.23%	30,069	55,396	241,788	265,422
Nova Scotia	<u>21,380</u>	<u>2.69%</u>	<u>25,042</u>	<u>46,422</u>	<u>203,770</u>	<u>223,722</u>
<i>Total</i>	\$1,137,798	100.00%	\$930,926	\$2,068,724	\$10,442,305	\$11,504,085

¹ Consistent with NERC's Policy on Allocation of Certain Compliance and Enforcement Costs, the NPCC Board approved Allocation Methodologies for Certain NPCC Compliance Program Area Costs Assessed to Non-U.S. Entities. Direct funding requirements associated with the CMEP contained in the Compliance Enforcement and Organization Registration and Certification (CORC) area total \$2,068,724.

² NEL based funding represents 55% of CORC direct funding requirements, while 45% of CORC direct funding requirements, totaling some \$930,926 are allocated using an audit based methodology for 2009.

³ Preliminary audit based estimates use the Compliance Registry Data from 2/21/08. Final numbers will reflect registrants as of June 1, 2008.

Breakdown by Statement of Activity Sections

The following detailed schedules are in support of Table 1 of the 2009 RE Business Plan and Budget. All significant variances have been disclosed by program area in the preceding pages.

Supplemental Funding

Table B-1

Outside Funding Breakdown By Program (excluding ERO Assessments)	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
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No supplemental funding is identified for statutory activities.

Personnel Expenses

Table B-2

Personnel Expenses	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Salaries					
Salary	\$ 2,646,820	\$ 2,798,730	\$ 3,716,065	\$ 917,335	32.8%
Employment Agency Fees	45,000	45,000	13,650	(31,350)	-69.7%
Temporary Office Services	10,800	10,800	4,550	(6,250)	-57.9%
Total Salaries	2,702,620	2,854,530	3,734,265	879,735	30.8%
Payroll Taxes					
FICA	109,013	115,634	151,336	35,702	30.9%
Medicare	41,580	43,782	53,395	9,613	22.0%
SUI	12,600	12,779	4,355	(8,424)	-65.9%
FUI	2,700	2,756	1,366	(1,390)	-50.4%
Total Payroll Taxes	165,893	174,951	210,452	35,501	20.3%
Benefits					
Workers Compensation	10,800	10,800	12,121	1,321	12.2%
Medical Insurance	360,000	382,748	555,248	172,500	45.1%
Life-LTD Insurance	36,900	37,621	17,323	(20,298)	-54.0%
Education	14,400	14,400	14,560	160	1.1%
Relocation	-	-	-	-	-
Vacation Expense	186,674	196,913	246,207	49,294	25.0%
Total Benefits	608,774	642,482	845,460	202,978	31.6%
Retirement					
Profit Sharing Plan / SERP	217,800	217,800	362,638	144,838	66.5%
Savings Plan	97,200	102,524	138,948	36,424	35.5%
Total Retirement	315,000	320,324	501,586	181,262	56.6%
Total Personnel Costs	\$ 3,792,287	\$ 3,992,287	\$ 5,291,763	\$ 1,299,476	32.5%

Meeting Expenses

Table B-3

Meeting Expenses by Business Plan Category	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Reliability Standards	\$ 20,250	\$ 20,250	\$ 32,125	\$ 11,875	58.6%
Compliance and Organization Registration and Certification	43,393	43,393	73,125	29,732	68.5%
Reliability Readiness Evaluation and Improvement	5,786	5,786	5,751	(35)	-0.6%
Reliability Assessment and Performance Analysis	20,250	20,250	60,125	39,875	196.9%
Training and Education	2,893	2,893	20,875	17,982	621.6%
Situational Awareness and Infrastructure Security	5,786	5,786	13,751	7,965	137.7%
Committee and Member Forums	-	-	-	-	-
General and Administrative	47,443	47,443	37,951	(9,492)	-20.0%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Human Resources	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Total Meeting Expenses	\$ 145,800	\$ 145,800	\$ 243,703	\$ 97,903	67.1%

Travel Expenses by Business Plan Category	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Reliability Standards	\$ 81,250	\$ 81,250	\$ 118,338	\$ 37,088	45.6%
Compliance and Organization Registration and Certification	174,107	174,107	207,890	33,783	19.4%
Reliability Readiness Evaluation and Improvement	23,214	23,214	30,811	7,597	32.7%
Reliability Assessment and Performance Analysis	81,250	81,250	181,339	100,089	123.2%
Training and Education	11,607	11,607	4,595	(7,012)	-60.4%
Situational Awareness and Infrastructure Security	23,214	23,214	31,811	8,597	37.0%
Committee and Member Forums	-	-	-	-	-
General and Administrative	190,357	190,357	270,249	79,892	42.0%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Human Resources	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Total Travel Expenses	\$ 585,000	\$ 585,000	\$ 845,033	\$ 260,033	44.5%

Conference Call Expenses by Business Plan Category	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Reliability Standards	\$ 5,625	\$ 5,625	\$ 7,792	\$ 2,167	38.5%
Compliance and Organization Registration and Certification	12,054	12,054	12,000	(54)	-0.4%
Reliability Readiness Evaluation and Improvement	1,607	1,607	2,227	620	38.6%
Reliability Assessment and Performance Analysis	5,625	5,625	28,489	22,864	406.5%
Training and Education	804	804	500	(304)	-37.8%
Situational Awareness and Infrastructure Security	1,607	1,607	2,840	1,233	76.7%
Committee and Member Forums	-	-	-	-	-
General and Administrative	13,179	13,179	2,256	(10,923)	-82.9%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Human Resources	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Total Conference Calls	\$ 40,500	\$ 40,500	\$ 56,104	\$ 15,604	38.5%

Total Meeting Expenses	\$ 771,300	\$ 771,300	\$ 1,144,840	\$ 373,540	48.4%
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Operating Expenses

Table B-4

Consultants	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Reliability Standards	\$ 227,824	\$ 227,824	\$ 114,000	\$ (113,824)	-50.0%
Compliance and Organization Registration and Certification	406,765	406,765	134,400	(272,365)	-67.0%
Reliability Readiness Evaluation and Improvement	22,235	22,235	-	(22,235)	-100.0%
Reliability Assessment and Performance Analysis	247,824	247,824	95,200	(152,624)	-61.6%
Training and Education	11,118	11,118	-	(11,118)	-100.0%
Situational Awareness and Infrastructure Security	22,235	22,235	-	(22,235)	-100.0%
Committee and Member Forums	-	-	-	-	-
General and Administrative	90,000	90,000	20,400	(69,600)	-77.3%
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Human Resources	-	-	-	-	-
Consultants Total	\$ 1,028,000	\$ 1,028,000	\$ 364,000	\$ (664,000)	-64.6%

Table B-5

Contracts	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Reliability Standards	\$ -	\$ -	\$ -	\$ -	-
Compliance and Organization Registration and Certification	90,000	90,000	270,204	180,204	200.2%
Reliability Readiness Evaluation and Improvement	-	-	30,000	30,000	-
Reliability Assessment and Performance Analysis	100,000	100,000	271,338	171,338	171.3%
Training and Education	-	-	-	-	-
Situational Awareness and Infrastructure Security	22,500	22,500	31,051	8,551	38.0%
Committee and Member Forums	-	-	-	-	-
General and Administrative	55,800	55,800	125,407	69,607	124.7%
General and Administrative	-	-	-	-	-
Legal and Regulatory	-	-	-	-	-
Information Technology	-	-	-	-	-
Accounting and Finance	-	-	-	-	-
Human Resources	-	-	-	-	-
Contracts Total	\$ 268,300	\$ 268,300	\$ 728,000	\$ 459,700	171.3%
Total Consultants and Contracts	\$ 1,296,300	\$ 1,296,300	\$ 1,092,000	\$ (204,300)	-15.8%

Table B-6

Office Rent	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Office Rent	\$ 297,000	\$ 297,000	\$ 490,073	\$ 193,073	65%
Utilities	-	-	27,300	27,300	-
Maintenance	-	-	32,760	32,760	-
Security	-	-	4,550	4,550	-
Total Office Rent	\$ 297,000	\$ 297,000	\$ 554,683	\$ 257,683	86.8%

Table B-7

Office Costs	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Office Costs	\$ 336,870	\$ 336,870	\$ 267,060	\$ (69,810)	-20.7%
Total Office Costs	\$ 336,870	\$ 336,870	\$ 267,060	\$ (69,810)	-20.7%

Section B — 2009 Regional Entity Budget

Table B-8

Professional Services	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
BOT Fee	\$ 72,000	\$ 72,000	\$ 75,712	\$ 3,712	5.2%
Outside Legal	18,000	18,000	-	(18,000)	-100.0%
Accounting & Auditing Fees	91,800	91,800	136,500	44,700	48.7%
Legal Fees - Other	495,000	495,000	546,000	51,000	10.3%
Insurance - Commercial	9,900	9,900	13,650	3,750	37.9%
Total Services	\$ 686,700	\$ 686,700	\$ 771,862	\$ 85,162	12.4%

Table B-9

Computer	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Purchase and Lease Software	\$ 9,000	\$ 9,000	\$ 133,315	\$ 124,315	1381.3%
	-	-	-	-	-
Total Computer	\$ 9,000	\$ 9,000	\$ 133,315	\$ 124,315	1381.3%

Table B-10

Furniture & Equipment	2008 Budget	2008 Projection	2009 Budget	Variance	Variance %
Furniture	\$ 4,500	\$ 4,500	\$ 227,228	\$ 223,228	4960.6%
Equipment	-	-	145,600	145,600	-
Depreciation	21,150	21,150	-	(21,150)	-100.0%
Miscellaneous	289,800	289,800	27,300	(262,500)	-90.6%
Leasehold Improvements	-	-	560,788	560,788	-
Total Furniture & Fixtures	\$ 315,450	\$ 315,450	\$ 961,415	\$ 645,965	204.8%

Table B-11

Other Non-Operating Expenses	Budget 2008	Projection 2008	Budget 2009	Variance	Variance %
Interest Expense	\$ -	\$ -	\$ -	\$ -	-
Office Relocation	-	-	1,269,339	1,269,339	-
Cash Reserve Requirement	-	-	75,366	75,366	-
Total Non-Operating Expenses	\$ -	\$ -	\$ 1,344,705	\$ 1,344,705	-

Section C — 2009 Criteria Services Division - Non-Statutory Business Plan and Budget

Full Member Criteria Services

Non-Statutory (in whole dollars)			
	2008 Budget	2008 Projection	2009 Budget
Total FTEs	2.8	2.8	2.8
Total Direct Funding	\$440,172	\$440,172	\$612,253
Total Indirect Funding [1]	\$231,884	\$231,884	\$449,527
Total Funding	\$672,056	\$672,056	\$1,061,780

¹Total 2009 indirect funding includes \$233,826 apportioned to the criteria services division associated with the one-time 2009 office relocation project.

NPCC Regionally-Specific Criteria Services Background

NPCC regional criteria services division activities are in the development, maintenance and promulgation of regionally-specific more stringent criteria as well as criteria establishing resource adequacy requirements within the Region. These criteria contain requirements which are more stringent and more specific than the existing NERC Reliability Standards requirements.

Membership and Governance

Full members are subject to compliance, with regionally-specific criteria, in addition to continent-wide reliability standards, and receive criteria-related services from the criteria services division.

Full Members, other than Full Members that perform the Balancing Authority function, are not assessed an annual membership fee. Those that perform Balancing Authority functions are assessed and remit, a proportional net energy for load share, of expenses for Criteria services. NPCC would also, directly assign criteria service division costs to a Balancing Authority Area or entity, where significant costs are incurred for that Balancing Authority Area. The funding for NPCC's criteria services division is approved by the NPCC Board of Directors.

Criteria Services Division Functional Scope

Through its criteria services division, NPCC promotes the reliable and efficient operation of the international, interconnected bulk power systems in Northeastern North America through the establishment of regionally-specific criteria, and monitoring and enforcement of compliance with such criteria.

NPCC provides full members, with regional reliability assurance services, and acts as the vehicle through which States and Provinces can fulfill their political mandates, with respect to resource adequacy, as well as overseeing the Northeastern North American electric infrastructure.

2009 Primary Objectives

NPCC Reliability Directory Maintenance and Development

In 2008 the NPCC Regional Reliability Directories were developed to address consistency issues with the NERC Reliability Standards and also to remove any redundancies with the NERC Reliability Standards and to clearly delineate the more stringent requirements NPCC criteria requirements. In 2009 the directories will be under review and revision.

Work will proceed with maintenance and revision to address any future redundancies or the continued need for additional more stringent or specific NPCC regional criteria requirements as new NERC reliability standards are developed.

The following Directories will either be under revision or reviewed for further development based on a schedule set forth in the NPCC Reliability Assessment Program:

Operations and Planning Directories

Directory #1, *Basic Criteria for Design and Operation of Interconnected Power Systems*

This directory will coordinate and ensure consistency with all the existing NERC TPL, BAL, IRO, INT, MOD, TOP, PRC and VAR standards. The NPCC Task Force on Coordination of Planning will lead a multi-disciplinary working group to review and revise this directory.

Directory #2, *Emergency Operations*

This directory will coordinate and ensure consistency with all the existing NERC EOP and TOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 5, *Operating Reserve Requirements*

This directory will coordinate and ensure consistency with all the existing applicable NERC BAL, INT, and IRO standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directory # 8, *Blackstart and System Restoration*

This directory will coordinate and ensure consistency with all the existing NERC EOP and TOP standards. The NPCC Task Force on Coordination of Operation will lead this review and revision.

Directories # 9 and #10, *Verification of Generator Gross and Net Real Power Capability and Verification of Generator Gross and Net Reactive Power Capability*

These directories will coordinate and ensure consistency with all the existing applicable NERC MOD standards. The NPCC Task Force on Coordination of Operations will lead this review and revision.

System Protection Directories

Directory # 7, *Special Protection Systems*

This directory will coordinate and ensure consistency with all the existing applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 3, *Maintenance Requirements for BPS Protection*

This Directory will coordinate and ensure consistency with all the applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

Directory # 4, *BPS Protection*

This Directory will coordinate and ensure consistency with all the applicable NERC PRC standards. The NPCC Task Force on System Protection will lead this review and revision.

NPCC Criteria Compliance Background

The NPCC criteria services division Compliance effort, the NPCC Reliability Compliance and Enforcement Program (RCEP), monitors, assesses and enforces compliance of NPCC Full Member entities responsible for meeting NPCC's regionally specific, more-stringent Criteria. Non-monetary sanctions are used to enforce violations of NPCC Criteria.

In Canada, NPCC monitors, assesses and enforces compliance to regionally-specific NPCC Criteria in accordance with approved Memoranda of Understanding and Implementation Agreements that are in place with each Canadian province within the Region. NPCC issues non-monetary sanctions to responsible Canadian entities for violations of NPCC Criteria.

The RCEP identifies those NPCC Criteria that are subject to monitoring, assessment and enforcement. These Criteria also are subject to NPCC Criteria Compliance Audits.

The NPCC Compliance Committee (CC) has final approval of compliance assessments related to the RCEP. This balanced stakeholder committee consists of representatives of the eight voting sectors as described in the NPCC *Bylaws* and is chaired by the Assistant Vice President - Compliance. The CC will also be used to resolve contested compliance and/or sanction or penalty determinations related to NPCC Criteria.

Based on the portion of its professional/technical staff time, and other resources that it expects to devote to the reliability standards compliance enforcement process, NPCC estimates that it will spend 40 percent of its criteria services division resources on this activity.

2009 Goals and Objectives

- Conduct 2009 NPCC Reliability Compliance and Enforcement Program (RCEP)
 - Assess compliance, by responsible entities, with NPCC Criteria including requirements in the RCEP
 - Document results and provide appropriate reports to CC
 - For instances of identified non-compliance, provide a report fully explaining the reason for the non-compliance and recommend to the CC the appropriate sanction and review any mitigation plan or action proposed to achieve compliance
 - Develop and implement the necessary processes and procedures to efficiently execute the NPCC RCEP
 - Provide information and feedback on compliance program to NPCC Members, RCC, Task Forces and participants in the program
 - RCEP related issues will be included in the NPCC Compliance Workshops.
 - Manage the Review Process for the NPCC RCEP

- Provide oversight review of NPCC Area compliance programs
- Review and propose changes to existing documents as required for the NPCC Compliance Program, and propose new documents as required

Staffing Needs

1.0 FTE is allocated to the development and maintenance of NPCC's regionally-specific more-stringent criteria. 1.0 FTE is allocated to conduct the responsibilities related to the implementation of the RCEP. NPCC plans to conduct five Compliance Criteria Audits in 2009.

Hiring Plans

No additional personnel required.

Shared Employees

Not Applicable.

Contractors

No use of contractors anticipated.

Major 2009 Cost Impacts

Personnel Costs associated with the Pension Protection Act and the adoption of SFAS 158 in accounting for pensions.

2008 Budget and Projection and 2009 Budget Comparisons

Table 1

		Statement of Activities				
		2007 Budget & Projection, and 2008 Budget				
		2008	2008	2008 Projection	2009	2009 Budget
		Budget	Projection	Variance to 2008 Budget over(Under)	Budget	Variance to 2008 Projection Over (Under)
Funding						
	ERO Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
	Non-Statutory Assessments	672,056	672,056		1,061,780	389,724
	Testing Fees					
	Services & Software					
	Workshops					
	Interest					
	Miscellaneous					
Total Funding		\$ 672,056	\$ 672,056	\$ -	\$ 1,061,780	\$ 389,724
Expenses						
	Personnel Expenses					
	Salaries	\$ 219,717	\$ 219,717	\$ -	\$ 368,122	\$ 148,405
	Payroll Taxes	13,017	13,017	-	21,697	8,680
	Benefits	67,642	67,642	-	69,155	1,513
	Retirement Costs	35,000	35,000	-	99,729	64,729
Total Personnel Expenses		\$ 335,376	\$ 335,376	\$ -	\$ 558,702	\$ 223,326
	Meeting Expenses					
	Meetings	\$ 16,200	\$ 16,200	\$ -	\$ 24,301	\$ 8,101
	Travel	65,000	65,000	-	84,266	19,266
	Conference Calls	4,500	4,500	-	5,549	1,049
Total Meeting Expenses		\$ 85,700	\$ 85,700	\$ -	\$ 114,116	\$ 28,416
	Operating Expenses					
	Consultants	\$ 52,000	\$ 52,000	\$ -	\$ 36,000	\$ (16,000)
	Contracts	16,200	16,200	-	72,000	55,800
	Office Rent	33,000	33,000	-	54,859	21,859
	Office Costs	37,430	37,430	-	26,413	(11,017)
	Professional Services	76,300	76,300	-	76,338	38
	Computer Purchase & Maint.	1,000	1,000	-	27,585	26,585
	Furniture & Equipment	500	500	-	77,985	77,485
	Miscellaneous			-	-	-
	Depreciation	2,350	2,350	-		(2,350)
	Contingency	32,200	32,200	-	2,700	(29,500)
Total Operating Expenses		\$ 250,980	\$ 250,980	\$ -	\$ 373,879	\$ 122,899
	Other Non-Operating Expenses				\$ 15,082	15,082
Total Expenses		\$ 672,056	\$ 672,056	\$ -	\$ 1,061,780	\$ 389,724
Change in Assets		\$ -	\$ -	\$ -	\$ -	\$ -

Personnel Analysis

Table 2

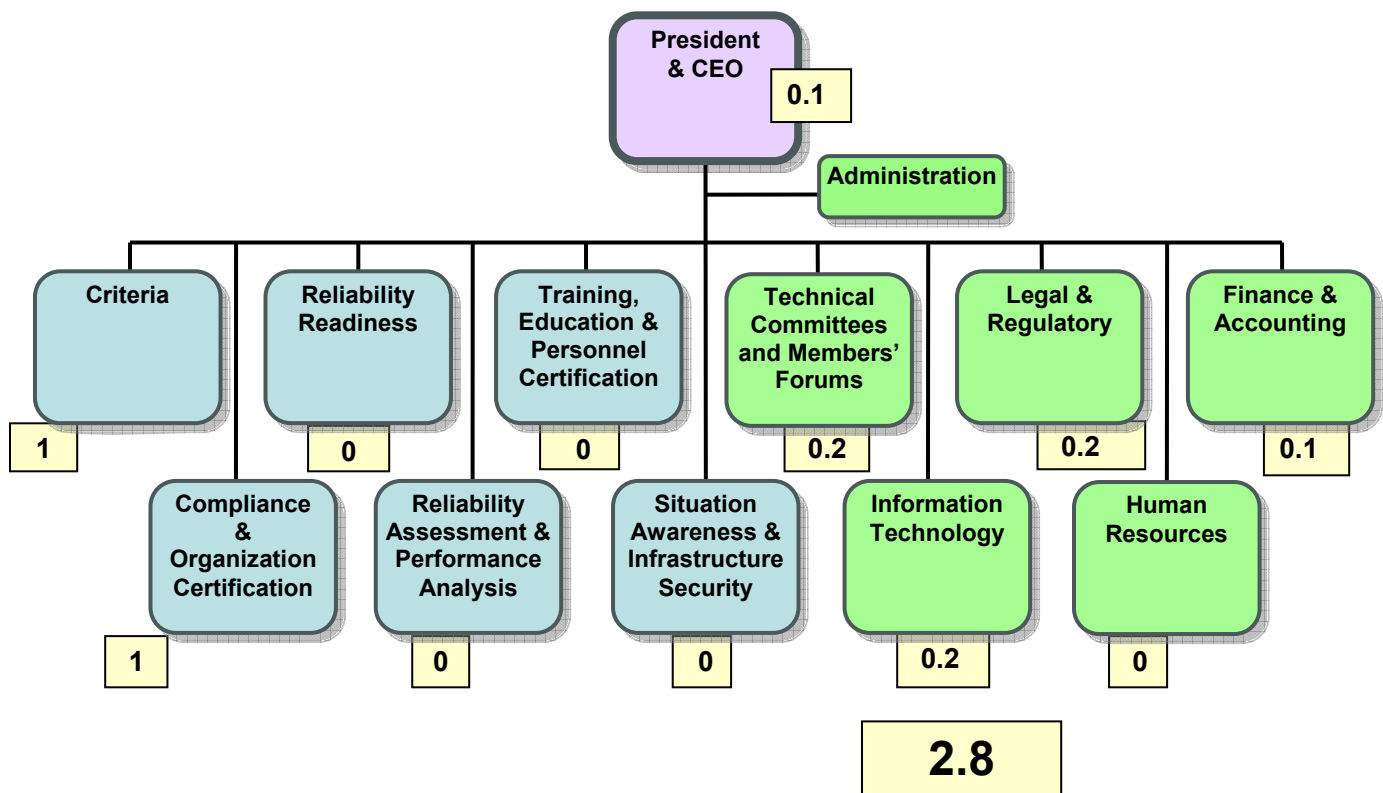
Total FTE's by Program Area	Budget 2008	Projection 2008	Budget 2009	Change
Operational Programs				
Reliability Standards	1.0	1.0	1.0	0.0
Compliance and Organization Registration and Certification	1.0	1.0	1.0	0.0
Reliability Readiness Evaluation and Improvement	0.0	0.0	0.0	0.0
Training and Education	0.0	0.0	0.0	0.0
Reliability Assessment and Performance Analysis	0.0	0.0	0.0	0.0
Situational Awareness and Infrastructure Security	0.0	0.0	0.0	0.0
Total FTEs Operational Programs	2.0	2.0	2.0	0.0
Administrative Programs				
Member Forums	0.2	0.2	0.0	-0.2
General & Administrative	0.1	0.1	0.1	0.0
Information Technology	0.2	0.2	0.0	-0.2
Legal and Regulatory	0.2	0.2	0.2	0.0
Human Resources	0.0	0.0	0.0	0.0
Accounting	0.1	0.1	0.5	0.4
Total FTEs Administrative Programs	0.8	0.8	0.8	0.0
Total FTEs	2.8	2.8	2.8	0.0

2008 Organizational Chart

Shown below in Table 3 is the organizational chart for 2009 with the 2008 staffing levels allocated to the criteria services division functions to support the Full Member Criteria Services division activities for 2009. NPCC criteria services division support remains at 2.8 FTEs from 2008 to 2009.

Full Member Criteria Services Division

Table 3

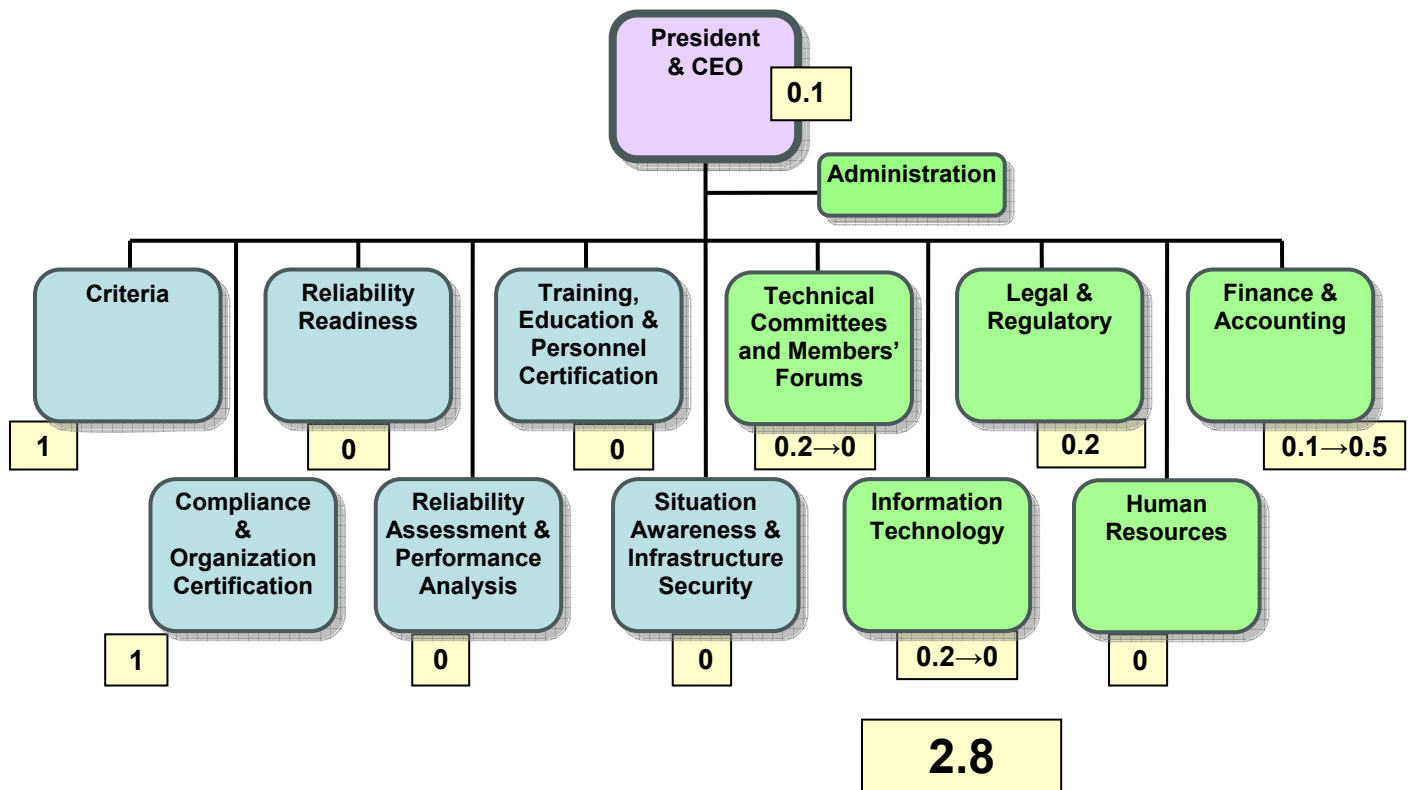


2009 Organizational Chart

Shown below in Table 4 is the organizational chart for 2009 with the 2008 staffing levels allocated to criteria services division functions to support the Full Member Criteria Services division activities for 2009. NPCC criteria services division support remains at 2.8 FTEs from 2008 to 2009.

Full Member Criteria Services Division

Table 4



Reserve Analysis — 2008–2009

Table 5

Reserve Analysis 2008-2009	
Non-Statutory - Criteria Services Division	
Cash Available 2008	
Beginning Cash @ January 1, 2008 ¹	228,446
2008 BA Funding	<u>655,670</u>
Total Cash Available 2008	<u><u>884,116</u></u>
Cash Needed 2008	
2008 NPCC Criteria Services Division Budget	672,056
2008 Projected expenses (Cash basis) ²	(672,056)
Total Cash Needed 2008	<u><u>(672,056)</u></u>
Projected Ending Cash Balance, December 31, 2008	<u><u>212,060</u></u>
Desired Cash Balance, December 31, 2009 ³	212,307
<i>(20% of Total Criteria Services Division Budget of \$1,061,533)</i>	
Less: Projected Cash Balance December 31, 2008	(212,060)
Adjustment to increase/(decrease) cash balance	<u><u>247</u></u>
2009 Assessment	
Adjustment to increase cash balance	<u>247</u>
2009 Assessment and reserve adjustment	<u><u>247</u></u>

¹ Assumes all other assets remain at same levels as 12/31/08

² Assumes all other liabilities remain at same levels as 12/31/08

³ NPCC Board of Directors at its 4/29/08 meeting determined that a 20% reserve level remains appropriate