

# NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

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## Supplement to NERC-NAESB Procedure for Joint Standards Development and Coordination

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**Reference: Procedure for Joint Standards Development and Coordination  
February 22, 2006**

### Purpose of this Supplement

This supplement to the NERC—NAESB Procedure for Joint Standards Development and Coordination (**Attachment 1**) is intended to aid the two organizations and their stakeholders in implementing the procedure. The supplement provides additional information and clarifies the intended use of the procedure.

### Need for a Joint Standard Development Procedure

NERC and NAESB, along with the ISO/RTO Council (IRC), coordinate the development of standards through a [revised and restated memorandum of understanding](#) (MOU). This coordination is intended to “avoid overlap and duplication of effort in the activities of the three organizations by distinguishing the development, proposal and implementation of ISO and RTO policy from the setting of reliability standards or business practice standards.”

The mechanism for coordination has been provided through the Joint Interface Committee (JIC), comprising balanced representation from the three organizations. Coordination has also been provided, in some cases, on an ad hoc basis through informal relationships between NERC and NAESB technical groups. The primary role of the JIC has been:

- to provide consultative review of annual work plans of the three organizations, as related to the development of standards for the bulk power system and wholesale electricity markets; and
- to assign the development of proposed standards to NERC or to NAESB.

Historically, the JIC has assigned a proposed standard to NERC or NAESB based on whether the JIC viewed the content as either majority reliability or majority business practice. This approach works well when there is a clear distinction between reliability requirements and business practices. However, this decision is more difficult when the reliability and business practice

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components are intricately entwined within a proposed standard. Experience has shown that forcing a split of such a standard or assigning it to only one of the organizations is not optimal.

With NERC's application to become the electric reliability organization (ERO) for North America, NERC's reliability standards have been filed with the U.S. Federal Energy Regulatory Commission and governmental agencies in Canada for the purpose of making the standards mandatory for all bulk power system owners, operators, and users. NERC must have a complete set of standards necessary to protect the reliability of the bulk power system. Any reliability components assigned for development by NAESB would not be enforceable under the authorities delegated to the ERO and the regional entities. Similarly, NAESB files its business practice standards with FERC. The Commission can elect to make these business practices mandatory for public utilities. With these differences in the use and jurisdiction of the standards, it is important that each organization be able to develop a complete set of standards without being encumbered by the work of the other organization.

The conclusion is that when separating standards into reliability or business practice is difficult and potentially detrimental, a preferred approach is to develop the standards jointly. Joint development enables technical experts to separate the reliability and business practice components at the working level with a much finer granularity compared to simply splitting the standard or assigning it to only one organization.

### **Joint Development Process**

The joint development procedure establishes a method for coordinating the development of reliability standards and business practices. The method involves developing both a reliability standard and a business practice standard in a single, coordinated work effort. A team of experts, balanced between NERC and NAESB stakeholders, works together to draft both the reliability and business practice components. The team may split into subgroups periodically to work on reliability or business practice components, but returns back to the joint group for coordination, review, and editing of the resulting drafts prepared by the subgroups.

The reliability components drafted by the joint team are developed and approved through the NERC reliability standards development process. That means a Standard Authorization Request (SAR) is developed, the SAR and drafts of the reliability standard are subject to stakeholder review and comment; and stakeholders vote to approve the standard. The business practice components go through the NAESB standards development process, as well, including review and comment by interested parties and approval by the Executive Committee and ratification by the membership. To the extent practical, the joint team coordinates the timing of the proposed standards as they move through the respective processes to completion.

Thus, the development of joint standards does not alter or affect either organization's process. The reliability components are approved through the NERC process as reliability standards and the companion business practices are approved through the NAESB process.

### **Results Produced by Joint Development Procedure**

The final product of the joint development effort is viewed in two ways. First, NERC and NAESB may agree to joint publication of a common document containing both the reliability standard and business practice standard as complementary sections. In most cases, joint publication would be preferred, as it would have the benefit of facilitating ease of use by those who just need to "follow the rules" and prefer not to look in two places to find the rules.

The joint development procedure refers to “revenue neutral” publication. This means that if either organization derives revenues from the publication of its standards, the two organizations will, before joint publication occurs, reach a mutually acceptable arrangement that avoids or mitigates the potential loss of revenue for that organization. Without such an agreement, the respective standards would not be published jointly.

In terms of the impact of the standards, the joint effort produces separate reliability and business practice standards that may be applied through separate jurisdictional procedures. For example, the reliability standard portion can be filed as a reliability standard and made enforceable for bulk power system owners, operators, and users in North America. NAESB can continue its practice of filing business practice standards for adoption by FERC as mandatory for public utilities in the U.S. Despite joint development and the possibility of joint publication, the reliability standards and business practice standards remain distinct and separate with regard to their impacts on affected entities.

Figure 1 shows a simple conceptual representation of this “separate but joint” product.

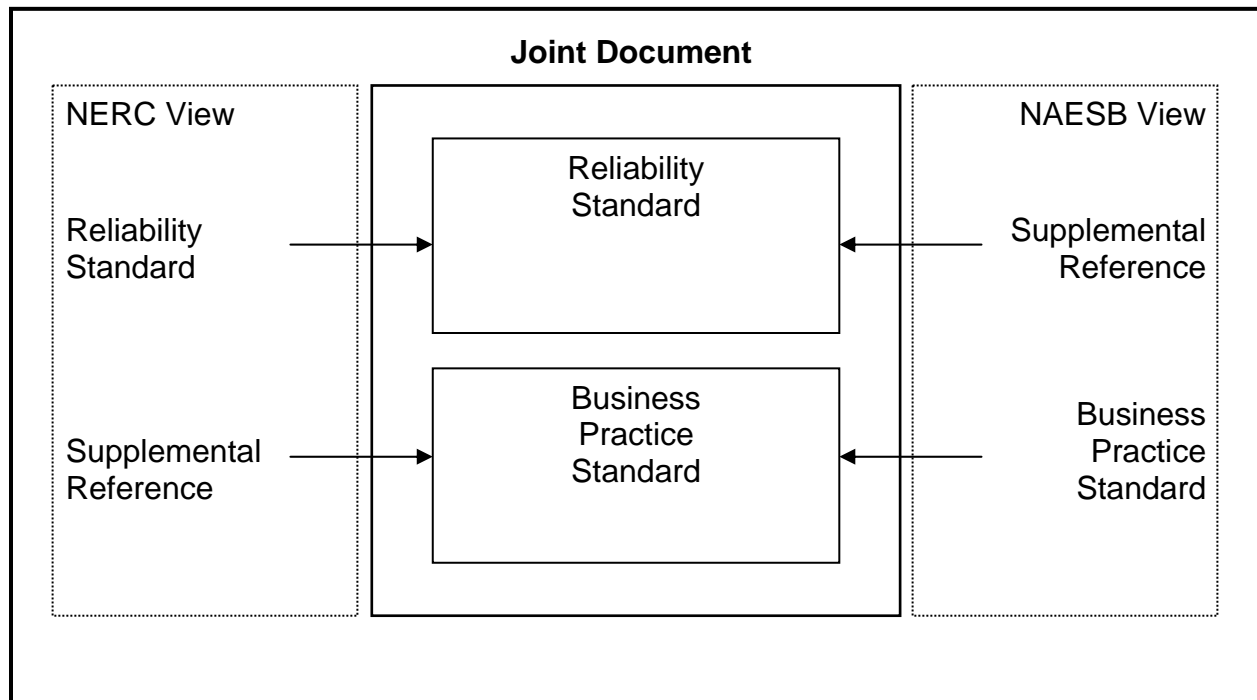


Figure 1 — Concept of Separate but Joint Standards

### Role of Executive Managements of the Organizations

The joint development procedure refers several times to actions by “executive management” of the NERC and NAESB organizations. The phrase “executive management” means a combination of executive staff and relevant stakeholder executives working in consultation, in accordance with the established procedures and stakeholder relationships of each respective organization. For NERC, the stakeholder executives are the Executive Committee of the Standards Authorization Committee, and may also include executives of other committees as appropriate based on the subject of the proposed standard. In NAESB, stakeholder executives are the officers of the Board of Directors, and may also include board committees or officers and other leadership from the Executive Committee as determined by the board officers.

## **Role of the Joint Interface Committee**

Consistent with the MOU, the historical role of the JIC has been to provide consultative review of annual work plans and to assign standards to NERC or NAESB for development. A joint development project achieves the goal of coordinating standards development through another method. Therefore, there is no need in the case of joint development for the step of assigning the standard to NERC or NAESB.

The joint development procedure anticipates that NERC and NAESB executive managements will work closely together to identify proposed standards that would be more effectively and efficiently developed in a joint effort than in one organization. The executive managements of both organizations would present the recommendation for a joint project to the JIC for consultative review, and will take into consideration any comments made by the JIC. Once the executive managements of the organizations make a final determination to begin a joint project, stakeholder and staff resources will be assigned through the regular established procedures of the respective organizations.

The consultative review of the JIC is analogous to the review the JIC provides for the annual standards development work plans. This role of the JIC in performing a consultative review does not change the MOU, nor does it extend the responsibilities of the JIC.

## **Development of Tools**

The joint development procedure refers to decision-making regarding the development of tools necessary to implement the standards. Any decision by any party to the MOU to develop tools would be expected to be made through the business plan and budget approval process of the respective organization. Nothing in the joint development procedure would obligate any party to the MOU to develop tools to support or implement standards.