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

**NORTH AMERICAN ELECTRIC )  
RELIABILITY CORPORATION )**

**Docket No. RR06-1-000**

**QUARTERLY REPORT OF THE  
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION  
REGARDING  
ANALYSIS OF RELIABILITY STANDARDS VOTING RESULTS  
JULY — SEPTEMBER 2007**

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## **I. INTRODUCTION**

The North American Electric Reliability Corporation (“NERC”)<sup>1</sup> submits its third quarter 2007 report on the analysis of voting results for reliability standards. This filing is submitted in response to the Federal Energy Regulatory Commission’s (“FERC” or “Commission”) January 18, 2007 Order<sup>2</sup> that requires NERC to closely monitor and report to the Commission the voting results for NERC Reliability Standards each quarter during the next three years. This third quarter 2007 report covers balloting results during July 1 – September 30, 2007 and includes NERC’s analysis of the voting results, including trends and patterns of stakeholder approval of NERC Reliability Standards.

## **II. NOTICES AND COMMUNICATIONS**

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

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<sup>1</sup> NERC has been certified by the Commission as the electric reliability organization (“ERO”) authorized by Section 215 of the Federal Power Act. The Commission certified NERC as the ERO in its order issued July 20, 2006 in Docket No. RR06-1-000. 116 FERC ¶ 61,062 (2006).

<sup>2</sup> *Order on Compliance Filing*, Docket No. RR06-1-003. 118 FERC ¶ 61,030 at P 18 (2007).

### **III. BACKGROUND**

NERC develops reliability standards in accordance with Section 300 of its Rules of Procedure and the NERC *Reliability Standards Development Procedure*, which is Appendix 3A to the Rules of Procedure.<sup>3</sup> In order for an entity or individual to vote on a proposed reliability standard, the individual or entity must join the registered ballot body, which includes all entities or individuals that qualify for one of ten stakeholder segments and have registered with NERC as potential voting participants. Each member of the registered ballot body is eligible to participate in the voting process and ballot pool for each standard action. The ten stakeholder segments are:

- Transmission Owners
- Regional Transmission Organizations and Independent System Operators
- Load-Serving Entities
- Transmission Dependent Utilities
- Electric Generators
- Electricity Brokers, Aggregators and Marketers
- Large Electricity End Users
- Small Electricity Users
- Federal, State and Provincial Regulatory or other Government Entities
- Regional Reliability Organizations and Regional Entities

Each standard action has its own ballot pool, populated by interested members of the registered ballot body. The individuals who join a ballot pool respond to a pre-ballot e-mail announcement associated with each reliability standard ballot action. The ballot pool votes to approve or reject each standard action. Specifically, the ballot pool votes determine first, the

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<sup>3</sup> Version 6.1, the current version of the NERC *Reliability Standards Development Procedure*, was approved by the Commission's Order issued June 7, 2007, in Docket RR06-1-007. *Order on Compliance Filing*, 119 FERC ¶ 61,248 (2007).

need for and technical merits of a proposed standard action, and second, that appropriate consideration of views and objections received during the development process was undertaken.

The reliability standards development process includes three types of ballots: an initial ballot, a recirculation ballot and a re-ballot. If an initial ballot achieves a quorum but includes any negative ballots submitted with comments on the proposed standard action, then a recirculation ballot must be conducted. If an initial ballot does not achieve a quorum, then a re-ballot is conducted using the same ballot pool, but with an extended ballot window.

Approval of a standard action requires both:

- A quorum, which is established by at least 75% of the members of the ballot pool for the standard action submitting a response with an affirmative vote, a negative vote, or an abstention; and
- A two-thirds majority of the weighted segment votes cast must be affirmative. The number of votes cast is the sum of affirmative and negative votes, excluding abstentions and non-responses.

The following process is used to determine if there are sufficient affirmative votes.

- The number of affirmative votes cast in each segment is divided by the sum of affirmative and negative votes cast to determine the fractional affirmative vote for each segment. Abstentions and non-responses are not counted for the purposes of determining the fractional affirmative vote for a segment.
- If there are less than ten entities that vote in a segment, the vote weight of that segment is proportionally reduced. Each voter within that segment voting affirmative or negative receives a weight of 10% of the segment vote. For segments with ten or more voters, the regular voting procedures are followed.
- The sum of the fractional affirmative votes from all segments divided by the number of segments voting<sup>4</sup> is used to determine if a two-thirds majority affirmative vote has been achieved. (A segment is considered as “voting” if any member of the segment in the ballot pool casts either an affirmative or a negative vote.)
- A standard is approved if the sum of fractional affirmative votes from all segments divided by the number of voting segments is greater than two-thirds.

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<sup>4</sup> When less than ten entities vote in a segment, the total weight for that segment is determined as one-tenth per entity voting.

#### **IV. SUMMARY OF BALLOTS DISCUSSED IN THIS REPORT**

NERC conducted ten ballots from July 1 – September 30, 2007, each undertaken using the NERC *Reliability Standards Development Procedure*. These ten ballots can be grouped into five distinct groups of ballot events as follows:

- Interpretation of VAR-002-1 — Generator Operation for Maintaining Network Voltage Schedules - Requirements R1 and R2 – One (1) Recirculation Ballot
- Urgent Action Removal of WECC's Waiver from INT-001-2 — Interchange Information, and INT-004-1 Dynamic Interchange Transaction Modifications – One (1) Initial Ballot, One (1) Re-ballot and One (1) Recirculation Ballot
- Interpretation of BAL-001-0 — Real Power Balancing Control Performance Requirement R1 – and BAL-003-0 — Frequency Response and Bias Requirement R3 – One (1) Initial Ballot and One (1) Recirculation Ballot
- IRO-006-4 Reliability Coordination – Transmission Loading Relief – One (1) Initial Ballot and One (1) Recirculation Ballot
- Interpretation of BAL-003-0 — Frequency Response and Bias Requirements R2, R2.2, R5 and R5.1 – One (1) Initial Ballot and One (1) Recirculation Ballot

Each of the five ballot events passed, that is, greater than 75% of the ballot pool created for each standard action returned a vote and more than two-thirds of the weighted segment votes cast were affirmative.

The discussion of the detailed ballot results for each ballot event in the third quarter 2007 is contained in **Exhibit A** to this filing.

No instance occurred where a proposed Reliability Standard was disapproved by the ballot pool and thereafter a less stringent version of the Reliability Standard was approved in a subsequent ballot.

Respectfully submitted,

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## **EXHIBIT A:** **Analysis of 3<sup>rd</sup> Quarter 2007 Reliability Standards Balloting Results**

### **Introduction**

On January 18, 2007, the Federal Energy Regulatory Commission (“FERC” or “Commission”) issued its *Order on Compliance Filing* (“January 18 Order”), acting on a compliance filing by the North American Electric Reliability Corporation (“NERC”) in response to the Commission’s Order certifying NERC as the nation’s electric reliability organization (“ERO”) under Section 215 of the Federal Power Act. The January 18 Order requires NERC to closely monitor the voting results for reliability standards and to report to the Commission quarterly for the next three years NERC’s analysis of the voting results, including trends and patterns that may signal a need for improvement in the voting process. In its compliance filing in response to the January 18 Order, NERC stated it would file its initial quarterly report with the Commission for the first quarter of 2007 and would submit subsequent quarterly filings for the next three years. This is the third quarterly report on the analysis of voting results for reliability standards.

### **Background**

The NERC reliability standards development process is administered by action of the NERC Standards Committee. The Standards Committee officially approves the scope and purpose of standards authorization requests, appoints standard drafting teams to develop standards, authorizes field tests of proposed standards when necessary, and approves the proposed standards for ballot. The goal of the reliability standards development process is to gain industry consensus on the need and technical sufficiency of proposed standards. Consensus is primarily established through various formal industry comment periods designed to obtain stakeholder input on the proposed standards.

The members of the registered ballot body, comprising entities or individuals registered in one of ten stakeholder segments, must specifically request to be included in the ballot pool for a standard ballot event. Any entity or interested individual may become a member of the registered ballot body, but only the ballot pool members are allowed to vote on the proposed standard once the balloting begins. If the ballot pool approves a proposed standard as described below, the standard is presented to the NERC Board of Trustees for its approval and subsequent filing with the Commission and regulatory authorities in Canada.

The NERC *Reliability Standards Development Procedure* provides for three different types of ballots - an initial ballot, a recirculation ballot, and a re-ballot. To “pass,” a ballot must achieve a quorum (at least 75% of the members of the ballot pool must return a ballot) **and** must receive an affirmative vote that is at least two-thirds of the weighted segment average of all ballots returned with a vote.

- If a ballot achieves a quorum but includes any negative ballots submitted with comments, then a re-circulation ballot must be conducted.
- If a ballot does not achieve a quorum, then a re-ballot is conducted using the same ballot pool, but with an extended ballot window.

There were ten ballots conducted during the third quarter of 2007, as shown in the table below; four were initial ballots, one was a re-ballot, and five were recirculation ballots. The ballots are discussed below as five distinct groups of “ballot events.”

Ballot Event #	Ballot Name	Initial Ballot Dates	Re-ballot Dates	Recirculation Ballot Dates	Ballot Pool Size	Total # of Votes	Quorum	Weighted Segment Approval
1	Interpretation of VAR-002-1 R1 and R2			Jun 20 – Jun 29, 2007	227	194	85.46 %	98.65 %
2	Urgent Action Removal of WECC's Waiver from INT-001-2 and INT-004-1	Jul 9 – Jul 18, 2007			111	80	72.07 %	99.17 %
			Jul 20 – Aug 9, 2007		111	100	90.09 %	99.10 %
				Aug 13 – Aug 22, 2007	111	88	78.57 %	99.17 %
3	Interpretation of BAL-001-0 R1 and BAL-003-0 R3	Aug 7 – Aug 16, 2007			164	152	92.68 %	97.91 %
				Aug 23 – Sep 1, 2007	164	158	96.34 %	97.21 %
4	IRO-006-4 — Reliability Coordination – Transmission Loading Relief	Aug 20 – Aug 29, 2007			178	165	92.70 %	93.52 %
				Sep 13 – Sep 23, 2007	178	167	93.82 %	92.33 %
5	Interpretation of BAL-003-0	Aug 27 – Sep 5, 2007			156	134	85.90 %	96.15 %
				Sep 20 – Sep 29, 2007	156	134	85.90 %	96.26 %

## Discussion of Third Quarter 2007 Ballot Events

1. **The first ballot event in the third quarter of 2007** consisted of a recirculation ballot for an Interpretation of VAR-002 — Generator Operation for Maintaining Network Voltage Schedules Requirements R1 and R2.

The interpretation clarified that the term “automatic voltage control and controlling voltage” can only be accomplished by using the automatic voltage control mode. Using the Power Factor (PF) or constant MVAR control is not an acceptable method of controlling voltage even though it may have some effect on voltage.

The initial ballot was conducted during the second quarter of 2007 and achieved a quorum and a high affirmative vote. There was one negative ballot submitted with a comment, proposing a slight modification to the language in the interpretation, triggering the need to conduct a recirculation ballot.

The recirculation ballot was conducted from June 20 through June 29, 2007 and the ballot results were released on July 3, 2007. The standard passed with a quorum of 85.46 % and a weighted segment approval of 98.65 %.

2. **The second ballot event in the third quarter of 2007** consisted of an initial ballot, a re-ballot and a recirculation ballot for the Urgent Action Removal of the WECC Waiver from INT-001-2 — Interchange Information, and INT-004-1 — Dynamic Interchange Transaction Modifications.

The Standards Committee authorized the use of the Urgent Action Removal process to ballot the removal of these waivers to comply with the following Commission directive in Order 693:

¶825. The Commission stressed in Order No. 672 that uniformity of Reliability Standards should be the goal and practice, “the rule rather than the exception.” The Commission therefore stated in the NOPR that the absence of a tagging requirement for dynamic schedules in WECC is a matter of concern, and that for this reason it could not approve or remand this regional difference without the additional information it requested. To date the Commission has not received this information. Of particular importance in this compliance filing will be the ERO’s demonstration that this practice is due to a physical difference in the system or results in a more stringent Reliability Standard. Without this information, we are unable to address Xcel’s comments further. The Commission therefore directs the ERO to submit a filing within 90 days of the date of this order either withdrawing this regional difference or providing additional information.

The modifications balloted were limited to removal of the WECC waiver. No other changes were made to the standards.

The initial ballot was conducted from July 9 through July 18, 2007 and only 72.07% of the ballot pool returned a ballot, less than the quorum requirement of 75%. A re-ballot ballot was conducted from July 20 through August 9, 2007 that achieved a quorum of 90.09% but

also included a negative ballot with a comment, triggering the need to conduct a recirculation ballot.

The single negative comment suggested that tools and procedures were not in place in the Western Interconnection to ensure compliance without the waiver. The response to comments indicated that tools and procedures are in place to ensure compliance without the waiver. The balloter modified his vote to affirmative in the recirculation ballot.

The recirculation ballot was conducted from August 13 through August 22, 2007 and achieved a final weighted segment approval of 99.17%.

- 3. The third ballot event in the third quarter of 2007** consisted of an initial ballot and a recirculation ballot for an interpretation of BAL-001-0 — Real Power Balancing Control Performance, Requirement R1 and BAL-003-0 — Frequency Response and Bias, Requirement R3. The Interpretation clarified that the use of the WECC Automatic Time Error Control Procedure does not violate Requirement R1 of BAL-001-0 or Requirement R3 of BAL-003-0.

The initial ballot was conducted from August 7 through August 16, 2007 and achieved a quorum of 92.68% but also included a negative ballot with a comment, initiating the need to conduct a recirculation ballot.

There was one negative ballot submitted with a comment. The comment indicated a concern that members of WECC have two different area control error (ACE) values – a ‘control’ ACE and a ‘CPS’ ACE. The response to comments indicated that this is allowed provided that the ‘CPS’ ACE is used for reporting purposes per the standard requirements and that WECC is working on a standard that would make its ‘control’ ACE and ‘CPS’ ACE the same.

The recirculation ballot was conducted from August 23 through September 1, 2007 and achieved a final weighted segment approval of 97.21%.

- 4. The fourth ballot event in the third quarter of 2007** consisted of an initial ballot and a recirculation ballot for a modified IRO-006-4 — Reliability Coordination – Transmission Loading Relief.

The ballot considered the first phase of a multi-phase set of modifications to IRO-006-4 to divide the reliability and commercial aspects of IRO-006-4 between NERC and the North American Energy Standards Board, and add measures and compliance elements. Future phases of work will address the congestion management processes for the Midwest ISO, the Southwest Power Pool, and PJM L.L.C., and overall improvements to the clarity of the standard.

The initial ballot was conducted from August 20 through August 29, 2007 and achieved a quorum of 92.70% but also included five negative ballots with comments, initiating the need to conduct a recirculation ballot.

- Two balloters from different segments of the same company each proposed the same set of 23 modifications aimed at improving the overall standard.
- One balloter indicated that the standard should not be balloted until all revisions were accomplished.
- One balloter proposed a modification to Requirement R3, a requirement that was not modified by this drafting team.
- One balloter indicated that the proposed revisions do not clarify the application of existing regional differences.

These comments were not implemented as they indicated a need to improve the overall quality of the standard, an activity to be conducted in a future phase of the project. The recirculation ballot was conducted from September 13 through September 23, 2007 and achieved a final weighted segment approval of 92.33%.

5. **The fifth ballot event in the third quarter of 2007** consisted of an initial ballot and a recirculation ballot for an interpretation of BAL-003-0, Requirement R2 for ERCOT. The interpretation clarified that BAL-003-0, Requirement R2, a requirement that allows the use of a variable bias setting, does not conflict with Requirement R5, which does not specifically address the use of a variable bias setting.

The initial ballot was conducted from August 27 through September 5, 2007 and achieved a quorum of 85.90% and a high approval level. However, the ballot also included two negative ballots with comments, initiating the need for a recirculation ballot.

- One of the comments submitted with a negative ballot indicated that Requirement R3 is too vague.
- The second comment submitted with a negative ballot requested further clarification on the interpretation of Requirement R5. The commenter asked if a balancing authority that was the sole balancing authority for an interconnection needs to comply with Requirement R5, and also asked if a balancing authority that uses a variable bias setting needs to comply with Requirement R5 in BAL-003-0. The drafting team responded that both must comply with Requirement R5.

The recirculation ballot was conducted from September 20 through September 29, 2007 and achieved a final weighted segment approval of 96.26%, with 85.90% of the ballot pool casting a vote.

**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 Washington, D.C. this 31st day of October, 2007.

/s/ Rebecca J. Michael

Rebecca J. Michael

*Attorney for North American Electric  
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