



consultation has resulted in significant improvements to the statement of criteria. NERC requests leave to file for the Commission's information Revision 3 to the Statement of Compliance Registry Criteria. NERC is providing a clean version of Revision 3 as well as a redline version indicating the changes from Revision 2. NERC and the regions will use Revision 3 in developing the preliminary compliance registry.

If you have any questions, please contact the undersigned.

Respectfully submitted,

/s/ Debra Ann Palmer

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## Statement of Compliance Registry Criteria (Revision 3)

### 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 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 FERC makes the approved Reliability Standards enforceable, this list, and any changes made to the list up to that time, will become 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.

- 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.

<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>
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.
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 Section 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 Section 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 Section 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 Section 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 Section IV below.]*

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

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.
5. 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.

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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).



## **Statement of Compliance Registry Criteria (Revision 23)**

### **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 ~~current NERC regional councils~~ 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 ~~—particularly smaller or relatively (electrically) isolated entities—~~ that may be candidates for registration and assign them to the compliance registry.

~~Entities responsible for funding NERC and the regions have been identified in the budget documents filed with FERC. This document does not address that issue.~~

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.

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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.

- 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 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 councils~~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 ~~its designees (i.e., regional entities with delegated authority—regional entities)~~the appropriate Regional Entities.
- As the ERO, NERC has ~~also~~ filed its current reliability standards with FERC and with Canadian authorities. When these are ~~substantially~~ accepted and approved by FERC and appropriate Canadian authorities, they will 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~~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~~ 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’~~ 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 ~~it~~ NERC concludes ~~is needed to accomplish that goal 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, ~~might~~ would be disproportionate to the improvement in reliability that would reasonably be anticipated from doing so.

Prior to the date that the ~~FERC approved~~ 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~~ Regional Entity level, and to begin the process of communication with these entities regarding their potential responsibilities and obligations. NERC and the ~~regional entities~~ 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. ~~The first draft of this~~ This list will become the “Initial Non-binding Organization Registration List”. Once FERC makes the approved Reliability Standards enforceable, this list, and any changes made to the list up to that time, will become the NERC Compliance Registry.

## Resolution

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

1. There needs to be consistency between regions (~~i.e., regional entity system footprints~~) 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 ~~should~~ will be registered, irrespective of other considerations.

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

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

In order to promote consistency, NERC, ~~and the regional reliability councils and, once they are established, the regional entities and cross border regional entities (CBREs).~~ 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 ~~statement~~ 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 ~~BPS~~ bulk power system and, hence, a candidate for organization registration. ~~Entities not meeting these criteria are exempt from registration and do not need to be considered against criteria in II or III.~~
- Section II uses NERC's current functional type definitions to provide an initial determination of ~~which the~~ functional entity types ~~for which the~~ ~~entity~~ entities identified in Section I should be ~~registered~~ considered for registration.
- Section III lists the criteria regarding smaller entities ~~that NERC has filed with FERC; they; these criteria~~ can be used to ~~deselect~~ forego the registration of entities ~~otherwise that were~~ selected to be considered for registration pursuant to ~~criteria I and categorized via criteria II~~ 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 ~~the additional~~ criteria for ~~Joint Action Agency and Joint Action Agency Member Registration~~ 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.

- I. ~~Entities meeting one or more of the following criteria~~<sup>4</sup> ~~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:

~~All entities meeting the criteria established by NERC's approved definition of bulk electric system:~~

*"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>5</sup>*

<sup>4</sup> ~~The definitions of "Bulk Power System" and "User, Owner, and Operator" are being considered in FERC's pending rulemaking on NERC's reliability standards. Depending on the outcome of the rulemaking, these criteria may need to be adjusted.~~

<sup>5</sup> ~~To the extent~~ However, ownership of radial transmission facilities ~~fall under the applicability of approved reliability standards (e.g., intended to be covered by the~~ vegetation management, etc.), owners of these facilities should ~~standard (applicable to transmission lines 200 kV and above) would~~ be included in ~~the registry; this definition.~~

- II. ~~Registration candidate entities~~ Entities identified in Part I above will be categorized as ~~registerable into~~ registration candidates who may be subject to registration under one or more appropriate functional entity types ~~pursuant to review~~ 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 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

Function Type	Acronym	Definition/Discussion
		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.
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. ~~Registration candidate entities categorized~~ Entities identified in Part II, above, as being ~~registerable subject to registration~~ as an LSE, DP, GO, GOP, TO, or TOP ~~may~~should be ~~removed~~excluded from the registration ~~candidates~~ list for these functions if they do not meet any of the ~~following~~ 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 ~~responsibility~~responsibilities for compliance with approved NERC reliability standards ~~has~~ or associated requirements including reporting have been transferred by ~~acceptable contract~~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 ~~municipal~~ joint action agency as described in Section 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 ~~responsibility~~responsibilities for ~~data sharing and reporting~~ ~~to~~compliance with approved NERC and regional entities reliability standards or associated requirements including reporting have been transferred by ~~acceptable contract~~written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a ~~n~~ load-serving entity, balancing authority, transmission operator, G&T cooperative, or ~~municipal~~ joint action agency.]*

*~~Or~~ as described in Section 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 ~~effective control and responsibility~~responsibilities for ~~maintenance and operation~~compliance with approved NERC reliability standards or associated requirements including reporting have been*

*transferred by ~~acceptable contract~~ written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, such as a ~~an~~ load-serving entity, balancing authority, transmission operator, G&T cooperative, or ~~municipal~~ joint action agency as described in Section 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.

*[Exclusion:-s:*

*A generator owner/operator will not be registered based on these criteria if ~~effective control and responsibility~~ responsibilities for maintenance and operation of the generator/generation compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by ~~acceptable contract~~ 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 ~~municipal~~ joint action agency. ] as described in Section IV below.*

### ~~III(d) Transmission Owner:~~

- ~~III.d.1 An entity that owns an integrated transmission element associated with the bulk power system 100 kV and above, or lower voltage as defined by the regional entity/CBRE necessary to provide for the reliable operation of the interconnected transmission grid; or~~
- ~~III.d.2 An entity that owns 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/CBRE, or;~~
- ~~III.d.3 Ownership of radial transmission facilities serving load centers and transmission connecting generation that supplies electric energy to the system where NERC Reliability Standards are applicable (e.g. vegetation management, system protection maintenance and testing) are included in this definition.~~

*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 ~~responsibility for maintenance and operation of the transmission elements has~~ responsibilities for compliance with approved NERC reliability standards or associated requirements including reporting have been transferred by ~~acceptable contract~~ 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 ~~municipal~~ joint action agency as described in Section IV below.]

#### IV. Joint Action Agency or Similar Registration Organization and applicable Member Registration.

**IV(a)** In its Rules of Procedure, NERC provided for the ability to register Joint Action Agencies and Generation and Transmission Cooperatives on behalf of ~~its~~ their members.- This section provides additional guidance for registration of Joint Action Agencies, Generation and Transmission Cooperatives and ~~similar~~ other organizations performing functions or entities that have agreed in writing to take compliance responsibility on behalf of ~~members of the organization.~~

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 Action Agency (JAA) (or Similar Registration Organization) Registration, or JRO).~~

A JAA (or similar organization) may register

##### IV(a) JRO Registration

In addition to registering as a Registered Entity (see Registered Entity Requirements below) 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. ~~A JAA registering on behalf of a member must or other~~

entities would otherwise be required to register and thereby accept on behalf of such members or other entities all compliance reporting responsibility, including reporting requirements, for all the Reliability Standards applicable to the functions that member(s) performs. The JAA shall provide the Regional Entity an annual "Agency Member Registry" which shall identify all members for which the JAA has registered, the type(s) of functions performed by these members, and the Reliability Standards for which the Joint Action Agency assumes responsibility 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 JAA/JRO (or other entity) may choose to register as a separate Registered Entity (see Registered Entity Requirements below) itself and assume/undertake full compliance reporting responsibility, including reporting requirements, for the Reliability Standards required of applicable to the function for which they are the member or other entity is registering. Any JAA members who register as Individual Members shall inform the JAA and the applicable Regional Entity that they have registered as a Registered Entity. 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.

#### Dual

#### IV(c) Joint Registration

IV.b.1 Both the JAA and its member may choose to register for the same function as a Registered Entity. For such dual registration, NERC will not make any assumptions regarding compliance responsibility for a particular standard or requirement of a standard. A JAA and its member(s) in this case should have written agreements that specify which functional operations, duties, obligations, standards, or even individual standard requirements each is responsible for when sanctions are applied due to a violation. NERC or an approved Regional Entity will request the appropriate compliance reporting information from both the JAA/Where a JRO and its members. The JAA and its member must determine the appropriate entity to provide the necessary compliance information including identifying and recommending the appropriate location for any on-site compliance audits. In the event no response is received, both the JAA and of its members will be found in violation of the standard or requirement. In the case of a violation identified during a compliance auditor other entities agree, in writing, upon a division of dual-registered entities (JAA and Member), the entity (JAA or member) who is receives the violation will be identified in the violation report and the entity (JAA or Member) who is responsible

~~per the agreement(s) compliance responsibility between the two will receive the sanction or penalty.~~

~~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 Compliance Reporting Requirements 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.~~

~~IV.b.2 An individual member Registered Entity or a JAA on behalf of its members who have registered under the JAA is responsible for submitting the documentation needed by the Regional Entity to assess compliance with the Reliability Standards. The Registered Entity is responsible for submitting all data (such as periodic reporting, self certification etc.) as needed by the Regional Entity in support of the Annual Compliance Monitoring and Enforcement Program. On site compliance audits of the Registered Entity will be determined by NERC and the Regional Entity.~~

~~IV.b.3 For confirmed violations with Reliability Standards, the Regional Entity shall issue sanction and penalties (see Note 1 below) directly to the Registered~~

~~Entity. If the Registered Entity is a Joint Action Agency, the Joint Action Agency shall have its own process and mechanism for collection of sanctions and penalties from its members for which the Joint Action Agency has assumed registration.~~

~~Note 1. As discussed in the NERC Sanctions Guidelines Section 3.11, for a violation that is attributable to a member(s) that is registered under a Joint Action Agency, the penalty or sanction determined for the violation will bear reasonable relation to the violation as incurred by that member(s) and not the JAA.~~

~~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.~~

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 or CBRE~~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 or CBRE~~Regional Entity believes and can reasonably demonstrate<sup>6</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 or CBRE considering not registering~~Regional Entity may exclude an organization that meets the criteria ~~may propose that the organization not be registered~~described above as a candidate for registration if ~~the regional entity or CBRE~~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. ~~Organizations may challenge their registration within the compliance registry. Organizations not identified using the criteria may be nominated for registration. Organizations not~~An organization not identified using the criteria, but wishing to be registered, may request that ~~they~~it be registered. For further information refer to: NERC ~~ERO Application; Exhibit C; Rules of Procedure~~, Section 500 – Organization Registration and Certification; Part 1.3.

<sup>6</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).

3. ~~Distribution providers and load-serving entities meeting the criteria above may be exempt from registration if another~~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 (i) a generation or transmission cooperative, or similar joint-action agency, or (ii) another balancing authority or transmission operator) is registered~~ 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 through agreement or other mechanisms.
4. ~~A given entity may be part of a class of entities in similar fashion to that set out for JROs in Section IV above.~~
- 5 ~~If an entity is part of a class of entities excluded based on the criteria above as individually are being unlikely to have a material impact on the reliability of the bulk power system, but that in aggregate could have been demonstrated to have such an impact. This is adequate grounds for registration of the entity and other entities in the class; it may be registered for applicable standards and requirements~~ irrespective of other considerations.
5. ~~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. NERC's ERO application includes implicit proposal of the following principles regarding registration:~~
- ~~Organizations listed in the compliance registry are responsible and will be monitored, etc, for complying with approved mandatory reliability standards; NERC and regional entities will not monitor nor hold those not in the registry responsible for compliance with the standards.~~
  - ~~Required compliance by a given organization to the standards will begin the later of (i) certification of NERC as the ERO; (ii) inclusion of that organization in the compliance registry, and (iii) approval by the appropriate governmental authority of mandatory reliability standards.~~

~~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.~~