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## **I. INTRODUCTION**

The North American Electric Reliability Corporation (“NERC”) submits this compliance filing to paragraph 107 of Order No. 693, issued by the Commission on March 16, 2007.<sup>1</sup> In paragraph 107, the Commission directed NERC to file, within 60 days, procedures which permit (but do not require) an organization, such as a joint action agency, generation and transmission (“G&T”) cooperative or similar organization to accept compliance responsibility on behalf of its members. NERC is submitting this filing in compliance with that directive.

## **II. NOTICES AND COMMUNICATIONS**

Notices and communications with respect to this filing may be addressed to:

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## **III. RESPONSE TO PARAGRAPH 107 OF ORDER NO. 693**

In paragraph 107 Order No. 693, the Commission stated:

107. The Commission directs the ERO to file procedures which permit (but do not require) an organization, such as a joint action agency, G&T cooperative or similar organization to accept compliance responsibility on behalf of its members. The Commission believes that NERC’s proposed procedures described above are reasonable, and directs the ERO to submit a filing within 60 days. [footnote omitted] In allowing a joint action agency, G&T cooperative or similar organization to accept compliance responsibility on behalf of its members, our

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<sup>1</sup>*Mandatory Reliability Standards for the Bulk Power System*, Order No. 693, 118 FERC ¶61,218 (2007).

intent is not to change existing contracts, agreements or other understandings as to who is responsible for a particular function under a Reliability Standard. Further, we clarify that there should not be overlaps in responsibility nor should there be any gaps.

“NERC’s proposed procedures described above”, which the Commission found were “reasonable”, were summarized in paragraph 103 of Order No. 693 and were set forth in Version 3 of the NERC *Statement of Compliance Registry Criteria* which was filed with the Commission on February 6, 2007.<sup>2</sup>

In order to comply with the Commission’s directive in paragraph 107 of Order No. 693, NERC has removed the substantive provisions pertaining to joint registrations and Joint Registration Organizations from the *Statement of Compliance Registry Criteria* and placed the provisions on this topic into Section 500 of the NERC Rules of Procedure. Specifically, Section 501.1.2.7 of the Rules of Procedure has been revised, and a new Section 507 has been added, to accomplish this. Correspondingly, the *Statement of Compliance Registry Criteria* has been revised (Version 3.1) so that it now contains appropriate cross references to Sections 501 and 507 of the NERC Rules of Procedure for the rules pertaining to joint registrations and Joint Registration Organizations.

**Attachment 1A** to this filing is a clean version of revised Section 500 of the Rules of Procedure, incorporating the provisions pertaining to joint registrations and Joint Registration Organizations. **Attachment 1B** is a redlined version of Section 500 of the Rules of Procedure, showing the changes. The redline is against Section 500 of the Rules of Procedure as filed with

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<sup>2</sup>See *Request of the North American Electric Reliability Corporation to File Supplemental Information*, Docket RM06-16-000, filed February 6, 2007.

NERC's March 19, 2007 compliance filing in Docket No. RR06-1.<sup>3</sup> **Attachment 2A** is a clean version of Version 3.1 of the *Statement of Compliance Registry Criteria*. **Attachment 2B** is a redlined version of Version 3.1 of the *Statement of Compliance Registry Criteria*, showing the changes from Version 3.<sup>4</sup> **Attachment 3** is a draft notice for the *Federal Register*.

NERC posted a proposed revised version of Section 500 of the Rules of Procedure for comment on April 27, 2007, requesting comments by May 7, 2007. NERC members and other industry stakeholders were notified on April 27 that the draft rule revisions were posted for comment. NERC received only one set of comments suggesting changes to the proposed provisions of Sections 501.1.2.7 and 507, from the Edison Electric Institute ("EEI").<sup>5</sup> EEI's comments were taken into account in revising the proposed Sections 501.1.2.7 and 507. Other stakeholder organizations, including the American Public Power Association and the National Rural Electric Cooperative Association ("NRECA") affirmatively advised NERC that the proposed revisions to Section 500 were acceptable and that they had no changes to propose to the draft rule changes. The proposed revised Section 501.1.2.7 and new Section 507 were submitted to the NERC Board of Trustees for approval on May 10, 2007, for consideration on May 14, 2007, and the Board agenda for May 14, including proposed revised Section 501.1.2.7 and new Section 507 were posted on the NERC web site on May 10. On May 14, 2007, NRECA

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<sup>3</sup>*Compliance Filing of the North American Electric Reliability Corporation in Response to January 18, 2007 Order and March 9, 2007 Order*, Docket Nos. RR06-1-003 and RR06-1-005, filed March 19, 2007.

<sup>4</sup>Several unrelated changes have also been made in Version 3.1 for purposes of updating, *i.e.*, to reflect that subsequent to the submission of Version 3 on February 6, 2007, the Commission has approved the proposed delegation agreements between NERC and the Regional Entities, and has approved 83 proposed reliability standards as mandatory and enforceable.

<sup>5</sup>NERC received a set of comments from a second stakeholder in response to the posting; however, those comments addressed other topics relating to registration of entities and did not address the proposed Sections 501.1.2.7 and 507 or the topic of joint registrations.

commented that it had reviewed EEI's comments and would prefer that the versions of Sections 501.1.2.7 and 507 as originally posted for comment on April 27 be adopted; however, NRECA did not identify as problematic any specific provisions of the revised versions of Sections 501.1.2.7 and 507 that were submitted to the Board. On May 14, 2007, NERC's Board of Trustees approved the proposed revisions to Sections 501.1.2.7 and new Section 507 of the Rules of Procedure that are being submitted in this filing.

#### **IV. CONCLUSION**

The North American Electric Reliability Corporation respectfully requests the Commission to accept this filing as compliance with paragraph 107 of Order No. 693, and, after notice and opportunity for public comment in accordance with 18 C.F.R. §39.10(c), to approve proposed revised Section 501.1.2.7 and proposed new Section 507 of the NERC Rules of Procedure, as submitted with this filing, pursuant to §215(f) of the Federal Power Act and 18 C.F.R. §39.10.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

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

Dated at Chicago, Illinois this 15th day of May, 2007.

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**ATTACHMENT 1A**

**REVISED SECTION 500 OF RULES OF PROCEDURE — CLEAN**

## SECTION 500 — ORGANIZATION REGISTRATION AND CERTIFICATION

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

Enforcing compliance with the NERC reliability standards requires that the identity of those responsible for complying with the standards be known and that those with primary reliability responsibilities be reviewed and certified as meeting established minimum requirements for performing those tasks. NERC shall develop and maintain a compliance registry and certification program for the purpose of promoting compliance with reliability standards and enhancing the reliability of the bulk power system.

The purpose of the compliance registry will be to clearly identify those entities that are responsible for compliance with reliability standards. Organizations listed on the registry will be responsible for knowing the content of and for complying with the NERC reliability standards. Organizations listed in the registry are not, nor do they become, members of NERC, a regional entity, or a regional reliability organization by virtue of being listed in the compliance registry. Membership in NERC is governed by Article II of NERC's bylaws; membership in a regional entity or regional reliability organization is governed by that entity's bylaws or rules.

Organization registration and certification may be delegated to regional entities in accordance with the procedures in this Section 500, the NERC *Organization Registration and Certification Manual*, which is incorporated into these rules as **Appendix 5**, and approved regional entity delegation agreements or other applicable agreements.

1. **Compliance Registry** — NERC shall establish and maintain a compliance registry of the bulk power system owners, operators, and users that are subject to approved reliability standards.
  - 1.1 The registry shall set forth the identity and functions performed for each organization responsible for meeting requirements of the reliability standards including: reliability coordinators, balancing authorities, transmission operators, transmission owners, generator operators, generator owners, transmission service providers, planning authorities, transmission planners, resource planners, load-serving entities, purchasing-selling entities, and distribution providers. Bulk power system owners, operators, and users shall provide to NERC and the applicable regional entity such information as is necessary to complete the registration.
  - 1.2 NERC and regional entities assisting NERC in the development of the compliance registry shall consider the following factors in determining which organizations should be placed in the registry:
    - 1.2.1 Owners and operators of bulk power system facilities will generally be included in the registry;

- 1.2.2** As identified by regional reliability organizations, electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher will be considered part of the bulk power system;
- 1.2.3** Radial transmission facilities serving only load with one transmission source, without more, will not be considered part of the bulk power system;
- 1.2.4** A customer that receives electric service at retail and does not otherwise directly receive, sell, purchase, or transmit power over the bulk power system or own, operate, maintain, or control facilities or systems that are part of the bulk power system will not in general be considered a user of the bulk power system;
- 1.2.5** An entity directly connected to the bulk power system selling, purchasing, or transmitting electric energy over the bulk power system will generally be considered a user of the bulk power system, unless the entity's actions or facilities have no material impact on the bulk power system;
- 1.2.6** Notwithstanding the other considerations in this Section 1.2, if the consequences of an entity's actions or inactions could have a material impact on the bulk power system, that entity may be considered a user of the bulk power system;
- 1.2.7** (a) A generation or transmission cooperative, a joint-action agency or another organization (a Joint Registration Organization or JRO) may be registered, in lieu of each of the JRO's members or related entities being registering individually, by the JRO accepting the reliability functions identified in Section 1.1 above, or (b) a JRO and its members or related entities may enter into a written agreement as to which of them will be responsible for one or more reliability standards applicable to a particular function and/or for one or more requirements within particular reliability standards, in either case in accordance with the provisions specified in Section 507 (each of (a) and (b), a "joint registration").

For purposes of this Section 501.1.2.7 and Section 507, a "related entity" is an entity whose operations in relation to the operation of the JRO make it feasible for the JRO to accept responsibility for reliability functions for which the related entity would otherwise be responsible. A non-exclusive list of examples of JROs and related entities includes (i) a balancing authority or a transmission provider as the JRO, and (ii) a load-serving entity or a distribution provider within the balancing authority's control area or receiving

transmission services from the transmission provider, as the related entity.

- 1.3** NERC and the regional entities shall use the following procedure for establishing and maintaining the compliance registry:
  - 1.3.1** NERC shall notify each organization of its intent to place the organization on the compliance registry.
  - 1.3.2** Any organization receiving such a notice may challenge the decision to include it on the compliance registry by filing its written objection with NERC's director of compliance within 21 days stating the reasons it believes it should not be considered a bulk power system owner, operator, or user.
  - 1.3.3** The Compliance Committee of the Board of Trustees will promptly issue a written decision on the challenge, including the reasons for the decision.
  - 1.3.4** The decision of the Compliance Committee shall be final unless, within 21 days, the organization appeals the decision to the applicable governmental authority.
  - 1.3.5** At any time a person may recommend in writing, with supporting reasons, to the director of compliance that an organization be added to or removed from the compliance registry.
  - 1.3.6** The compliance registry shall be dynamic and be revised as necessary to take account of changing circumstances. NERC will take such recommendations, and other applicable information, under advisement as it determines whether an entity should be on the compliance registry.
  - 1.3.7** Each entity identified in the registry shall notify NERC and its corresponding regional entity of any changes in ownership, corporate structure, or similar matters that affect the entity's responsibilities with respect to the reliability standards. Failure to notify will not relieve the entity from any responsibility to comply with the reliability standards or shield it from any penalties or sanctions associated with failing to comply with such standards.
- 1.4.** For all geographical or electrical areas of the bulk power system, the registration process shall ensure that (1) no areas are lacking any entities to perform the duties and tasks identified in and required by the reliability standards to the fullest extent practical, and (2) there is no duplication of such coverage or of required oversight of such coverage.

In particular the process shall:



### **3. Delegation and Oversight**

- 3.1** NERC may delegate the responsibilities of registration and certification to regional entities in accordance with requirements established by NERC. Delegation will be via the delegation agreement between NERC and the regional entity or other applicable agreement. The regional entity shall administer an organization registration and certification program to meet NERC's program goals and requirements.
- 3.2** NERC shall develop and maintain a plan to ensure the continuity of organization registration and certification within the geographic or electrical boundaries of a regional entity in the event that no entity is certified as a regional entity for that region, or the regional entity withdraws as a regional entity, or does not operate its organization registration and certification program in accordance with delegation agreements and other requirements.
- 3.3** NERC shall develop and maintain a program to monitor and oversee each regional entity registration and certification program that is delegated authority through a delegation agreement or other applicable agreement.
  - 3.3.1** This program shall monitor whether the regional entity carries out its organization registration and certification program in accordance with NERC requirements, and whether there is consistency, fairness of administration, and comparability of outcomes within each regional entity's certification and registration program and among all of the programs.
  - 3.3.2** Monitoring and oversight shall be accomplished through direct participation in certification audits and periodic reviews of program documents and records.

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

- 1.** NERC shall have final authority in all matters constituting the organization registration and certification program.
  - 1.1** The roles and authority of regional entities in the program are delegated from NERC pursuant to the rules of procedure through regional delegation agreements or other applicable agreements.
  - 1.2** Processes for the program shall be owned by NERC; materials that each regional entity may use to participate in the program may be adapted by that organization subject to prior review and approval by NERC.
  - 1.3** Regional entities participating in the program shall perform their roles and responsibilities to meet NERC's requirements, as specified in the rules of procedure or NERC approved materials, including requirements for

quality, thoroughness, timeliness, accuracy, efficiency, cost-effectiveness, and participation.

- 1.4 Regional entity's decisions to grant or deny certifications shall be subject to NERC review and action, including modification or reversal.
  - 1.5 Regional entity's decisions with respect to the use of the transitional certification processes, as now provided for within the NERC *Organization Registration and Certification Manual (Appendix 5)*, are subject to NERC review and action, including modification or reversal, should NERC deem such review or action warranted.
  - 1.6 Notwithstanding an entity's interest and right to object to the makeup of the certification team that will conduct the review of that entity, NERC, or the regional entity as authorized by NERC, will have final authority on the membership and member roles of that team.
  - 1.7 NERC, or the regional entity as authorized by NERC, shall make all assessments and decisions with respect to all aspects of the organization registration and certification program, including the completeness and accuracy of entities' applications.
2. To ensure consistency and fairness of the program, NERC shall develop procedures to be used by all regional entities in carrying out their organization registration and certification programs, in accordance with the following criteria:
- 2.1. NERC and the regional entities shall have data management processes and procedures that provide for integrity and retention of data and information collected.
  - 2.2. To maintain the integrity of the NERC Organization Registration and Certification Program, NERC, regional entities, certification audit team members, and committee members shall maintain the confidentiality of information provided by entities in order to become registered or certified.
    - 2.2.1 NERC and the regional entities shall have appropriate codes of conduct and confidentiality agreements for staff and other certification audit participants. Individuals not bound by ERO or approved regional entity codes of conduct and who serve on certification-related committees or audit teams shall sign an ERO confidentiality agreement prior to participating on the committee or team.
    - 2.2.2 Staff, committee, and audit team members shall maintain the confidentiality of any certification-related discussions or documents that are designated as confidential (see Section 1500 for types of confidential information). Staff, committee, and audit

team members shall treat as confidential the individual comments expressed during audits and report-drafting sessions.

- 2.2.3 Copies of notes, draft reports, and other interim documents developed or used during a certification audit shall be destroyed after the public posting of a final, uncontested report.
- 2.2.4 Information deemed by an entity, a regional entity, or NERC as confidential or critical energy infrastructure information shall not be distributed outside of a committee or team, or released publicly.
- 2.2.5 In the event that a staff, committee, or audit team member violates any of the confidentiality rules set forth above, the staff, committee, or audit team member and any member organization with which the individual is associated may be subject to immediate dismissal from the audit team and may be prohibited from future participation in compliance program activities by the regional entity or NERC.
- 2.2.6 NERC shall develop and provide training in auditing skills to all individuals who participate in certification audits. Training for ERO and regional entity personnel, as well as audit team leaders, shall be more comprehensive than training given to industry experts, regional entity members, and volunteers. Training for regional entity members and volunteers may be delegated to the regional entity.

2.3. An entity that is determined to be competent to perform a function after completing all certification requirements shall be deemed certified by NERC to perform that function.

2.3.1. An entity deemed certified by NERC to perform a function shall be considered and may be referred to, for example, as a certified transmission operator, certified balancing authority, or certified reliability coordinator. Only entities that have received such certifications from NERC shall be so designated.

2.3.2. NERC shall award certification to an entity only after it has demonstrated full competency to all certification requirements. An entity shall be awarded certification only for each function for which it has demonstrated full competency

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

- 1. **Delegation** — Recognizing the regional entity's knowledge of and experience with their members, NERC may delegate responsibility for organization

registration and certification to the regional entity through a delegation agreement or such responsibilities may be established through another applicable agreement.

2. **Registration** — The following organization registration activities shall be performed by the regional entity in accordance with the NERC Organization Registration and Certification Procedures, which are incorporated into the Rules of Procedure as **Appendix 5**.
  - 2.1. Entities seeking registration shall contact the regional entity in which they operate to become registered and, if necessary, certified.
  - 2.2. Regional entities shall verify that all balancing authorities and transmission operators are under the responsibility of one and only one reliability coordinator.
  - 2.3. Regional entities shall verify that all transmission elements of the bulk power system operated within their geographic boundaries are under the authority and control of one and only one transmission planner, planning authority, transmission owner, and transmission operator.
  - 2.4. Regional entities shall verify that all loads and generation sources within their geographic boundaries are under the authority and control of one and only one balancing authority.
  - 2.5. Regional entities shall verify that no geographical or electrical areas of the bulk power system within their boundaries have duplication of coverage or are lacking an entity to perform required duties and tasks as identified in the reliability standards.
3. **Certification** — The following organization certification activities shall be performed by the regional entity in accordance with an approved ERO delegation agreement or another applicable agreement:
  - 3.1. Entities seeking certification to perform one of the functions requiring certification shall contact the regional entity for the region(s) in which they operate to apply for certification. NERC shall have oversight of the regional entity's certification activities and processes.
  - 3.2. Entities seeking certification and other affected operators shall provide all information and data requested by NERC or the regional entity to conduct the certification process, in accordance with 18 C.F.R. Section 39.2 in the United States.
  - 3.3. Regional entities shall contact entities directly and provide notice of the requirement to be certified by NERC and initiate the process to certify any entities that do not voluntarily contact the regional entity or NERC.

- 3.4 Regional entities shall notify NERC of all certification applicants, including those not voluntarily seeking certification.
- 3.5 The regional entity shall establish certification procedures to include audit processes, schedules and deadlines, expectations of the applicants and all entities participating in the audit and certification processes, and requirements for certification auditors.
  - 3.5.1 The regional entity certification procedures will include provisions for on-site visits to the applicant's facilities to review the data collected through questionnaires, interviewing the operations and management personnel, inspecting the facilities and equipment (and requesting a demonstration of all tools identified in the certification standard), reviewing all necessary documents and data (including all agreements, processes, and procedures identified in the certification standard), reviewing certification documents and projected system operator work schedules, and reviewing any additional documentation that is needed to support the completed questionnaire or inquiries arising during the site visit.
  - 3.5.2 All industry experts and regional members participating in certification audits shall successfully complete appropriate training provided by NERC or the regional entity prior to performing an audit.
  - 3.5.3 The regional entity certification procedures will provide for preparation of a written report by the audit team detailing any deficiencies that must be resolved prior to certification along with any other recommendations for consideration by the entity, the regional entity, or NERC.
  - 3.5.4 The regional entity shall evaluate the competency of entities requiring certification to meet the minimum requirements established by the standards for each such function based on the requirements established by NERC.

#### **504. Appeals**

1. NERC shall maintain an appeals process to resolve any disputes related to registration or certification activities (*Organization Registration and Certification Manual — Appendix 5*).
2. Each regional entity with delegated responsibilities shall establish and maintain a fair, independent, and nondiscriminatory appeals process. The regional entity appeals process shall culminate with the regional board or a committee established by and reporting to the board as the final adjudicator, provided that: (1) in ERCOT, the Public Utility Commission of Texas may act as the final adjudicator, and (2) where applicable, Canadian provincial governmental

authorities may act as the final adjudicator in their jurisdictions. NERC shall be notified of all appeals and may observe any proceedings.

**505. Program Maintenance**

NERC shall maintain its program materials, including such manuals or other documents as it deems necessary, of the governing policies and procedures of the organization registration and certification program.

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

1. NERC shall provide for an independent audit of its organization certification program at least once every three years, or more frequently, as determined by the board. The audit shall be conducted by independent expert auditors as selected by the board.
2. The audit shall evaluate the success and effectiveness of the NERC organization certification program in achieving its mission.
3. The final report shall be posted by NERC for public viewing according to the reporting and disclosure process in Section 408.
4. If the audit report includes recommendations to improve the program, the administrators of the program shall provide a written response and plan to the board within 30 days of the final report.

**507. Provisions Relating to Joint Registrations and Joint Registration Organizations**

1. **Registration by a JRO.** In addition to registering as the entity responsible for all functions that a JRO performs itself, a JRO may register on behalf of one or more of its members or related entities for one or more functions as to which such members or related entities would otherwise be required to register, and thereby accept on behalf of such members or related entities all compliance responsibility, including reporting requirements, for all requirements of reliability standards applicable to the function or functions for which the JRO has registered on behalf of its members or related entities. Any entity seeking to register as a JRO for any or all requirements identified in the reliability standards that would otherwise be the responsibility of one or more of its members or related entities shall provide to the applicable regional entity information, in the form requested by the regional entity, sufficient to identify whether the entity or its member(s) or related entities will be responsible for compliance with each provision of the reliability standards for the applicable functional responsibilities covered by the joint registration. The JRO must identify its primary compliance contact. The JRO primary compliance contact is responsible for providing all of the information and data, including submitting reports, as needed by the regional entity for performing assessments of compliance.
2. **Joint registration pursuant to written agreement.** Where a JRO and any of its members or related entities agree, in writing, upon a division of compliance responsibility among them for one or more reliability standard(s) applicable to a

particular function, and/or for one or more requirements within particular reliability standard(s), both the JRO and such member(s) or related entit(ies) shall register as an organization responsible for that function. The JRO and its member(s) or related entit(ies) must have a written agreement that clearly specifies their respective responsibilities, which shall be submitted as part of the joint registration. Neither NERC nor the regional entity shall be parties to any such agreement between a JRO and its member or related entit(ies), nor shall NERC or the regional entity have responsibility for reviewing or approving any such agreement, other than to verify that the agreement provides for an allocation or assignment of responsibilities consistent with the joint registration.

3. NERC or the regional entity may request clarification of any list submitted to it that identifies the compliance responsibilities of the JRO and its member(s) or related entit(ies), and may request such additional information as NERC or the regional entity deems appropriate.
4. The regional entity shall notify NERC of each joint registration that the regional entity accepts. The regional entity's acceptance of a joint registration shall be a representation by the regional entity to NERC that the regional entity has concluded the joint registration will result in (1) no areas lacking any entities to perform the duties and tasks identified in and required by the reliability standards, and (2) no unnecessary duplication of such coverage of areas by entities to perform the duties and task identified in and required by the reliability standards or of required oversight of such coverage.
5. NERC shall maintain, and shall post on its web site, a Joint Registration Organization registry listing all joint registrations that have been accepted by NERC or by a regional entity and the reliability standards or requirements thereof for which each JRO and each of its members or related entities is responsible under the joint registration. The postings on NERC's web site shall clearly identify the compliance responsibilities of the JRO and of each of its member(s) or related entit(ies). Such postings are intended to enable reliability coordinators and other system operators to be fully aware of responsibilities and chains of command in order to respond quickly and decisively to system operation events.
6. Annually following submission of a joint registration, the JRO shall provide the regional entity with a list, in a form specified by the regional entity, that identifies the members or related entities and the functions for which the JRO has registered on behalf of such members or related entities and for which the JRO assumes compliance responsibility. Additionally, a JRO shall provide a revised list of compliance responsibilities to the regional entity each time the JRO accepts additional compliance responsibilities for a member or related entity or for a new member or related entity and each time that any compliance reliability reverts from the JRO to a member or related entity. The regional entity shall promptly notify NERC of each such revision.

7. In the event of a violation of a reliability standard or of a requirement of a reliability standard, the JRO or its member or related entity identified in the Joint Registration Organization registry as responsible for such reliability standard or requirement shall be identified in the notice of alleged violation and shall be assessed the sanction or penalty for the violation. In accordance with the NERC *Sanctions Guidelines*, for a violation that is attributable to a member or related entity that is registered under the joint registration, the penalty or sanction imposed for the violation will bear reasonable relation to the violation as incurred by that member or related entity and not the JRO. In the event a regional entity is not able to determine, based on the joint registration and the annual or other revised list submitted by the JRO, which entity is responsible for a particular reliability standard or requirement thereof that has been violated, the regional entity shall issue the notice of alleged violation to, and shall impose any sanction or penalty on, the JRO. NERC and the regional entity shall have no responsibility for any allocation or collection of penalties or sanctions between or among the JRO and its member(s) or related entity(ies).
  
8. **Individual member registration.** Nothing in this Section 507 shall preclude a member of a JRO, a related entity, or any other entity, from registering on its own behalf and undertaking full compliance responsibility, including reporting requirements, for the reliability standards applicable to the function(s) for which the member or other entity is registering. A JRO member or related entity that registers as responsible for any reliability standard or requirement of a reliability standards shall inform the JRO of its registration.

**ATTACHMENT 1B**

**REVISED SECTION 500 OF RULES OF PROCEDURE — REDLINED**

## SECTION 500 — ORGANIZATION REGISTRATION AND CERTIFICATION

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

Enforcing compliance with the NERC reliability standards requires that the identity of those responsible for complying with the standards be known and that those with primary reliability responsibilities be reviewed and certified as meeting established minimum requirements for performing those tasks. NERC shall develop and maintain a compliance registry and certification program for the purpose of promoting compliance with reliability standards and enhancing the reliability of the bulk power system.

The purpose of the compliance registry will be to clearly identify those entities that are responsible for compliance with reliability standards. Organizations listed on the registry will be responsible for knowing the content of and for complying with the NERC reliability standards. Organizations listed in the registry are not, nor do they become, members of NERC, a regional entity, or a regional reliability organization by virtue of being listed in the compliance registry. Membership in NERC is governed by Article II of NERC's bylaws; membership in a regional entity or regional reliability organization is governed by that entity's bylaws or rules.

Organization registration and certification may be delegated to regional entities in accordance with the procedures in this Section 500, the NERC *Organization Registration and Certification Manual*, which is incorporated into these rules as **Appendix 5**, and approved regional entity delegation agreements or other applicable agreements.

**1. Compliance Registry** — NERC shall establish and maintain a compliance registry of the bulk power system owners, operators, and users that are subject to approved reliability standards.

**1.1** The registry shall set forth the identity and functions performed for each organization responsible for meeting requirements of the reliability standards including: reliability coordinators, balancing authorities, transmission operators, transmission owners, generator operators, generator owners, transmission service providers, planning authorities, transmission planners, resource planners, load-serving entities, purchasing-selling entities, and distribution providers. Bulk power system owners, operators, and users shall provide to NERC and the applicable regional entity such information as is necessary to complete the registration.

**1.2** NERC and regional entities assisting NERC in the development of the compliance registry shall consider the following factors in determining which organizations should be placed in the registry:

**1.2.1** Owners and operators of bulk power system facilities will generally be included in the registry;

- 1.2.2** As identified by regional reliability organizations, electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher will be considered part of the bulk power system;
- 1.2.3** Radial transmission facilities serving only load with one transmission source, without more, will not be considered part of the bulk power system;
- 1.2.4** A customer that receives electric service at retail and does not otherwise directly receive, sell, purchase, or transmit power over the bulk power system or own, operate, maintain, or control facilities or systems that are part of the bulk power system will not in general be considered a user of the bulk power system;
- 1.2.5** An entity directly connected to the bulk power system selling, purchasing, or transmitting electric energy over the bulk power system will generally be considered a user of the bulk power system, unless the entity's actions or facilities have no material impact on the bulk power system;
- 1.2.6** Notwithstanding the other considerations in this Section 1.2, if the consequences of an entity's actions or inactions could have a material impact on the bulk power system, that entity may be considered a user of the bulk power system;
- 1.2.7** (a) A generation or transmission cooperative, ~~a or similar~~ joint-action agency ~~or another organization (a Joint Registration Organization or JRO)~~ may be registered, in lieu of each of ~~the~~ ~~JRO's~~ members ~~or related entities~~ being registering individually, by ~~the JRO~~ accepting the reliability functions identified in Section 1.1 above ~~of that entity's members~~, ~~or (b) a JRO and its members or related entities may enter into a written agreement as to which of them will be responsible for one or more reliability standards applicable to a particular function and/or for one or more requirements within particular reliability standards, in either case in accordance with the provisions specified in Section 507 (each of (a) and (b), a "joint registration")~~.

For purposes of this Section 501.1.2.7 and Section 507, a "related entity" is an entity whose operations in relation to the operation of the JRO make it feasible for the JRO to accept responsibility for reliability functions for which the related entity would otherwise be responsible. A non-exclusive list of examples of JROs and related entities includes (i) a balancing authority or a transmission provider as the JRO, and (ii) a load-serving entity or a distribution

[provider within the balancing authority's control area or receiving transmission services from the transmission provider, as the related entity.](#)

- 1.3** NERC and the regional entities shall use the following procedure for establishing and maintaining the compliance registry:
  - 1.3.1** NERC shall notify each organization of its intent to place the organization on the compliance registry.
  - 1.3.2** Any organization receiving such a notice may challenge the decision to include it on the compliance registry by filing its written objection with NERC's director of compliance within 21 days stating the reasons it believes it should not be considered a bulk power system owner, operator, or user.
  - 1.3.3** The Compliance Committee of the Board of Trustees will promptly issue a written decision on the challenge, including the reasons for the decision.
  - 1.3.4** The decision of the Compliance Committee shall be final unless, within 21 days, the organization appeals the decision to the applicable governmental authority.
  - 1.3.5** At any time a person may recommend in writing, with supporting reasons, to the director of compliance that an organization be added to or removed from the compliance registry.
  - 1.3.6** The compliance registry shall be dynamic and be revised as necessary to take account of changing circumstances. NERC will take such recommendations, and other applicable information, under advisement as it determines whether an entity should be on the compliance registry.
  - 1.3.7** Each entity identified in the registry shall notify NERC and its corresponding regional entity of any changes in ownership, corporate structure, or similar matters that affect the entity's responsibilities with respect to the reliability standards. Failure to notify will not relieve the entity from any responsibility to comply with the reliability standards or shield it from any penalties or sanctions associated with failing to comply with such standards.
- 1.4.** For all geographical or electrical areas of the bulk power system, the registration process shall ensure that (1) no areas are lacking any entities to perform the duties and tasks identified in and required by the reliability standards to the fullest extent practical, and (2) there is no duplication of such coverage or of required oversight of such coverage.

In particular the process shall:

- 1.4.1 Ensure that all areas are under the oversight of one and only one reliability coordinator.
  - 1.4.2 Ensure that all balancing authorities and transmission operator entities<sup>2</sup> are under the responsibility of one and only one reliability coordinator.
  - 1.4.3 Ensure that all transmission elements of the bulk power system are the responsibility and under the control of one and only one transmission planner, planning authority, and transmission operator.
  - 1.4.4 Ensure that all loads and generators are under the responsibility and control of one and only one balancing authority.
  - 1.5 NERC shall maintain publicly available process documentation.
  - 1.6 NERC shall maintain the compliance registry of organizations responsible for meeting the requirements of the reliability standards currently in effect on its Web site and shall update the compliance registry monthly.
2. **Entity Certification** — NERC shall provide for certification of all entities with primary reliability responsibilities requiring certification as established in the NERC reliability standards. The NERC program shall:
- 2.1 Evaluate and certify the competency of entities performing reliability functions. The entities presently expected to be certified include reliability coordinators, transmission operators, and balancing authorities. Other entities may be added, as required, by approved reliability standards.
  - 2.2 Certify each entity's ability to meet the minimum requirements established by the NERC reliability standards for each function.
  - 2.3 Maintain process documentation.
  - 2.4 Maintain records of currently certified entities.

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<sup>2</sup> Some organizations perform the listed functions (e.g., balancing authority, transmission operator) over areas that transcend the footprints of more than one reliability coordinator. Such organizations will have multiple registrations, with each such registration corresponding to that portion of the organization's overall area that is within the footprint of a particular reliability coordinator.

### **3. Delegation and Oversight**

**3.1** NERC may delegate the responsibilities of registration and certification to regional entities in accordance with requirements established by NERC. Delegation will be via the delegation agreement between NERC and the regional entity or other applicable agreement. The regional entity shall administer an organization registration and certification program to meet NERC's program goals and requirements.

**3.2** NERC shall develop and maintain a plan to ensure the continuity of organization registration and certification within the geographic or electrical boundaries of a regional entity in the event that no entity is certified as a regional entity for that region, or the regional entity withdraws as a regional entity, or does not operate its organization registration and certification program in accordance with delegation agreements and other requirements.

**3.3** NERC shall develop and maintain a program to monitor and oversee each regional entity registration and certification program that is delegated authority through a delegation agreement or other applicable agreement.

**3.3.1** This program shall monitor whether the regional entity carries out its organization registration and certification program in accordance with NERC requirements, and whether there is consistency, fairness of administration, and comparability of outcomes within each regional entity's certification and registration program and among all of the programs.

**3.3.2** Monitoring and oversight shall be accomplished through direct participation in certification audits and periodic reviews of program documents and records.

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

**1.** NERC shall have final authority in all matters constituting the organization registration and certification program.

**1.1** The roles and authority of regional entities in the program are delegated from NERC pursuant to the rules of procedure through regional delegation agreements or other applicable agreements.

**1.2** Processes for the program shall be owned by NERC; materials that each regional entity may use to participate in the program may be adapted by that organization subject to prior review and approval by NERC.

**1.3** Regional entities participating in the program shall perform their roles and responsibilities to meet NERC's requirements, as specified in the rules of procedure or NERC approved materials, including requirements for

quality, thoroughness, timeliness, accuracy, efficiency, cost-effectiveness, and participation.

- 1.4 Regional entity's decisions to grant or deny certifications shall be subject to NERC review and action, including modification or reversal.
  - 1.5 Regional entity's decisions with respect to the use of the transitional certification processes, as now provided for within the NERC *Organization Registration and Certification Manual (Appendix 5)*, are subject to NERC review and action, including modification or reversal, should NERC deem such review or action warranted.
  - 1.6 Notwithstanding an entity's interest and right to object to the makeup of the certification team that will conduct the review of that entity, NERC, or the regional entity as authorized by NERC, will have final authority on the membership and member roles of that team.
  - 1.7 NERC, or the regional entity as authorized by NERC, shall make all assessments and decisions with respect to all aspects of the organization registration and certification program, including the completeness and accuracy of entities' applications.
2. To ensure consistency and fairness of the program, NERC shall develop procedures to be used by all regional entities in carrying out their organization registration and certification programs, in accordance with the following criteria:
- 2.1. NERC and the regional entities shall have data management processes and procedures that provide for integrity and retention of data and information collected.
  - 2.2. To maintain the integrity of the NERC Organization Registration and Certification Program, NERC, regional entities, certification audit team members, and committee members shall maintain the confidentiality of information provided by entities in order to become registered or certified.
    - 2.2.1 NERC and the regional entities shall have appropriate codes of conduct and confidentiality agreements for staff and other certification audit participants. Individuals not bound by ERO or approved regional entity codes of conduct and who serve on certification-related committees or audit teams shall sign an ERO confidentiality agreement prior to participating on the committee or team.
    - 2.2.2 Staff, committee, and audit team members shall maintain the confidentiality of any certification-related discussions or documents that are designated as confidential (see Section 1500 for types of confidential information). Staff, committee, and audit

team members shall treat as confidential the individual comments expressed during audits and report-drafting sessions.

- 2.2.3 Copies of notes, draft reports, and other interim documents developed or used during a certification audit shall be destroyed after the public posting of a final, uncontested report.
  - 2.2.4 Information deemed by an entity, a regional entity, or NERC as confidential or critical energy infrastructure information shall not be distributed outside of a committee or team, or released publicly.
  - 2.2.5 In the event that a staff, committee, or audit team member violates any of the confidentiality rules set forth above, the staff, committee, or audit team member and any member organization with which the individual is associated may be subject to immediate dismissal from the audit team and may be prohibited from future participation in compliance program activities by the regional entity or NERC.
  - 2.2.6 NERC shall develop and provide training in auditing skills to all individuals who participate in certification audits. Training for ERO and regional entity personnel, as well as audit team leaders, shall be more comprehensive than training given to industry experts, regional entity members, and volunteers. Training for regional entity members and volunteers may be delegated to the regional entity.
- 2.3. An entity that is determined to be competent to perform a function after completing all certification requirements shall be deemed certified by NERC to perform that function.
- 2.3.1. An entity deemed certified by NERC to perform a function shall be considered and may be referred to, for example, as a certified transmission operator, certified balancing authority, or certified reliability coordinator. Only entities that have received such certifications from NERC shall be so designated.
  - 2.3.2. NERC shall award certification to an entity only after it has demonstrated full competency to all certification requirements. An entity shall be awarded certification only for each function for which it has demonstrated full competency

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

- 1. **Delegation** — Recognizing the regional entity's knowledge of and experience with their members, NERC may delegate responsibility for organization

registration and certification to the regional entity through a delegation agreement or such responsibilities may be established through another applicable agreement.

2. **Registration** — The following organization registration activities shall be performed by the regional entity in accordance with the NERC Organization Registration and Certification Procedures, which are incorporated into the Rules of Procedure as **Appendix 5**.
  - 2.1. Entities seeking registration shall contact the regional entity in which they operate to become registered and, if necessary, certified.
  - 2.2. Regional entities shall verify that all balancing authorities and transmission operators are under the responsibility of one and only one reliability coordinator.
  - 2.3. Regional entities shall verify that all transmission elements of the bulk power system operated within their geographic boundaries are under the authority and control of one and only one transmission planner, planning authority, transmission owner, and transmission operator.
  - 2.4. Regional entities shall verify that all loads and generation sources within their geographic boundaries are under the authority and control of one and only one balancing authority.
  - 2.5. Regional entities shall verify that no geographical or electrical areas of the bulk power system within their boundaries have duplication of coverage or are lacking an entity to perform required duties and tasks as identified in the reliability standards.
3. **Certification** — The following organization certification activities shall be performed by the regional entity in accordance with an approved ERO delegation agreement or another applicable agreement:
  - 3.1. Entities seeking certification to perform one of the functions requiring certification shall contact the regional entity for the region(s) in which they operate to apply for certification. NERC shall have oversight of the regional entity's certification activities and processes.
  - 3.2. Entities seeking certification and other affected operators shall provide all information and data requested by NERC or the regional entity to conduct the certification process, in accordance with 18 C.F.R. Section 39.2 in the United States.
  - 3.3. Regional entities shall contact entities directly and provide notice of the requirement to be certified by NERC and initiate the process to certify any entities that do not voluntarily contact the regional entity or NERC.

- 3.4 Regional entities shall notify NERC of all certification applicants, including those not voluntarily seeking certification.
- 3.5 The regional entity shall establish certification procedures to include audit processes, schedules and deadlines, expectations of the applicants and all entities participating in the audit and certification processes, and requirements for certification auditors.
  - 3.5.1 The regional entity certification procedures will include provisions for on-site visits to the applicant's facilities to review the data collected through questionnaires, interviewing the operations and management personnel, inspecting the facilities and equipment (and requesting a demonstration of all tools identified in the certification standard), reviewing all necessary documents and data (including all agreements, processes, and procedures identified in the certification standard), reviewing certification documents and projected system operator work schedules, and reviewing any additional documentation that is needed to support the completed questionnaire or inquiries arising during the site visit.
  - 3.5.2 All industry experts and regional members participating in certification audits shall successfully complete appropriate training provided by NERC or the regional entity prior to performing an audit.
  - 3.5.3 The regional entity certification procedures will provide for preparation of a written report by the audit team detailing any deficiencies that must be resolved prior to certification along with any other recommendations for consideration by the entity, the regional entity, or NERC.
  - 3.5.4 The regional entity shall evaluate the competency of entities requiring certification to meet the minimum requirements established by the standards for each such function based on the requirements established by NERC.

#### **504. Appeals**

- 1. NERC shall maintain an appeals process to resolve any disputes related to registration or certification activities (*Organization Registration and Certification Manual — Appendix 5*).
- 2. Each regional entity with delegated responsibilities shall establish and maintain a fair, independent, and nondiscriminatory appeals process. The regional entity appeals process shall culminate with the regional board or a committee established by and reporting to the board as the final adjudicator, provided that: (1) in ERCOT, the Public Utility Commission of Texas may act as the final adjudicator, and (2) where applicable, Canadian provincial governmental

authorities may act as the final adjudicator in their jurisdictions. NERC shall be notified of all appeals and may observe any proceedings.

#### **505. Program Maintenance**

NERC shall maintain its program materials, including such manuals or other documents as it deems necessary, of the governing policies and procedures of the organization registration and certification program.

#### **506. Independent Audit of NERC Organization Certification Program**

1. NERC shall provide for an independent audit of its organization certification program at least once every three years, or more frequently, as determined by the board. The audit shall be conducted by independent expert auditors as selected by the board.
2. The audit shall evaluate the success and effectiveness of the NERC organization certification program in achieving its mission.
3. The final report shall be posted by NERC for public viewing according to the reporting and disclosure process in Section 408.
4. If the audit report includes recommendations to improve the program, the administrators of the program shall provide a written response and plan to the board within 30 days of the final report.

#### **507. Provisions Relating to Joint Registrations and Joint Registration Organizations**

1. Registration by a JRO. In addition to registering as the entity responsible for all functions that a JRO performs itself, a JRO may register on behalf of one or more of its members or related entities for one or more functions as to which such members or related entities would otherwise be required to register, and thereby accept on behalf of such members or related entities all compliance responsibility, including reporting requirements, for all requirements of reliability standards applicable to the function or functions for which the JRO has registered on behalf of its members or related entities. Any entity seeking to register as a JRO for any or all requirements identified in the reliability standards that would otherwise be the responsibility of one or more of its members or related entities shall provide to the applicable regional entity information, in the form requested by the regional entity, sufficient to identify whether the entity or its member(s) or related entities will be responsible for compliance with each provision of the reliability standards for the applicable functional responsibilities covered by the joint registration. The JRO must identify its primary compliance contact. The JRO primary compliance contact is responsible for providing all of the information and data, including submitting reports, as needed by the regional entity for performing assessments of compliance.
2. Joint registration pursuant to written agreement. Where a JRO and any of its members or related entities agree, in writing, upon a division of compliance responsibility among them for one or more reliability standard(s) applicable to a

particular function, and/or for one or more requirements within particular reliability standard(s), both the JRO and such member(s) or related entit(ies) shall register as an organization responsible for that function. The JRO and its member(s) or related entit(ies) must have a written agreement that clearly specifies their respective responsibilities, which shall be submitted as part of the joint registration. Neither NERC nor the regional entity shall be parties to any such agreement between a JRO and its member or related entit(ies), nor shall NERC or the regional entity have responsibility for reviewing or approving any such agreement, other than to verify that the agreement provides for an allocation or assignment of responsibilities consistent with the joint registration.

3. NERC or the regional entity may request clarification of any list submitted to it that identifies the compliance responsibilities of the JRO and its member(s) or related entit(ies), and may request such additional information as NERC or the regional entity deems appropriate.
4. The regional entity shall notify NERC of each joint registration that the regional entity accepts. The regional entity's acceptance of a joint registration shall be a representation by the regional entity to NERC that the regional entity has concluded the joint registration will result in (1) no areas lacking any entities to perform the duties and tasks identified in and required by the reliability standards, and (2) no unnecessary duplication of such coverage of areas by entities to perform the duties and task identified in and required by the reliability standards or of required oversight of such coverage.
5. NERC shall maintain, and shall post on its web site, a Joint Registration Organization registry listing all joint registrations that have been accepted by NERC or by a regional entity and the reliability standards or requirements thereof for which each JRO and each of its members or related entities is responsible under the joint registration. The postings on NERC's web site shall clearly identify the compliance responsibilities of the JRO and of each of its member(s) or related entit(ies). Such postings are intended to enable reliability coordinators and other system operators to be fully aware of responsibilities and chains of command in order to respond quickly and decisively to system operation events.
6. Annually following submission of a joint registration, the JRO shall provide the regional entity with a list, in a form specified by the regional entity, that identifies the members or related entities and the functions for which the JRO has registered on behalf of such members or related entities and for which the JRO assumes compliance responsibility. Additionally, a JRO shall provide a revised list of compliance responsibilities to the regional entity each time the JRO accepts additional compliance responsibilities for a member or related entity or for a new member or related entity and each time that any compliance reliability reverts from the JRO to a member or related entity. The regional entity shall promptly notify NERC of each such revision.

7. In the event of a violation of a reliability standard or of a requirement of a reliability standard, the JRO or its member or related entity identified in the Joint Registration Organization registry as responsible for such reliability standard or requirement shall be identified in the notice of alleged violation and shall be assessed the sanction or penalty for the violation. In accordance with the NERC *Sanctions Guidelines*, for a violation that is attributable to a member or related entity that is registered under the joint registration, the penalty or sanction imposed for the violation will bear reasonable relation to the violation as incurred by that member or related entity and not the JRO. In the event a regional entity is not able to determine, based on the joint registration and the annual or other revised list submitted by the JRO, which entity is responsible for a particular reliability standard or requirement thereof that has been violated, the regional entity shall issue the notice of alleged violation to, and shall impose any sanction or penalty on, the JRO. NERC and the regional entity shall have no responsibility for any allocation or collection of penalties or sanctions between or among the JRO and its member(s) or related entit(ies).
- 8. Individual member registration.** Nothing in this Section 507 shall preclude a member of a JRO, a related entity, or any other entity, from registering on its own behalf and undertaking full compliance responsibility, including reporting requirements, for the reliability standards applicable to the function(s) for which the member or other entity is registering. A JRO member or related entity that registers as responsible for any reliability standard or requirement of a reliability standards shall inform the JRO of its registration.

**ATTACHMENT 2A**

***STATEMENT OF COMPLIANCE REGISTRY CRITERIA, VERSION 3.1 —  
CLEAN***

## Statement of Compliance Registry Criteria (Revision 3.1)

### Summary

Since becoming the Electric Reliability Organization (ERO), NERC has initiated a program to identify candidate organizations for its compliance registry. The program, conducted by NERC and the Regional Entities<sup>1</sup>, will also confirm the functions and information now on file for currently-registered organizations. NERC and the Regional Entities have the obligation to identify and register all entities that meet the criteria for inclusion in the compliance registry, as further explained in the balance of this document.

This document describes how NERC will identify organizations that may be candidates for registration and assign them to the compliance registry.

Organizations will be responsible to register and to comply with approved reliability standards to the extent that they are owners, operators, and users of the bulk power system, perform a function listed in the functional types identified in Section II of this document, and are material to the reliable operation of the interconnected bulk power system as defined by the criteria and notes set forth in this document. NERC will apply the following principles to the compliance registry:

- In order to carry out its responsibilities related to enforcement of Reliability Standards, NERC must identify the owners, operators, and users of the bulk power system who have a material impact<sup>2</sup> on the bulk power system through a compliance registry. NERC and the Regional Entities will make their best efforts to identify all owners, users and operators who have a material reliability impact on the bulk power system in order to develop a complete and current registry list. The registry will be updated as required and maintained on an on-going basis.
- Organizations listed in the compliance registry are responsible and will be monitored for compliance with applicable mandatory reliability standards. They will be subject to NERC's and the Regional Entities' compliance and enforcement programs.
- NERC and Regional Entities will not monitor nor hold those not in the registry responsible for compliance with the standards. An entity which is not initially placed on the registry, but which is identified subsequently as having a material reliability impact, will be added to the registry. Such entity will not be subject to a sanction or penalty by NERC or the Regional Entity for actions or inactions prior to being placed on the registry, but may be required to comply with a remedial action directive or mitigation plan in order to become compliant with applicable standards. After such entity has been placed on the compliance registry, it shall be responsible for

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<sup>1</sup> The term "Regional Entities" includes Cross-Border Regional Entities.

<sup>2</sup> The criteria for determining whether an entity will be placed on the registry are set forth in the balance of this document. At any time a person may recommend in writing, with supporting reasons, to the director of compliance that an organization be added to or removed from the compliance registry, pursuant to NERC ROP 501.1.3.5.

complying with Reliability Standards and may be subject to sanctions or penalties as well as any remedial action directives and mitigation plans required by the Regional Entities or NERC for future violations, including any failure to follow a remedial action directive or mitigation plan to become compliant with Reliability Standards.

- Required compliance by a given organization with the standards will begin the later of (i) inclusion of that organization in the compliance registry and (ii) approval by the appropriate governmental authority of mandatory reliability standards applicable to the entity.

Entities responsible for funding NERC and the Regional Entities have been identified in the budget documents filed with FERC. Presence on or absence from the compliance registry has no bearing on an entity's independent responsibility for funding NERC and the Regional Entities.

## **Background**

In 2005, NERC and the Regional Entities conducted a voluntary organization registration program limited to balancing authorities, planning authorities, regional reliability organizations, reliability coordinators, transmission operators, and transmission planners. The list of the entities that were registered constitutes what NERC considered at that time as its compliance registry.

NERC has recently initiated a broader program to identify additional organizations potentially eligible to be included in the compliance registry and to confirm the information of organizations currently on file. NERC believes this is a prudent activity at this time because:

- As of July 20, 2006, NERC was certified as the ERO created for the U.S. by the Energy Policy Act of 2005 (EPAct) and FERC Order 672. NERC has also filed with Canadian authorities for similar recognition in their respective jurisdictions.
- FERC's Order 672 directs that owners, operators and users of the bulk power system shall be registered with the ERO and the appropriate Regional Entities.
- As the ERO, NERC has filed its current reliability standards with FERC and with Canadian authorities. As accepted and approved by FERC and appropriate Canadian authorities, the reliability standards are no longer voluntary, and organizations that do not fully comply with them may face penalties or other sanctions determined and levied by NERC or the Regional Entities.
- NERC's reliability standards include compliance requirements for additional reliability function types beyond the six types registered by earlier registration programs.
- Based on selection as the ERO, the extension and expansion of NERC's current registration program<sup>3</sup> is the means by which NERC and the Regional Entities will plan, manage and execute reliability standard compliance oversight of owners, operators, and users of the bulk power system.
- Organizations listed in the compliance registry are subject to NERC's and the Regional Entities' compliance and enforcement programs.

## **Statement of Issue**

As the ERO, NERC intends to comprehensively and thoroughly protect the reliability of the grid. To support this goal NERC will include in its compliance registry each entity that NERC

<sup>3</sup> See: NERC ERO Application; Exhibit C; Section 500 – Organization Registration and Certification.

concludes can materially impact the reliability of the bulk power system. However, the potential costs and effort of ensuring that every organization potentially within the scope of “owner, operator, and user of the bulk power system” becomes registered while ignoring their impact upon reliability, would be disproportionate to the improvement in reliability that would reasonably be anticipated from doing so.

NERC wishes to identify as many organizations as possible that may need to be listed in its compliance registry. Identifying these organizations is necessary and prudent at this time for the purpose of determining resource needs, both at the NERC and Regional Entity level, and to begin the process of communication with these entities regarding their potential responsibilities and obligations. NERC and the Regional Entities believe that primary candidate entities can be identified at this time, while other entities can be identified later, as and when needed. Selection principles and criteria for the identification of these initial entities are required. This list will become the “Initial Non-binding Organization Registration List”. With FERC having made the approved Reliability Standards enforceable, this list becomes the NERC Compliance Registry.

## **Resolution**

NERC and the Regional Entities have identified two principles they believe are key to the entity selection process. These are:

1. There needs to be consistency between regions and across the continent with respect to which entities are registered, and;
2. Any entity reasonably deemed material to the reliability of the bulk power system will be registered, irrespective of other considerations.

To address the second principle the Regional Entities, working with NERC, will identify and register any entity they deem material to the reliability of the bulk power system.

In order to promote consistency, NERC and the Regional Entities intend to use the following criteria as the basis for determining whether particular entities should be identified as candidates for registration. All organizations meeting or exceeding the criteria will be identified as candidates.

The following four groups of criteria (Sections I-IV) plus the statements in Section V will provide guidance regarding an entity’s registration status:

- Section I determines if the entity is an owner, operator, or user of the bulk power system and, hence, a candidate for organization registration.
- Section II uses NERC’s current functional type definitions to provide an initial determination of the functional types for which the entities identified in Section I should be considered for registration.
- Section III lists the criteria regarding smaller entities; these criteria can be used to forego the registration of entities that were selected to be considered for registration pursuant to Sections I and II and, if circumstances change, for later removing entities from the registration list that no longer meet the relevant criteria.
- Section IV – additional criteria for joint registration. Joint registration criteria may be used by Joint Action Agencies, Generation and Transmission Cooperatives and other entities which agree upon a clear division of compliance responsibility for Reliability Standards by written agreement. Pursuant to FERC’s directive in paragraph 107 of Order

No. 693, rules pertaining to joint registration and Joint Registration Organizations will now be found in Sections 501 and 507 of the NERC Rules of Procedure.

- I. Entities that use, own or operate elements of the bulk electric system as established by NERC's approved definition of bulk electric system below are (i) owners, operators, and users of the bulk power system and (ii) candidates for registration:

*“As defined by the Regional Reliability Organization, the electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher. Radial transmission facilities serving only load with one transmission source are generally not included in this definition.”<sup>4</sup>*

- II. Entities identified in Part I above will be categorized as registration candidates who may be subject to registration under one or more appropriate functional entity types based on a comparison of the functions the entity normally performs against the following function type definitions:

<b>Function Type</b>	<b>Acronym</b>	<b>Definition/Discussion</b>
Balancing Authority	BA	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a BA area, and supports Interconnection frequency in real-time.
Distribution Provider	DP	Provides and operates the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the DP. Thus, the DP is not defined by a specific voltage, but rather as performing the Distribution function at any voltage.
Generator Operator	GOP	The entity that operates generating unit(s) and performs the functions of supplying energy and interconnected operations services.
Generator Owner	GO	Entity that owns and maintains generating units.
Load-Serving Entity	LSE	Secures energy and transmission service (and related interconnected operations services) to serve the electrical demand and energy requirements of its end-use

<sup>4</sup> However, ownership of radial transmission facilities intended to be covered by the vegetation management standard (applicable to transmission lines 200 kV and above) would be included in this definition.

<b>Function Type</b>	<b>Acronym</b>	<b>Definition/Discussion</b>
		customers.
Planning Authority	PA	The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems.
Purchasing-Selling Entity	PSE	The entity that purchases or sells and takes title to energy, capacity, and interconnected operations services. PSE may be affiliated or unaffiliated merchants and may or may not own generating facilities.
Reliability Coordinator	RC	The entity that is the highest level of authority who is responsible for the reliable operation of the bulk power system, has the wide area view of the bulk power system, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The RC has the purview that is broad enough to enable the calculation of interconnection reliability operating limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator's vision.
Reserve Sharing Group	RSG	A group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply operating reserves required for each BA's use in recovering from contingencies within the group. Scheduling energy from an adjacent BA to aid recovery need not constitute reserve sharing provided the transaction is ramped in over a period the supplying party could reasonably be expected to load generation in (e.g., ten minutes). If the transaction is ramped in quicker, (e.g., between zero and ten minutes) then, for the purposes of disturbance control performance, the areas become a RSG.
Resource Planner	RP	The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a PA area.
Transmission Owner	TO	The entity that owns and maintains transmission facilities.

Function Type	Acronym	Definition/Discussion
Transmission Operator	TOP	The entity responsible for the reliability of its local transmission system and operates or directs the operations of the transmission facilities.
Transmission Planner	TP	The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the PA area.
Transmission Service Provider	TSP	The entity that administers the transmission tariff and provides transmission service to transmission customers under applicable transmission service agreements.

III. Entities identified in Part II above as being subject to registration as an LSE, DP, GO, GOP, TO, or TOP should be excluded from the registration list for these functions if they do not meet any of the criteria listed below:

III(a) Load-serving Entity:

- III.a.1 Load-serving entity peak load is > 25 MW and is directly connected to the bulk power (>100 kV) system, or;
- III.a.2 Load-serving entity is designated as the responsible entity for facilities that are part of a required underfrequency load shedding (UFLS) program designed, installed, and operated for the protection of the bulk power system, or;
- III.a.3 Load-serving entity is designated as the responsible entity for facilities that are part of a required undervoltage load shedding (UVLS) program designed, installed, and operated for the protection of the bulk power system.

*[Exclusion: A load-serving entity will not be registered based on these criteria if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, balancing authority, transmission operator, G&T cooperative or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.]*

III(b) Distribution Provider:

- III.b.1 Distribution provider system serving >25 MW of peak load that is directly connected to the bulk power system.

*[Exclusion: A distribution provider will not be registered based on this criterion if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for*

*the appropriate function for the transferred responsibilities, such as a load-serving entity, balancing authority, transmission operator, G&T cooperative, or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.] or;*

- III.b.2 Distribution provider is the responsible entity that owns, controls, or operates facilities that are part of any of the following protection systems or programs designed, installed, and operated for the protection of the bulk power system:
- a required UFLS program.
  - a required UVLS program.
  - a required special protection system.
  - a required transmission protection system.

*[Exclusion: A distribution provider will not be registered based on these criteria if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, balancing authority, transmission operator, G&T cooperative, or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.]*

III(c) Generator Owner/Operator:

- III.c.1 Individual generating unit > 20 MVA (gross nameplate rating) and is directly connected to the bulk power system, or;
- III.c.2 Generating plant/facility > 75 MVA (gross aggregate nameplate rating) or when the entity has responsibility for any facility consisting of one or more units that are connected to the bulk power system at a common bus with total generation above 75 MVA gross nameplate rating, or;
- III.c.3 Any generator, regardless of size, that is a blackstart unit material to and designated as part of a transmission operator entity's restoration plan, or;
- III.c.4 Any generator, regardless of size, that is material to the reliability of the bulk power system.

*[Exclusions:*

*A generator owner/operator will not be registered based on these criteria if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, G&T cooperative or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.*

*As a general matter, a customer-owned or operated generator/generation that serves all or part of retail load with electric energy on the customer's side of the retail meter may be excluded as a candidate for registration based on these criteria if (i) the net capacity provided to the bulk power system does not exceed the criteria above or the Regional Entity otherwise*

*determines the generator is not material to the bulk power system and (ii) standby, back-up and maintenance power services are provided to the generator or to the retail load pursuant to a binding obligation with another generator owner/operator or under terms approved by the local regulatory authority or the Federal Energy Regulatory Commission, as applicable.]*

#### III(d) Transmission Owner/Operator:

III.d.1 An entity that owns/operates an integrated transmission element associated with the bulk power system 100 kV and above, or lower voltage as defined by the Regional Entity necessary to provide for the reliable operation of the interconnected transmission grid; or

III.d.2 An entity that owns/operates a transmission element below 100 kV associated with a facility that is included on a critical facilities list that is defined by the Regional Entity.

*[Exclusion: A transmission owner/operator will not be registered based on these criteria if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, G&T cooperative or joint action agency as described in Sections 501 and 507 of the NERC Rules of Procedure.]*

#### IV. Joint Registration Organization and applicable Member Registration.

Pursuant to FERC's directive in paragraph 107 of Order No. 693, NERC's rules pertaining to joint registrations and Joint Registration Organizations are now found in Section 501 and 507 of the NERC Rules of Procedure.

V. If NERC or a Regional Entity encounters an organization that is not listed in the compliance registry, but which should be subject to the reliability standards, NERC or the Regional Entity is obligated and will add that organization to the registry, subject to that organization's right to challenge as provided in Section 500 of NERC's Rules of Procedure and as described in Note 3 below.

#### Notes to the above Criteria

1. The above are general criteria only. The Regional Entity considering registration of an organization not meeting (e.g., smaller in size than) the criteria may propose registration of that organization if the Regional Entity believes and can reasonably demonstrate<sup>5</sup> that the organization is a bulk power system owner, or operates, or uses bulk power system assets, and is material to the reliability of the bulk power system. Similarly, the Regional Entity may exclude an organization that meets the criteria described above as a candidate for registration if it believes and can reasonably demonstrate to NERC that the bulk

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<sup>5</sup> The reasonableness of any such demonstration will be subject to review and remand by NERC itself, or by any agency having regulatory or statutory oversight of NERC as the ERO (e.g., FERC or appropriate Canadian authorities).

power system owner, operator, or user does not have a material impact on the reliability of the bulk power system.

2. An organization not identified using the criteria, but wishing to be registered, may request that it be registered. For further information refer to: NERC Rules of Procedure, Section 500 – Organization Registration and Certification; Part 1.3.
3. An organization may challenge its registration within the compliance registry. NERC or the Regional Entity will provide the organization with all information necessary to timely challenge that determination including notice of the deadline for contesting the determination and the relevant procedures to be followed as described in the NERC Rules of Procedure; Section 500 – Organization Registration and Certification.
4. If an entity is part of a class of entities excluded based on the criteria above as individually being unlikely to have a material impact on the reliability of the bulk power system, but that in aggregate have been demonstrated to have such an impact it may be registered for applicable standards and requirements irrespective of other considerations.

**ATTACHMENT 2B**

***STATEMENT OF COMPLIANCE REGISTRY CRITERIA, VERSION 3.1 —  
REDLINED***

## Statement of Compliance Registry Criteria (Revision 3.1)

### Summary

Since becoming the Electric Reliability Organization (ERO), NERC has initiated a program to identify candidate organizations for its compliance registry. The program, conducted by NERC and the Regional Entities<sup>1</sup>, will also confirm the functions and information now on file for currently-registered organizations. NERC and the Regional Entities have the obligation to identify and register all entities that meet the criteria for inclusion in the compliance registry, as further explained in the balance of this document.

This document describes how NERC will identify organizations that may be candidates for registration and assign them to the compliance registry.

Organizations will be responsible to register and to comply with approved reliability standards to the extent that they are owners, operators, and users of the bulk power system, perform a function listed in the functional types identified in Section II of this document, and are material to the reliable operation of the interconnected bulk power system as defined by the criteria and notes set forth in this document. NERC will apply the following principles to the compliance registry:

- In order to carry out its responsibilities related to enforcement of Reliability Standards, NERC must identify the owners, operators, and users of the bulk power system who have a material impact<sup>2</sup> on the bulk power system through a compliance registry. NERC and the Regional Entities will make their best efforts to identify all owners, users and operators who have a material reliability impact on the bulk power system in order to develop a complete and current registry list. The registry will be updated as required and maintained on an on-going basis.
- Organizations listed in the compliance registry are responsible and will be monitored for compliance with applicable mandatory reliability standards. They will be subject to NERC's and the Regional Entities' compliance and enforcement programs.
- NERC and Regional Entities will not monitor nor hold those not in the registry responsible for compliance with the standards. An entity which is not initially placed on the registry, but which is identified subsequently as having a material reliability impact, will be added to the registry. Such entity will not be subject to a sanction or penalty by NERC or the Regional Entity for actions or inactions prior to being placed

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<sup>1</sup> ~~This document uses the term "Regional Entities," even though technically such entities do not yet exist. NERC has filed for approval by FERC proposed delegation agreements with the eight regional reliability councils. The Regional Entities will come into existence when those agreements take effect. The term also includes Cross-Border Regional Entities.~~

<sup>2</sup> The criteria for determining whether an entity will be placed on the registry are set forth in the balance of this document. At any time a person may recommend in writing, with supporting reasons, to the director of compliance that an organization be added to or removed from the compliance registry, pursuant to NERC ROP 501.1.3.5.

on the registry, but may be required to comply with a remedial action directive or mitigation plan in order to become compliant with applicable standards. After such entity has been placed on the compliance registry, it shall be responsible for complying with Reliability Standards and may be subject to sanctions or penalties as well as any remedial action directives and mitigation plans required by the Regional Entities or NERC for future violations, including any failure to follow a remedial action directive or mitigation plan to become compliant with Reliability Standards.

- Required compliance by a given organization with the standards will begin the later of (i) inclusion of that organization in the compliance registry and (ii) approval by the appropriate governmental authority of mandatory reliability standards applicable to the entity.

Entities responsible for funding NERC and the Regional Entities have been identified in the budget documents filed with FERC. Presence on or absence from the compliance registry has no bearing on an entity's independent responsibility for funding NERC and the Regional Entities.

## Background

In 2005, NERC and the Regional Entities conducted a voluntary organization registration program limited to balancing authorities, planning authorities, regional reliability organizations, reliability coordinators, transmission operators, and transmission planners. The list of the entities that were registered constitutes what NERC considered at that time as its compliance registry.

NERC has recently initiated a broader program to identify additional organizations potentially eligible to be included in the compliance registry and to confirm the information of organizations currently on file. NERC believes this is a prudent activity at this time because:

- As of July 20, 2006, NERC was certified as the ERO created for the U.S. by the Energy Policy Act of 2005 (EPAct) and FERC Order 672. NERC has also filed with Canadian authorities for similar recognition in their respective jurisdictions.
- FERC's Order 672 directs that owners, operators and users of the bulk power system shall be registered with the ERO and the appropriate Regional Entities.
- As the ERO, NERC has filed its current reliability standards with FERC and with Canadian authorities. ~~When these are~~ accepted and approved by FERC and appropriate Canadian authorities, ~~they will~~ the reliability standards are no longer ~~be~~-voluntary, and organizations that do not fully comply with them may face penalties or other sanctions determined and levied by NERC or the Regional Entities.
- NERC's reliability standards include compliance requirements for additional reliability function types beyond the six types registered by earlier registration programs.
- Based on selection as the ERO, the extension and expansion of NERC's current registration program<sup>3</sup> is the means by which NERC and the Regional Entities will plan, manage and execute reliability standard compliance oversight of owners, operators, and users of the bulk power system.
- Organizations listed in the compliance registry are subject to NERC's and the Regional Entities' compliance and enforcement programs.

<sup>3</sup> See: NERC ERO Application; Exhibit C; Section 500 – Organization Registration and Certification.

## Statement of Issue

As the ERO, NERC intends to comprehensively and thoroughly protect the reliability of the grid. To support this goal NERC will include in its compliance registry each entity that NERC concludes can materially impact the reliability of the bulk power system. However, the potential costs and effort of ensuring that every organization potentially within the scope of “owner, operator, and user of the bulk power system” becomes registered while ignoring their impact upon reliability, would be disproportionate to the improvement in reliability that would reasonably be anticipated from doing so.

~~Prior to the date that the NERC Reliability Standards become enforceable,~~ NERC wishes to identify as many organizations as possible that may need to be listed in its compliance registry. Identifying these organizations is necessary and prudent at this time for the purpose of determining resource needs, both at the NERC and Regional Entity level, and to begin the process of communication with these entities regarding their potential responsibilities and obligations. NERC and the Regional Entities believe that primary candidate entities can be identified at this time, while other entities can be identified later, as and when needed. Selection principles and criteria for the identification of these initial entities are required. This list will become the “Initial Non-binding Organization Registration List”. ~~Once~~ With FERC having made the approved Reliability Standards enforceable, this list, ~~and any changes made to the list up to that time, will~~ become s the NERC Compliance Registry.

## Resolution

NERC and the Regional Entities have identified two principles they believe are key to the entity selection process. These are:

1. There needs to be consistency between regions and across the continent with respect to which entities are registered, and;
2. Any entity reasonably deemed material to the reliability of the bulk power system will be registered, irrespective of other considerations.

To address the second principle the Regional Entities, working with NERC, will identify and register any entity they deem material to the reliability of the bulk power system.

In order to promote consistency, NERC and the Regional Entities intend to use the following criteria as the basis for determining whether particular entities should be identified as candidates for registration. All organizations meeting or exceeding the criteria will be identified as candidates.

The following four groups of criteria (Sections I-IV) plus the statements in Section V will provide guidance regarding an entity’s registration status:

- Section I determines if the entity is an owner, operator, or user of the bulk power system and, hence, a candidate for organization registration.
- Section II uses NERC’s current functional type definitions to provide an initial determination of the functional types for which the entities identified in Section I should be considered for registration.
- Section III lists the criteria regarding smaller entities; these criteria can be used to forego the registration of entities that were selected to be considered for registration pursuant to

Sections I and II and, if circumstances change, for later removing entities from the registration list that no longer meet the relevant criteria.

- Section IV lists additional criteria for joint registration. Joint registration criteria may be used by Joint Action Agencies, Generation and Transmission Cooperatives and other entities which agree upon a clear division of compliance responsibility for Reliability Standards by written agreement. Pursuant to FERC’s directive in paragraph 107 of Order No. 693, rules pertaining to joint registration and Joint Registration Organizations will now be found in Sections 501 and 507 of the NERC Rules of Procedure.

- I. Entities that use, own or operate elements of the bulk electric system as established by NERC’s approved definition of bulk electric system below are (i) owners, operators, and users of the bulk power system and (ii) candidates for registration:

*“As defined by the Regional Reliability Organization, the electrical generation resources, transmission lines, interconnections with neighboring systems, and associated equipment, generally operated at voltages of 100 kV or higher. Radial transmission facilities serving only load with one transmission source are generally not included in this definition.”<sup>4</sup>*

- II. Entities identified in Part I above will be categorized as registration candidates who may be subject to registration under one or more appropriate functional entity types based on a comparison of the functions the entity normally performs against the following function type definitions:

<b>Function Type</b>	<b>Acronym</b>	<b>Definition/Discussion</b>
Balancing Authority	BA	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a BA area, and supports Interconnection frequency in real-time.
Distribution Provider	DP	Provides and operates the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the DP. Thus, the DP is not defined by a specific voltage, but rather as performing the Distribution function at any voltage.
Generator Operator	GOP	The entity that operates generating unit(s) and performs the functions of supplying energy and interconnected operations services.

<sup>4</sup> However, ownership of radial transmission facilities intended to be covered by the vegetation management standard (applicable to transmission lines 200 kV and above) would be included in this definition.

<b>Function Type</b>	<b>Acronym</b>	<b>Definition/Discussion</b>
Generator Owner	GO	Entity that owns and maintains generating units.
Load-Serving Entity	LSE	Secures energy and transmission service (and related interconnected operations services) to serve the electrical demand and energy requirements of its end-use customers.
Planning Authority	PA	The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems.
Purchasing-Selling Entity	PSE	The entity that purchases or sells and takes title to energy, capacity, and interconnected operations services. PSE may be affiliated or unaffiliated merchants and may or may not own generating facilities.
Reliability Coordinator	RC	The entity that is the highest level of authority who is responsible for the reliable operation of the bulk power system, has the wide area view of the bulk power system, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The RC has the purview that is broad enough to enable the calculation of interconnection reliability operating limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator's vision.
Reserve Sharing Group	RSG	A group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply operating reserves required for each BA's use in recovering from contingencies within the group. Scheduling energy from an adjacent BA to aid recovery need not constitute reserve sharing provided the transaction is ramped in over a period the supplying party could reasonably be expected to load generation in (e.g., ten minutes). If the transaction is ramped in quicker, (e.g., between zero and ten minutes) then, for the purposes of disturbance control performance, the areas become a RSG.
Resource Planner	RP	The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a PA area.

Function Type	Acronym	Definition/Discussion
Transmission Owner	TO	The entity that owns and maintains transmission facilities.
Transmission Operator	TOP	The entity responsible for the reliability of its local transmission system and operates or directs the operations of the transmission facilities.
Transmission Planner	TP	The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the PA area.
Transmission Service Provider	TSP	The entity that administers the transmission tariff and provides transmission service to transmission customers under applicable transmission service agreements.

III. Entities identified in Part II above as being subject to registration as an LSE, DP, GO, GOP, TO, or TOP should be excluded from the registration list for these functions if they do not meet any of the criteria listed below:

III(a) Load-serving Entity:

- III.a.1 Load-serving entity peak load is > 25 MW and is directly connected to the bulk power (>100 kV) system, or;
- III.a.2 Load-serving entity is designated as the responsible entity for facilities that are part of a required underfrequency load shedding (UFLS) program designed, installed, and operated for the protection of the bulk power system, or;
- III.a.3 Load-serving entity is designated as the responsible entity for facilities that are part of a required undervoltage load shedding (UVLS) program designed, installed, and operated for the protection of the bulk power system.

*[Exclusion: A load-serving entity will not be registered based on these criteria if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, balancing authority, transmission operator, G&T cooperative or joint action agency as described in Sections [501 and 507 of the NERC Rules of Procedure IV below.](#)]*

III(b) Distribution Provider:

- III.b.1 Distribution provider system serving >25 MW of peak load that is directly connected to the bulk power system.

*[Exclusion: A distribution provider will not be registered based on this criterion if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, balancing authority, transmission operator, G&T cooperative, or joint action agency as described in Sections [501 and 507 of the NERC Rules of Procedure IV below](#).] or;*

III.b.2 Distribution provider is the responsible entity that owns, controls, or operates facilities that are part of any of the following protection systems or programs designed, installed, and operated for the protection of the bulk power system:

- a required UFLS program.
- a required UVLS program.
- a required special protection system.
- a required transmission protection system.

*[Exclusion: A distribution provider will not be registered based on these criteria if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, balancing authority, transmission operator, G&T cooperative, or joint action agency as described in Sections [501 and 507 of the NERC Rules of Procedure IV below](#).]*

III(c) Generator Owner/Operator:

- III.c.1 Individual generating unit > 20 MVA (gross nameplate rating) and is directly connected to the bulk power system, or;
- III.c.2 Generating plant/facility > 75 MVA (gross aggregate nameplate rating) or when the entity has responsibility for any facility consisting of one or more units that are connected to the bulk power system at a common bus with total generation above 75 MVA gross nameplate rating, or;
- III.c.3 Any generator, regardless of size, that is a blackstart unit material to and designated as part of a transmission operator entity's restoration plan, or;
- III.c.4 Any generator, regardless of size, that is material to the reliability of the bulk power system.

*[Exclusions:*

*A generator owner/operator will not be registered based on these criteria if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, G&T cooperative or joint action agency as described in Sections [501 and 507 of the NERC Rules of Procedure IV below](#).*

*As a general matter, a customer-owned or operated generator/generation that serves all or part of retail load with electric energy on the customer's side of the retail meter may be excluded as a candidate for registration based on these criteria if (i) the net capacity provided to the bulk power system does not exceed the criteria above or the Regional Entity otherwise determines the generator is not material to the bulk power system and (ii) standby, back-up and maintenance power services are provided to the generator or to the retail load pursuant to a binding obligation with another generator owner/operator or under terms approved by the local regulatory authority or the Federal Energy Regulatory Commission, as applicable.]*

### III(d) Transmission Owner/Operator:

- III.d.1 An entity that owns/operates an integrated transmission element associated with the bulk power system 100 kV and above, or lower voltage as defined by the Regional Entity necessary to provide for the reliable operation of the interconnected transmission grid; or
- III.d.2 An entity that owns/operates a transmission element below 100 kV associated with a facility that is included on a critical facilities list that is defined by the Regional Entity.

*[Exclusion: A transmission owner/operator will not be registered based on these criteria if responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a load-serving entity, G&T cooperative or joint action agency as described in Sections [501 and 507 of the NERC Rules of Procedure IV below](#).]*

### IV. Joint Registration Organization and applicable Member Registration.

[Pursuant to FERC's directive in paragraph 107 of Order No. 693, NERC's rules pertaining to joint registrations and Joint Registration Organizations are now found in Section 501 and 507 of the NERC Rules of Procedure.](#)

~~In its Rules of Procedure, NERC provided for the ability to register Joint Action Agencies and Generation and Transmission Cooperatives on behalf of their members. This section provides additional guidance for registration of Joint Action Agencies, Generation and Transmission Cooperatives and other organizations or entities that have agreed in writing to take compliance responsibility on behalf of another entity for one or more Reliability Standards, and/or for one or more requirements within a Reliability Standard, applicable to a particular function (a Joint Registration Organization, or JRO).~~

#### ~~IV(a) JRO Registration~~

~~In addition to registering as a Registered Entity for all functions that a JRO performs itself, a JRO may register on behalf of one or more of its members or other entities for one or more functions as to which such members or other entities would otherwise be required to register and thereby accept on behalf of such members or other entities all compliance responsibility, including reporting requirements, for all Reliability Standards applicable to the function or functions~~

~~for which the JRO has registered on behalf of its members or other entities. In such case, the JRO shall provide the Regional Entity with an annual list in a form specified by the Regional Entity that identifies the members or other entities and functions for which the JRO has registered on behalf of such members or other entities under this section and for which the JRO assumes full compliance responsibility. The Joint Registration Organization must identify its primary compliance contact. The JRO primary compliance contact is responsible for providing all of the information and data, and submitting reports as needed by the Regional Entity for performing assessment of compliance.~~

#### ~~IV(b) Individual Member Registration~~

~~A member of a JRO (or other entity) may register itself and undertake full compliance responsibility, including reporting requirements, for the Reliability Standards applicable to the function for which the member or other entity is registering. A JRO member that registers as a Registered Entity for any function under this section shall inform the JRO and applicable Regional Entity of its registration.~~

#### ~~IV(c) Joint Registration~~

~~Where a JRO and any of its members or other entities agree, in writing, upon a division of compliance responsibility between them for one or more Reliability Standard(s) applicable to a particular function, and/or for one or more requirements within particular Reliability Standard(s), both the JRO and such member or other entity shall register as a Registered Entity for that function. In such case, the JRO and its member or other entity must have a written agreement that clearly specifies their respective responsibilities. The JRO shall provide the applicable Regional Entity each year with a list in a form specified by the Regional Entity that identifies the compliance responsibilities of the JRO and its member or other entity for each Reliability Standard and/or requirement within each Reliability Standard, for the applicable function for which joint registration has been chosen under this section. Neither NERC nor the Regional Entity shall be parties to any such agreement between a JRO and its member or other entity, nor shall NERC or the Regional Entity have responsibility for reviewing or approving any such agreement. NERC or a Regional Entity may request clarification of any list that identifies the compliance responsibilities of the JRO and its member or other entity submitted to it and request such additional information as the Regional Entity deems necessary or appropriate. Failure by a JRO to respond to a reasonable request from a Regional Entity for clarification may result in violation of a Reliability Standard since the Regional Entity may be unable to determine compliance responsibility. Such violation will be assessed to the JRO. In the event of a violation of a Reliability Standard, or requirement of a Reliability Standard, the JRO or its member or other entity as identified in the Joint Registrant Organization Registry as responsible for such Reliability Standard, or requirement thereof, shall be identified in the violation report and receive the sanction or penalty for the violation. In the event that a Regional Entity is not able to determine which entity is responsible for violation of a particular Reliability Standard or requirement thereof, based on the Joint Registrant Organization Registry submitted, the Regional Entity shall find the JRO to be in violation of the Reliability Standard and shall impose any sanction or~~

~~penalty on the JRO. Responsibility for any allocation or collection of penalties or sanctions between the JRO and its member or other entity shall be with the JRO. As discussed in the NERC Sanctions Guidelines, for a violation that is attributable to a member or other entity that is registered under Joint Registration, the penalty or sanction determined for the violation will bear reasonable relation to the violation as incurred by that member or other entity and not the JRO.~~

- V. If NERC or a Regional Entity encounters an organization that is not listed in the compliance registry, but which should be subject to the reliability standards, NERC or the Regional Entity is obligated and will add that organization to the registry, subject to that organization's right to challenge as provided in Section 500 of NERC's Rules of Procedure and as described in Note 3 below.

### Notes to the above Criteria

1. The above are general criteria only. The Regional Entity considering registration of an organization not meeting (e.g., smaller in size than) the criteria may propose registration of that organization if the Regional Entity believes and can reasonably demonstrate<sup>5</sup> that the organization is a bulk power system owner, or operates, or uses bulk power system assets, and is material to the reliability of the bulk power system. Similarly, the Regional Entity may exclude an organization that meets the criteria described above as a candidate for registration if it believes and can reasonably demonstrate to NERC that the bulk power system owner, operator, or user does not have a material impact on the reliability of the bulk power system.
2. An organization not identified using the criteria, but wishing to be registered, may request that it be registered. For further information refer to: NERC Rules of Procedure, Section 500 – Organization Registration and Certification; Part 1.3.
3. An organization may challenge its registration within the compliance registry. NERC or the Regional Entity will provide the organization with all information necessary to timely challenge that determination including notice of the deadline for contesting the determination and the relevant procedures to be followed as described in the NERC Rules of Procedure; Section 500 – Organization Registration and Certification.
- ~~4. An entity such as a balancing authority or transmission operator may agree to register on behalf of one or more of its load-serving entity or distribution provider customers, in lieu of each such load-serving entity or distribution provider entity registering individually, provided the entity registered accepts the associated reliability responsibilities in similar fashion to that set out for JROs in Section IV above.~~
54. If an entity is part of a class of entities excluded based on the criteria above as individually being unlikely to have a material impact on the reliability of the bulk power system, but that in aggregate have been demonstrated to have such an impact it may be registered for applicable standards and requirements irrespective of other considerations.

<sup>5</sup> The reasonableness of any such demonstration will be subject to review and remand by NERC itself, or by any agency having regulatory or statutory oversight of NERC as the ERO (e.g., FERC or appropriate Canadian authorities).

UNITED STATES OF AMERICA  
Before the  
FEDERAL ENERGY REGULATORY COMMISSION

NOTICE OF PROPOSED RULEMAKING )  
 ) Docket No. RM06-16-000  
MANDATORY RELIABILITY STANDARDS )  
FOR THE BULK POWER SYSTEM )

NOTICE OF FILING

Take notice that on May 15, 2007, the North American Electric Reliability Corporation, (“NERC”) tendered a compliance filing in response to paragraph 107 of the Commission’s Order No. 693, including proposed revisions to Section 500 of NERC’s Rules of Procedure. Specifically, NERC seeks Commission approval, pursuant to Section 215(f) of the Federal Power Act and 18 C.F.R. §39.10, of proposed revisions to Section 501, and a proposed new Section 507, of NERC’s Rules of Procedure. The proposed revisions to Section 501 and proposed new Section 507 of NERC’s Rules of Procedure contain provisions pertaining to the joint registration of entities, and registration by Joint Registration Organizations, to be responsible for compliance with requirements of NERC reliability standards that the Commission has approved as mandatory and enforceable.

Any person may submit comments regarding this filing. Comments will be considered by the Commission in determining the appropriate action to be taken. Such comments must be filed on or before the comment date. The Commission encourages electronic submission of comments in lieu of paper using the “eFiling” link at <http://www.ferc.gov>. Persons unable to file electronically should submit an original and 14 copies of the comments to the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426.

This filing is accessible on-line at <http://www.ferc.gov>, using the “eLibrary” link and is available for review in the Commission’s Public Reference Room in Washington, D.C. There is an “eSubscription” link on the web site that enables subscribers to receive email notification when a document is added to a subscribed docket(s). For assistance with any FERC Online service, please email [FERCOnlineSupport@ferc.gov](mailto:FERCOnlineSupport@ferc.gov), or call (866) 208-3676 (toll free). For TTY, call (202) 502-8659.

Comment Date: \_\_\_\_\_

Kimberly D. Bose  
Secretary