

Conference Call Agenda Regional Reliability Standards Working Group

Tuesday, July 15, 2008 | 1–5 p.m. EST

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Topic: RRSWG Conference Call and WebEx

Meeting Number: 714 316 903

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Administrative

1. Introductions and Attendance

Judith James	TRE
John E. Odom, Jr.	FRCC
Larry Brusseau	MRO
Guy V. Zito	NPCC
Robert W. Millard	RFC
Patrick Huntley	SERC
Mak Nagle	SPP
Kenneth J. Wilson	WECC
Stephanie Monzon	NERC Staff

Observers:

Nick Henery	FERC Staff
Lee Pedowicz	NPCC
Steve Myers	ERCOT
Vann Weldon	ERCOT

2. NERC Antitrust Compliance Guidelines

3. Meeting Notes

RRSWG Topics

4. Solicit Regions' Assistance in Communicating Future Standards Web Site Outages

There was a recent NERC Web site outage incident during the Standards Workshop held in San Diego this past April.

5. Standards Committee and the Regional Standard Process — Guy Zito

6. Review of the NERC Regional Standards Evaluation Procedure

ftp://www.nerc.com/pub/sys/all_updl/sac/rrswg/NERC_Regional_Reliability_Standards_Development_Procedure_Version%200-0%202007-06-15_dwt.pdf

- a. Review proposed language and revisions.

7. Discuss Defined Terms in Regional Reliability Standards

- a. Ensuring consistency with other defined terms.

8. Delegation Agreement Updates

- a. Are Regions including changes to Standards Development Procedures?

9. Update on Regional Variance vs. Regional Standards Discussions

10. Discuss "Fill-in-the Blank" Projects and Regional Progress

- a. Disturbance Monitoring
 - i. Status on the continent-wide effort
 - ii. Status on the regional standard effort
- b. Under-frequency Load Shedding
 - i. Status on the continent-wide effort
 - ii. Status on the regional standard effort
 - iii. Special Protection Systems
- c. Operating Reserves (BAL-002)
- d. Recap of Generator Verification

11. Discuss Regional Standards Projects that are Transitional Until a Continent Wide Standard is Developed

12. New SARs

- a. NPCC Registry Criteria
- b. ERCOT Variance

- c. WECC Regional SAR — Frequency Responsive Reserve Standard

Standing Agenda Items

13. Review of Recent NERC Standards Postings

- a. Consider RRSWG assignments to provide comments on Regional Standards postings.

14. Review Action Items from Last RRSWG Meeting (May, 2008)

Action Items	Status:	Assigned To:
Each region to provide a catalog listing of regional reliability criteria.	<p>Remains Open</p> <p>MRO, TRE, and FRCC yet to provide</p> <ul style="list-style-type: none"> WECC is still developing their criteria — update site http://www.nerc.com/~filez/regional_standards/regional_criteria_wecc.html WECC site — ask Lauren to change the date from 2007 to 2008 John Odom: FRCC has their handbook on their site and was posted on January 14, 2008. John to send Stephanie a link to criteria — John sent Stephanie an update in Jan. or Feb. MRO and TRE are still developing their criteria. Anthony to send Stephanie updates to the RFC criteria posted on the NERC site. SERC to send Stephanie updates to the criteria in the future. 	All members of the RRSWG
<p>Write a scope and rough draft on why we need regional standards</p> <ul style="list-style-type: none"> BAL: Bob and Tony Disturbance monitoring: Pat Huntley UFLS: John Odom 	<p>Remains Open</p> <ul style="list-style-type: none"> John Odom has not completed the justification for the UFLS standard. John indicated that their UFLS standard is on version 6 and will soon be posted for comment. The justification will be needed to submit to NERC. Pat Huntley — the justification has not been completed because it may become a continent wide standard. DM — moving to a CWS instead of a regional standard. BAL — RFC submitted their regional standard to NERC and FERC for approval. UFLS — Moving towards eliminating the CWS because the rules of procedure cover the UFLS requirements. The ERO directive will include a provision for the regions to develop a standard using their regional procedure. The posting will include the directive and will include performance requirements. Bob will send the RRSWG a draft of the directive. 	Bob Millard, Tony Jablonski, Pat Huntley, and John Odom
Need clarification on how to	Stephanie to discuss the timing of identifying a regional	Stephanie

Action Items	Status:	Assigned To:
utilize the regional variance process for circumstances that TRE/ERCOT pointed out	variance with NERC and the process for developing the variance past the posting period or initial standard development stages.	Monzon and Dave Taylor
Report back to the group on the status of the Web site.	Stephanie reported that the Web site has not yet been released in production; however, she demonstrated the site to the group in the NERC test environment.	Stephanie Monzon
NERC solicited topics to address at the standards workshop Review Standards Workshop agenda	This is complete. Add discussion on variance during agenda item at 8:15 and suggest to discuss in more detail during break out session	All Regions
What are the next steps for adopting and reviewing the numbering convention? The plan for communicating with industry?		Stephanie to follow up with NERC management
Website updates	Members to send Steph an email with updates to their respective orgs. info on the NERC Web site.	RRSWG members
RFC Regional Standards Program	FERC directed RFC to make minor changes to the language in the delegation agreement. Does NERC have to repost the agreement? RFC Board will not need to approve the changes since the order does not indicate that it needs to be re-approved.	Stephanie Monzon
PRC 012 the correct number and status of the project	Stephanie to get a status on the entire project (CW)	Stephanie Monzon

15. Other

16. Review Proposed 2008 RRSWG Schedule:

Date	Comments	Suggested Location
May 19–20	Need to follow up with MRO.	SPP Little Rock, AR
July 15–16	Virtual	WECC
September 18–19	Virtual	NPCC
November 11–12	Virtual	

17. Action Items and Next Steps

18. Adjourn

Antitrust Compliance Guidelines

I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.

- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.
- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

III. Activities That Are Permitted

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

Regional Variances and Regional Standards

Background

This document was in part created to provide a summary of the various references to Variances and Regional Standards in existing Orders and the Rules of Procedure. More specifically, these citations make reference to the differences, the similarities and call attention to the overlapping attributes of the two terms.

There has been discussion over the past several weeks regarding the shortcomings of the process to develop a Regional Variance. Some of the issues include:

- Lack of differentiation between a Regional Standard and a Regional Variance (considering FERC references oftentimes apply the criteria for a Regional Standard to a Regional Variance)
- The ambiguity in determining when a Regional Variance is required as opposed to a Regional Standard
- The process for creating a Regional Variance outside the initial SAR process for modifying or creating a CWS
- What should a Variance look like (does it have requirements, measures, etc.?)

The issues above do not represent all the issues related to this topic but rather a sub-set mainly taken from discussions with the RRSWG.

Finally, the intent of this document is to provide clarity to some of the issues noted above and identify areas that might need additional work/clarification.

Variance Reference	FERC Directive	NERC Response	Attributes Differentiating a Variance from a Regional Standard
<p>Paragraph 254 of the ERO Certification Order http://www.nerc.com/pub/sys/all_updl/docs/ferc/20060720_ERO_certification.pdf</p>	<p>254 Reliability Standard uniformity should be the goal and the practice, the rule rather than the exception. However, this does not mean that regional differences cannot exist.</p>	<p>255. NERC proposes to differentiate between a regional Reliability Standard and a variance from a Reliability Standard. A regional Reliability Standard would not conflict with, or set a less stringent requirement than, a continent-wide Reliability Standard, but a variance would.</p>	<p>A regional Reliability Standard would not conflict with, or set a less stringent requirement than, a continent-wide Reliability Standard, but a variance would.</p>
		<p>256. NERC proposes to allow variances when required by a physical difference in the electrical system or when a regulator-approved electricity market protocol or transmission tariff precludes adherence to a Reliability Standard.</p>	
<p>Page 18 Response to the ERO Certification Order http://ftp.nerc.com/pub/sys/all_updl/docs/ferc/N-on-GovernanceComplianceFiling.pdf</p>	<p>Item 34: ¶ 274 of the ERO Certification Order “The Commission has stated that we will accept the following two types of regional differences, provided they are otherwise just, reasonable, not unduly discriminatory or preferential and in the public interest, as required under the statute: (1) a regional difference that is more stringent than the continent-wide Reliability Standard, including a regional difference that addresses matters that the continent-wide Reliability Standard does not; and (2) a regional Reliability Standard that is necessitated by a physical difference in the Bulk-Power System.</p>	<p>NERC has replaced its criteria in Section 312 of the Rules of Procedure for reviewing proposed regional standards with language identical to the Commission’s regulations. NERC confirms that a physical difference may include software, communications systems, and controls necessary to implement market operations or transmission tariffs approved by the Commission or an applicable authority in Canada, and is not limited solely to differences in electric power facility construction or configuration.</p>	
	<p>Item 36: ¶ 280 of the ERO Certification Order “We agree with TAPS that the distinction between a variance and regional Reliability Standard, as defined by NERC, is unclear. We also note that NERC’s approach to developing, reviewing and approving</p>	<p>NERC will clarify the differences between variances and regional reliability standards in its Rules of Procedure and in the Reliability Standards Development Procedure. (See definitions of “regional reliability standard” and “variance” in Section 202 of the Rules of Procedure.) To further distinguish the two, regional standards development and approval will be addressed only in the Rules of</p>	<p>To further distinguish the two, regional standards development and approval will be addressed only in the Rules of Procedure, while variances (exceptions to the NERC standard) are addressed only within the Reliability Standards Development Procedure.</p>

Variance Reference	FERC Directive	NERC Response	Attributes Differentiating a Variance from a Regional Standard
	<p>such regional differences appears to be the same. Both types of differences require approval by NERC and become part of the NERC-maintained catalog of Reliability Standards. Both are due a rebuttable presumption by the ERO if proposed by an Interconnection-wide Regional Entity for that Interconnection. One difference lies in the fact that NERC would permit a regional Reliability Standard for economic reasons and a regional variance to accommodate market rules and tariffs. The basis for this distinction is not explained by NERC. Therefore we direct NERC to satisfactorily clarify in its compliance filing the definitions of all types of regional differences in Reliability Standards.”</p>	<p>Procedure, while variances (exceptions to the NERC standard) are addressed only within the Reliability Standards Development Procedure.</p>	
			<p>The differences between (i) variances to NERC standards and (ii) regional reliability standards are summarized as follows:</p> <ol style="list-style-type: none"> 1. A variance modifies a NERC reliability standard to address a unique circumstance requiring an exception to the North American-wide standard; whereas a regional reliability standard is a separate standard. Both are approved by the NERC board and then by the Commission. 2. A variance provides an alternative approach to meeting the same reliability objective as a NERC standard and is typically dictated by a physical difference. A regional reliability standard provides more stringent requirements than the North American standard or provides requirements in areas not established by NERC. 3. A variance must be approved through the NERC Reliability Standards Development Procedure, except in the case of a variance proposed to apply on an interconnection-wide basis. Regional standards may be developed through NERC-approved regional standards procedures, whether proposed to apply interconnection-wide or within a single region or coalition of regions in an interconnection, or may be developed using the NERC Procedure. 4. A variance that applies in a region that is less than an interconnection will be balloted by stakeholders across the interconnection. A regional reliability standard that applies in a region that is less than an interconnection may be balloted by stakeholders within that region. 5. A variance may be granted to apply within a regional entity area or may

Variance Reference	FERC Directive	NERC Response	Attributes Differentiating a Variance from a Regional Standard
			<p>apply to a single bulk power system owner, operator, or user, such as a regional transmission organization, or a common class of owners, operators, or users. A regional reliability standard must apply uniformly across one or more regional entities.</p>
<p>Paragraph 32 of the FERC Response to NERC Proposal ftp://ftp.nerc.com/pub/sys/all_updl/docs/ferc/FERC_Order_on_Compliance.pdf</p>	<p>32. The Certification Order found that the distinction between a Reliability Standard regional variance and a regional Reliability Standard, as defined by NERC, is unclear.</p>	<p>33. NERC states that it has clarified the differences between regional variances and regional Reliability Standards in its Rules of Procedure and in the Reliability Standard development procedure.</p>	<p>NERC has proposed new definitions of the terms “regional Reliability Standard” and “variance” in section 202 of the Rules of Procedure. To further distinguish the two, NERC now addresses regional standards development and approval only in the Rules of Procedure, while it addresses regional variances (exceptions to a NERC Reliability Standard) only within the Reliability Standard development procedure. 34. NERC explains that a variance modifies a NERC Reliability Standard to address a unique circumstance requiring an exception to the North American-wide standard; whereas a regional Reliability Standard is a separate standard. Both would be approved by the NERC board and then by the Commission. Further, a variance provides an alternative approach to meeting the same reliability objective as a NERC standard and is typically dictated by a physical difference. A regional Reliability Standard provides more stringent requirements or covers areas not covered by the North American standard. 35. NERC states that it did not intend that economic feasibility would be a factor in evaluating whether NERC or the Commission should approve a Reliability Standard. The reference to economic feasibility was intended as an example of factors stakeholder may consider when voting approving Reliability Standards. NERC has removed the reference from section 312.2 of the Rules of Procedure to avoid confusion.</p>
	<p>37. The Commission accepts NERC’s clarification of the difference between a regional Reliability Standard and a variance. The Commission, however, is concerned with the type of “unique circumstance” that may develop or already exist that would require a variance to a Reliability Standard. The Commission’s standard of review for approving a regional difference or variance will be consistent with Order No. 672, where the Commission stated that we would generally accept regional differences that are: (1) more stringent than the continent-wide Reliability Standard or that address</p>		

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	<p>areas not covered by the continent-wide Reliability Standard, and (2) a regional Reliability Standard that is necessitated by a physical difference in the Bulk-Power System.²⁰ Thus, while we will accept the proposed provision, we expect the ERO to only allow variations consistent with our policy set forth in Order No. 672.</p>		
<p>Rules of Procedure – Section 202</p>			<p>“Entity variance” means an aspect of a reliability standard that applies only within a particular entity or a subset of entities within a limited portion of a regional entity, such as a variance that would apply to a regional transmission organization or particular market or to a subset of bulk power system owners, operators or users. An entity variance may not be inconsistent with or less stringent than the reliability standards as it would otherwise exist without the entity variance. An entity variance shall be approved only through the NERC standards development procedure and shall be made part of the NERC reliability standards.</p>
			<p>“Regional reliability standard” means a type of reliability standards that is applicable only within a particular regional entity or group of regional entities. A regional reliability standard may augment, add detail to, or implement another reliability standard or cover matters not addressed by other reliability standards. Regional reliability standards, upon adoption by NERC and approval by the applicable ERO governmental authority(ies), shall be reliability standards and shall be enforced within the applicable regional entity or regional entities pursuant to delegated authorities.</p>
			<p>“Variance” means an aspect or element of a reliability standard that applies only within a particular regional entity or group of regional entities, or to a particular entity or class of entities. A variance allows an alternative approach to meeting the same reliability objective as the reliability standard, and is typically necessitated by a physical difference. A variance is embodied within a reliability standard and as such, if adopted by NERC and approved by the ERO governmental authority, shall be enforced within the applicable regional entity or regional entities pursuant to delegated authority.</p>

Discussion

- **Lack of differentiation between a Regional Standard and a Regional Variance (considering FERC references oftentimes apply the criteria for a Regional Standard to a Regional Variance)**

The Rules of Procedure best differentiate between the two and provide clarity on the matter of ambiguity between these two terms. It is clear in the definitions (Section 202) that a Variance "...A variance allows an alternative approach to meeting the same reliability objective as the reliability standard, and is typically necessitated by a physical difference."

- **The ambiguity in determining when a Regional Variance is required as opposed to a Regional Standard**

I think the definition excerpt above clarifies the criteria by which a Variance is permitted. However, I think that we need to emphasize that while a Variance is an alternate approach it should be demonstrated that this "other" approach achieves the same reliability objective through requirements embedded in the cws.

- **The process for creating a Regional Variance outside the initial SAR process for modifying or creating a CWS**

The Reliability Standards Development Procedure indicates that a Regional Variance is identified during the SAR process; however, many industry members have expressed concern that the procedure is limiting. Suggestions have been made that the procedure should identify other opportunities (and the associated process) for identifying a Regional Variance.

- **What should a Variance look like (does it have requirements, measures, etc.?)**

ERCOT received direction from FERC in Order 693 to:

Docket No. RM06-16-000

- 97 -

315. As proposed in the NOPR, the Commission directs the ERO to file a modification of the ERCOT regional difference to include the requirements concerning frequency response contained in section 5 of the ERCOT protocols. As with other new regional differences, the Commission expects that the ERCOT regional difference will include Requirements, Measures and Levels of Non-Compliance sections.

The FERC directive instructs ERCOT/TRE to create a regional difference with requirements, measures, etc. The existing FERC approved Regional Differences currently do not contain these elements. NERC is working on modifying the language in the RDSP to clarify that a Regional Variance is required to include requirements, compliance elements, etc.

Regional Reliability Standards Working Group

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