

Consideration of Comments on 1st Draft of Violation Severity Levels SAR (Project 2007-23)

The Replace Levels of Non-compliance with Violation Severity Levels SAR requesters thank all commenters who submitted comments on the first draft of SAR. This SAR was posted for a 30-day public comment period from July 17 through August 15, 2007. The requesters asked stakeholders to provide feedback on the standard through a special SAR Comment Form. There were 16 sets of comments, including comments from 55 different people from more than 30 companies representing 9 of the 10 Industry Segments as shown in the table on the following pages.

Based on the comments received, the drafting team will modify the SAR to include development of a criteria for assignment of Violation Severity Levels. NERC Standards became mandatory and enforceable in June 2007, and as such the VSL DT is required to provide VSL's for each Requirement in a timely fashion in order to provide more clarity and direction to ensure consistency among the Standards drafting teams. Any regulatory approved Requirement is enforceable by the ERO and must have a VSL???? assigned. Therefore, the VSL DT will develop and approve criteria for assigning VSL's and provide them to the existing SAR/Standards drafting teams for their use in assigning VSL's to each Requirement. This will be done to meet the FERC mandated timeline of March 1, 2008.

The Applicability section of the SAR will also be modified to include all Reliability Functions and Reliability Principles.

In this "Consideration of Comments" document stakeholder comments have been organized so that it is easier to see the responses associated with each question. All comments received on the standards can be viewed in their original format at:

http://www.nerc.com/~filez/standards/VSLs_Project_2007-23.html

If you feel that your comment has been overlooked, please let us know immediately. Our goal is to give every comment serious consideration in this process! If you feel there has been an error or omission, you can contact the Director of Standards, Gerry Adamski, at 609-452-8060 or at gerry.adamski@nerc.net. In addition, there is a NERC Reliability Standards Appeals Process.¹

¹ The appeals process is in the Reliability Standards Development Procedures: <http://www.nerc.com/standards/newstandardsprocess.html>.

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The Industry Segments are:

- 1 — Transmission Owners
- 2 — RTOs, ISOs
- 3 — Load-serving Entities
- 4 — Transmission-dependent Utilities
- 5 — Electric Generators
- 6 — Electricity Brokers, Aggregators, and Marketers
- 7 — Large Electricity End Users
- 8 — Small Electricity End Users
- 9 — Federal, State, Provincial Regulatory or other Government Entities
- 10 — Regional Reliability Organizations, Regional Entities

	Commenter	Organization	Industry Segment												
			1	2	3	4	5	6	7	8	9	10			
1.	Anita Lee (G1)	AESO		✓											
2.	Kirit Shah (I)(G2)	Ameren	✓												
3.	Thad K. Ness	American Electric Power (AEP)	✓					✓	✓						
4.	Dave Rudolph (G3)	BEPC													✓
5.	Brent Kingsford (G1)	CAISO		✓											
6.	Jeanne Kurzynowski (G2)	Consumers Energy			✓	✓									
7.	Greg Mason (G2)	Dynegy						✓							
8.	William Franklin	Entergy Services							✓						
9.	Steve Myers (I)(G1)	ERCOT		✓											✓
10.	Jim Eckels (G2)	First Energy	✓												
11.	Joe Knight (G2) (G3)	Great River Energy													✓
12.	Dick Pursley (G2)	Great River Energy	✓												
13.	Bill Pope (G5)	Gulf Power Company			✓										
14.	Ron Falsetti (I)(G1)	IESO		✓											
15.	Charles Yeung (G1)	ISO/RTO Council		✓											
16.	Brian Thumm	ITC	✓												
17.	Jim Cyrulewski (G2)	JDRJC Associates											✓		
18.	Michael Gammon	Kansas City Power & Light	✓												
19.	Eric Ruskamp (G3)	LES													✓
20.	Joseph DePoorter (G2)	Madison Gas and Electric					✓								
21.	Michelle Rheault	Manitoba Hydro	✓		✓			✓	✓						
22.	Jason L. Marshall (G2)(G3)	Midwest ISO Stakeholders		✓											
23.	Michael Brytowski (G3)	Midwest Reliability Organization													✓
24.	Bill Phillips (G1)	MISO		✓											
25.	Terry Bilke (G3)	MISO													✓
26.	Mark Pinney (G3)	MP													✓
27.	Mac Bohman (G3)	MP													✓

Index to Questions, Comments, and Responses

1. Do you agree with the proposed approach to meeting the FERC directive to replace 'Levels of Non-compliance' with 'Violation Severity Levels'? If not, please explain in the comment area. 5
2. Do you agree with the criteria currently used to distinguish Violation Severity Levels? If not, please explain in the comment area. 9
3. If you have any other comments on this SAR that you have not already provided above, please provide them here. 16

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1. Do you agree with the proposed approach to meeting the FERC directive to replace 'Levels of Non-compliance' with 'Violation Severity Levels'? If not, please explain in the comment area.

Summary Consideration: The SAR will be modified to include the development of criteria to establish the VSL's. The DT will develop and approve the criteria, and provide it to the existing SAR/Standards teams for use in developing VSL's. The use of existing SAR/Standard drafting teams to assign VSLs to the standards assigned to them will allow expert input from various technical and industry sectors and also will allow meeting the filing deadline required by FERC.

The VSL DT will utilize the existing SAR/Standards Drafting teams to get expert input by having them assign VSL's to Standards assigned to those teams. The vast majority of Standards will have VSL's determined by the existing drafting teams.

Question #1			
Commenter	Yes	No	Comment
ERCOT		<input checked="" type="checkbox"/>	ERCOT supports NERC's attempt to clarify these issues, but we do not need to put the cart before the horse. The criteria to be used should be developed and approved first, not together with--or worse, after--the VSLs are developed. Establishing the criteria at the outset will make the compliance program more consistent and rational.
Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards teams for their use in developing VSL's.			
Northeast Utilities	<input checked="" type="checkbox"/>		
Oncor Electric Delivery	<input checked="" type="checkbox"/>		
Entergy Services	<input checked="" type="checkbox"/>		
AEP	<input checked="" type="checkbox"/>		
Ameren		<input checked="" type="checkbox"/>	First the proposed guidelines for the VSL by itself should go through the industry approval process as they would significantly impact the sanctions; however, as they are defined now appear arbitrary and require substantial clarification. We also do not agree with the proposed approach to have just one drafting team processing several standards encompassing different technical areas. We believe that each technical area may need its own expertise (drafting team) to properly assign the VSLs. Further, it is not clear from the proposed approach whether each standard would be balloted separately for the assigned VSL or several standards would be voted collectively in one ballot.

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Question #1			
Commenter	Yes	No	Comment
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards teams for their use in developing VSL's. The VSL DT will utilize the existing SAR/Standards Drafting teams to get expert input by having them assign VSL's for Standards assigned to those teams. The vast majority of Standards will have VSL's determined by the existing drafting teams. The VSL team will discuss how each Standard will be balloted, whether individually or in groups.</p>			
IESO	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>We agree with the general direction to replace non-compliance levels with violation severity levels. However, we feel that there lacks a common understanding and agreement across the industry on the definition and assignment of the 4 levels of violation despite the guideline provided in the SAR.</p> <p>The guideline is quite broad in its definition and has never been vetted through established standard development process, and there has been no open discussion on the appropriateness of these levels based solely on the compliant percentage. We see the need to first establish a set of definition and guideline that is definitive and fully vetted by the industry.</p> <p>For standards that are currently being worked on by established drafting teams, it would be prudent and more effective to defer developing the violation severity levels pending completion of the above suggested process.</p>
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards teams for their use in developing VSL's. The VSL DT will utilize the existing SAR/Standards Drafting teams to get expert input by having them assign VSL's for Standards assigned to those teams. The vast majority of Standards will have VSL's determined by the existing drafting teams. Waiting for existing teams to finish their current work and afterwards develop VSL and go through the normal sequence of development and approval, will not allow us to meet the FERC mandated deadline to file VSL by March 1, 2008. The VSL DT will be asking the existing teams to take time to develop VSL for the current approved standards. Those standards that are not associated with an existing drafting team will be addressed by the VSL DT. We believe that it's in the best interest of the industry to meet the FERC mandated schedule.</p>			
ISO/RTO Council	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>We agree with the general direction to replace non-compliance levels with violation severity levels. However, we feel that there lacks a common understanding and agreement across the industry on the definition and assignment of the 4 levels of violations despite the guideline provided in the SAR.</p> <p>The guideline has never been vetted through established standard development process, and there has been no open discussion or justification given on the appropriateness of these levels. Thus, they often appear to be arbitrary. We see the need to first establish a set of definitions and guidelines that are fully vetted before assigning the levels to the standards.</p>

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Question #1			
Commenter	Yes	No	Comment
			For standards that are currently being worked on by established drafting teams, it would be prudent and more effective to defer developing the violation severity levels pending completion of the above suggested task.
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards teams for their use in developing VSL's. The VSL DT will utilize the existing SAR/Standards Drafting teams to get expert input by having them assign VSL's for Standards assigned to those teams. The vast majority of Standards will have VSL's determined by the existing drafting teams. Waiting for existing teams to finish their work and afterwards develop VSL and go through the normal sequence of development and approval, will not allow us to meet the FERC mandated deadline to file VSL by March 1, 2008. The VSL DT will be asking the existing teams to take time to develop VSL for the current approved standards. Those standards that are not associated with an existing drafting team will be addressed by the VSL DT. We believe that it's in the best interest of the industry to meet the FERC mandated schedule.</p>			
ITC	<input checked="" type="checkbox"/>		
Kansas City Power & Light	<input checked="" type="checkbox"/>		
Manitoba Hydro		<input checked="" type="checkbox"/>	<p>We do not agree to replace 'Levels of Non-compliance' with 'Violation Severity Levels' as defined by the existing criteria. The definitions of the VSL categories are vague and use language (like "minor" and "mostly compliant") make it difficult to distinguish between each severity level. These definitions can lead to and cause misinterpretation and misunderstanding when determining the severity of a violation.</p> <p>Each standard is different in its requirements and measures. A "one size fits all" approach to determining the VSL's for each standard will not produce an acceptable assessment of the severity of a violation.</p> <p>Although we agree with the approach that small teams of experts are needed to determine the VSL's for each standard, an oversight team is also needed to ensure that there is consistency between the smaller teams in their end result. This oversight group would also develop new guidelines for the development of VSL's that the smaller groups would apply to each standard.</p>
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's. The VSL DT will provide oversight of the process to help ensure that VSL development criteria is consistently applied across the various Requirements. The VSL DT will utilize existing SAR/Standard development teams to develop VSL using the criteria that will be developed by the VSL DT. This will allow expert input from various technical and industry sectors and also will allow meeting the filing deadline required by FERC.</p>			
Midwest ISO		<input checked="" type="checkbox"/>	The violation severity levels have never been vetted through the industry. The score levels appear to be arbitrary. The scope needs to be modified such that the drafting

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Question #1			
Commenter	Yes	No	Comment
			team will first seek consensus on the VSL guideline.
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards teams for their use in developing VSL's. The VSL DT will utilize existing SAR/Standard development teams to develop VSL using the criteria that will be developed by the VSL DT. This will allow expert input from various technical and industry sectors and also will allow meeting the filing deadline required by FERC.</p>			
MRO		<input checked="" type="checkbox"/>	The MRO agrees that the "levels of non-compliance" should be replaced with the "Violation Severity Levels" however the MRO has several questions about the VSL guidelines (see Question 2). So while the MRO does support adding VSLs in the method described in the SAR, we do not support the current guidelines that have been proposed to establish the VSLs in the SAR.
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards teams for their use in developing VSL's. The VSL DT will utilize existing SAR/Standard development teams to develop VSL using the criteria that will be developed by the VSL DT. This will allow expert input from various technical and industry sectors and also will allow meeting the filing deadline required by FERC.</p>			
Ontario Power Generation Inc.		<input checked="" type="checkbox"/>	While the concept of translating non-compliance levels to VSLs is reasonable, the specific approach that is being proposed appears premature and could potentially result in future severity evaluations that are biased towards "severe".
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards teams for their use in developing VSL's. The VSL DT will provide oversight of the process to help ensure that the VSL criteria is consistently applied across the various requirements. The VSL SAR DT will utilize existing SAR/Standard development teams to develop VSL using the criteria that will be developed by the VSL SAR DT. This will allow expert input from various technical and industry sectors and also will allow meeting the filing deadline required by FERC.</p>			
PSC of SC	<input checked="" type="checkbox"/>		
Southern Company	<input checked="" type="checkbox"/>		

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2. Do you agree with the criteria currently used to distinguish Violation Severity Levels? If not, please explain in the comment area.

Summary Consideration: The SAR will be modified to include the development of criteria to establish the VSL's. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards teams for their use in developing VSL's. The VSL DT will utilize the existing SAR/Standards Drafting teams to get expert input by having them assign VSL's for Standards assigned to those teams. The vast majority of Standards will have VSL's determined by the existing drafting teams.

Question #2			
Commenter	Yes	No	Comment
ERCOT		<input checked="" type="checkbox"/>	On the surface, these criteria seem reasonable. However, some cases are not covered, such as when a requirement presents a clear yes-or-no (binary) situation. Even more importantly--and this is an issue that exists for Violation Risk Factors as well--there needs to be a stronger differentiation between "importance" and "severity". This concept must be clarified in order to keep all violations and sanctions from migrating to the most onerous sanctions. A requirement may be very important, but that does not necessarily mean that a violation of that requirement clearly has a severe Violation Risk Factor, nor a severe Violation Severity Level. Almost no standard requirement, taken alone, should present a severe risk factor nor a severe VSL. In many instances, extensive post-occurrence analysis must be conducted before the proper context may be applied. There may be a few rare exceptions, such as blatant refusal by an entity to consider a requirement, or obvious repetitive behavior in violation of requirements, but criteria should be in place to weigh such factors, rather than simply defaulting to higher levels of severity.
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's. Your comment will be considered during this process. The VSL DT will provide oversight of the process to help ensure that the criteria are consistently applied across the various Requirements. The VSL DT agrees with you that there should be a clear differentiation between importance and VSL. The violation severity level indicates the degree to which the entity violated the requirement. The importance to reliability of a particular requirement is addressed through the Violation Risk Factors.</p>			
Northeast Utilities		<input checked="" type="checkbox"/>	<ol style="list-style-type: none"> 1) Can objective measurements for the numeric severity ranges be developed? It would seem very difficult to do this. 2) Is 70% a reasonable ceiling for a Severe VSL or should it be lower? A change here would cascade to changes in all categories. How were the numeric parameters developed? 3) How are "minor details" in the Lower category and "significant elements" in the Moderate and High categories defined?

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Question #2			
Commenter	Yes	No	Comment
<p>Response: The VSL DT thanks you for your comment. We agree with your comment and will consider it in the development of criteria to establish the VSL's.</p>			
Oncor Electric Delivery	<input checked="" type="checkbox"/>		
Entergy Services		<input checked="" type="checkbox"/>	<p>While this is the current criteria being used developing VSLs in other SARs, the VSLs are not defined for each specific level in the Reliability Standards Development Procedure. The term "mostly" is subjective and should be removed or replaced with a more definitive term. Similarly, there needs to be a defined distinction between "significant elements" and "minor details". The methodology/description for determination of meeting the requirement's reliability objective needs to be very clear in the Measures if this will be used as a basis for assigning VSLs.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT agrees with your comment and will consider it in the development of criteria to establish the VSL's. The SAR Will be modified to include the development of criteria to establish the VSL's. While some Requirements contain vague language, the scope of this team is to only develop VSL's for existing Requirements. Changes to Requirement language will be carried out by existing and future Standards Drafting teams.</p>			
AEP		<input checked="" type="checkbox"/>	Where do percentages come into play and how will they be determined?
<p>Response: The VSL DT thanks you for your comment. The VSL DT will develop criteria for developing VSLs which will help clarify their application in Compliance.</p>			
Ameren		<input checked="" type="checkbox"/>	<p>We believe that the above definitions are a good starting point, but additional clarification needs to be provided regarding how the "Equivalent Score" would be determined, as each standard does not have the same number of requirements and sub-requirements. Also, in most of the standards, the requirements and sub-requirements have only a binary ("yes" or "no") provision for compliance, and do not require a quantitative or qualitative response on which to base any scoring.</p> <p>Further, we believe that the ranges for the violation severity levels for "Lower", "Moderate", and "High" need to be modified such that each level has a 10-point range for proper stratification of the compliance scores within these levels, as noted below:</p> <p>The range of the "Lower" violation severity levels needs to be opened up such that the equivalent score would fall within the range of 90-99% of full compliance. We believe that the proposed 5-point 95-99% range is too narrow a bandwidth for the "Lower" violation severity level. It is suggested that the term "Lower" be change to "Low" to better match the descriptions of the other severity levels.</p> <p>The upper bound, lower bound, and range for the "Moderate" violation severity level all need to be lowered from the proposed 11-point 85-95% range to a 10-point 80-89% range. We believe that the proposed 85-95% range is too high for this violation severity level.</p>

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Question #2			
Commenter	Yes	No	Comment
			<p>The range of the "High" violation severity levels needs to be closed down such that the equivalent score would fall within the range of 70-79% of full compliance. We believe that the proposed 16-point 70-85% range is too broad and the upper bound is too high for this violation severity level.</p> <p>Those with "Severe" violation severity levels should have an equivalent score less than 70%, and not 70% or less.</p> <p>"Mostly" and "partially" are ill defined and offer no reasonable measurement from standard to standard in assessing performance.</p>
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's and will take your comment into consideration when developing the criteria.</p>			
IESO	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<p>The above guideline is applicable to a certain type of requirements only - requirements that can be assessed on a percentage basis. There are those requirements whose compliance is determined from a simple "yes" or "no", for examples, "shall have a backup control centre", and "shall take action to correct IROL violation within Tv". These requirements cannot be measured on a percentage basis.</p> <p>There are also those requirements for which the violation level should go up as the number of violations increases. The draft IRO-006-4 standard that is currently posted for pre-ballot review provides an example of assigning violation severity level according to the number of times requirements are not met. In other words, repeat offenders are assigned higher violation level than their occasional counterparts.</p> <p>On the basis of the above-mentioned examples, we strongly recommend that the guideline(s) be expanded to cover situations where percentage measurement is not applicable or appropriate. As such, we recommend that the SAR be modified to first develop a full set of VSL guidelines for industry review, comment and balloting, and then use the approved guidelines to develop violation severity levels for the standards.</p> <p>We believe a guideline that is fully vetted and supported by the majority of the industry participants and has the necessary elements to cover different type of standard requirements, would lend itself to a much more efficient task in developing the violation severity levels.</p> <p>In view of the March 2008 target date to comply with the FERC directive, we feel there is sufficient time to complete both tasks.</p>
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's and will take your comment into consideration when developing the criteria. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards drafting teams for their use in assigning VSL's.</p>			
ISO/RTO Council		<input checked="" type="checkbox"/>	<p>The above guideline assumes that all requirements in the standards can be lumped into one group based on the violation of the standard. We propose this is incorrect and there</p>

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Question #2			
Commenter	Yes	No	Comment
			<p>are, in fact, multiple groups of standards based on the type of violation. For some requirements, one can measure how badly the requirement was violated. For example, the BAL-002-0 DCS standard has requirements that allow the measurement of how close the BA or RSG was to returning ACE to zero or the pre-disturbance level. These requirements represent one group.</p> <p>Other requirements (attribute requirements) either have been met or they have not been met. For example, BAL-004-0 requires each BA to participate in a Time Error Correction when issued. Either the BA participated or they didn't. In the past, this guideline was "force fitted" to this type of requirement resulting in the most severe VSL being applied to these attribute requirements. We suggest that the guideline be expanded to cover these attribute requirements.</p> <p>There are still other requirements for which the violation level should go up as the number of violations increases. The draft IRO-006-4 standard that is currently posted for pre-ballot review provides an example of assigning violation severity level according to the number of requirements within the standard that are not met. In other words, repeat offenders are assigned higher violation level than their occasional counterparts. We suggest the SAR be modified to first develop a full set of VSL guidelines for industry review, comment and balloting. Then use the approved guidelines to develop violation severity levels for the 87 standards.</p> <p>We believe a guideline that is fully vetted and supported by the majority of the industry participants, and has the necessary elements to cover different types of standards requirements, would lead to a much more efficient task in developing the violation severity levels. In view of the March 2008 target date to comply with the FERC directive, we feel there is sufficient time to complete both tasks.</p> <p>Additionally, we believe the VSLs and VRFs confuse the importance of a requirement with the risk level and severity of the violation. VSLs should not be selected based on the importance of the requirement. All requirements should be considered important; otherwise, why are they requirements? An important requirement often does not translate into a high violation risk factor or a severe violation severity level. Unfortunately, there seems to be a trend to set most VRFs to higher levels and VSLs to more severe levels for the purpose of increasing the penalty associated with a compliance violation. Very few standards represent a high violation risk factor or a severe VSL per se. The blackout report even pointed out that it is usually the violation of many requirements that leads to blackouts. The ERO's ability to escalate penalties based on the number of violations should be sufficient incentive to avoid these situations and obviates the need to create large penalties by setting VRFs and VSLs artificially high.</p>

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Question #2			
Commenter	Yes	No	Comment
			Additionally, extensive post-occurrence analysis often must be conducted before the proper severity level may be applied. There may be a few rare exceptions, such as blatant refusal by an entity to consider a requirement that requires severe penalties and the ERO's penalty algorithm allows this to be considered.
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's and will take your comment into consideration when developing the criteria. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards drafting teams for their use in assigning VSL's. The VSL DT agrees with your last paragraph concerning the importance of Requirements. The DT will consider your comment in defining the criteria for VSL's.</p>			
ITC		<input checked="" type="checkbox"/>	The "Equivalent Score," at times, is meaningless. Most standards do not lend themselves to a percentage score. Latitude should be given to omit the equivalent score from a severity level if it does not apply to a particular standard.
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's and will consider your comment in developing the criteria.</p>			
Kansas City Power & Light	<input checked="" type="checkbox"/>		
Manitoba Hydro		<input checked="" type="checkbox"/>	The criteria is very subjective as it is left to judgement as to what is a "minor exception" and what is "significant exception". There is no explanation as to how an equivalent score is calculated given the facts of any particular violation.
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's and will consider your comment in developing the criteria.</p>			
Midwest ISO		<input checked="" type="checkbox"/>	<p>Many requirements are attribute requirements. That is, they are either met or they are not. Attempting to apply four levels of violation severity levels to all requirements is thus like pounding the square peg into the round hole. Further, NERC has in general given guidance to the drafting teams that the appropriate VSL for non-compliance with an attribute level is severe by default. Since sanction size is partially determined by violation severity level, this could result in treating a non-compliance that would fit a "misdemeanor" category as a "felony" category. A non-compliance with a requirement to review a documented methodology annually could literally force the sanction matrix to the far right hand side for a methodology that is past a review time. That is not acceptable given that it really is a minor infraction. Thus, the standards drafting team needs to develop a set of violation severity levels for attribute standards only. The equivalent scores and the description of the violation severity levels do not match. Thus, the equivalent scores appear to be arbitrary.</p> <p>This violation severity level guideline has not been vetted throughout the industry. Thus, the SAR scope needs to be modified to require the drafting team to update the</p>

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Question #2			
Commenter	Yes	No	Comment
			<p>violation severity level guideline to reflect attribute requirements and any additional requirement types that may not fit this guideline and then post the guideline for comment. Eventually a standards vote should be conducted on this guideline. The standards drafting team needs to recognize that a cookie cutter approach to the VSL guidelines is not appropriate and it is possible that each requirement would need a separate VSL guideline.</p> <p>Only after a guideline(s) has been approved should the standards drafting team proceed with applying VSLs to the existing standards and post them for comment and vote. However, it is likely that the standards drafting team will not have the breadth of expertise required to assign VSLs to all the requirements in the standards. Additional teams of experts will most likely be required to assign them to each standard. NERC needs to recognize this will be a lengthy process if handled properly.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT will modify the SAR to include the development of criteria to establish the VSL's and will take your comment into consideration when developing the criteria. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards drafting teams for their use in assigning VSL's.</p>			
MRO		<input checked="" type="checkbox"/>	<p>1. The VSL effort should be adjusted:</p> <ul style="list-style-type: none"> a. Improve the definition of VSL (break non-compliance space into quartiles, come up with a more rational way to deal with attribute (yes/no) requirements). Get away from the sanction-heavy skewing. VSL should be assigned so that they approach quartiles of an observed or expected range of performance. b. Pass all requirements through a screening process. Is the requirement really a requirement or is it explanatory, procedural, or administrative? Then assign measures, and VSL to these. <p>2. For current VSL assignments, drafting teams and NERC continue to put most things in the "level 4" bucket whenever possible. This is often because the drafting teams have a personal stake and feel the particular standard is very important. (Importance is not the same as risk.)</p> <p>3. SDT should determine additional VSL for an attribute requirement (were the requirement is either fully meet or not) and any other types of requirements that don't fit VSL as defined in this question. These VSL guidelines should be vetted to the industry BEFORE specifically applying them to the standards.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT will modify the SAR to include the development of criteria to establish the VSL's and will take your comment into consideration when developing the criteria. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards drafting teams for their use in assigning VSL's. The VSL DT agrees with your last paragraph concerning the importance of Requirements. We will consider your comment in defining the criteria for VSL's.</p>			

Consideration of Comments on 1st Draft of Violation Severity Levels SAR (Project 2007-23)

Question #2			
Commenter	Yes	No	Comment
Ontario Power Generation Inc.		<input checked="" type="checkbox"/>	<p>I do not believe that the criteria listed above have been appropriately validated and agreed to by the industry such that they can be used as a cornerstone for further work by drafting teams. It would be premature to use them prior to a robust industry validation.</p> <p>Further, the narrative associated with each of the VSLs above does not appear consistent with the "Equivalent Scores". The equivalent scores appear to be very high thresholds which will tend to drive even minor violations toward a severe rating. It should not be the intended end state for a compliance regime that all infractions are considered severe. Additional work should be done on the creation of appropriate criteria prior to proceeding.</p>
<p>Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's and will take your comment into consideration when developing the criteria. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards drafting teams for their use in assigning VSL's. We will consider your comment in defining the criteria for VSL's.</p>			
PSC of SC	<input checked="" type="checkbox"/>		
Southern Company		<input checked="" type="checkbox"/>	<p>We propose the ranges be 90-100% for Lower, 80-90% for Moderate, 70-80 for High, and 70 and Below for Severe. Our justification is that the grading of performance is open to interpretation by the one doing the grading. Therefore, the extremely small range of 95-100% for Lower seems too limited due to the human factor.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT will modify the SAR to include the development of criteria to establish the VSL's and will take your comment into consideration when developing the criteria. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards drafting teams for their use in assigning VSL's.</p>			

Consideration of Comments on 1st Draft of Violation Severity Levels SAR (Project 2007-23)

3. If you have any other comments on this SAR that you have not already provided above, please provide them here.

Summary Consideration: NERC Standards became mandatory and enforceable in June 2007, and as such the VSL DT is required to provide VSL's for each Requirement in a timely fashion in order to provide more clarity and direction to ensure consistency among the Standards drafting teams. Any regulatory approved Requirement is enforceable by the ERO and must have a VSL assigned. Therefore, the VSL DT will develop and approve criteria for assigning VSL's and provide them to the existing SAR/Standards drafting teams for their use in assigning VSL's to each Requirement. This will be accomplished to meet the FERC mandated timeline of March 1, 2008.

Question #3	
Commenter	Comment
ERCOT	
Northeast Utilities	How will the VSLs for individual violations be combined to create an aggregate penalty which is permitted under NERC sanctions guidelines?
	Response: The VSL DT thanks your for your comment. The impact of individual violations to create penalties is determined in accordance with NERC Compliance Sanctions Guidelines.
Oncor Electric Delivery	
Entergy Services	With respect to developing VSLs for standards with no specific drafting team, any revised standard for the purpose of adding VSLs should be balloted separately (not in a grouping with other standards) so that the entire set is not rejected because of an issue with one of the standards, nor approved as a set with flaws/concerns in one or more of the standards.
	Response: The VSL DT thanks you for your comment. The team will discuss and determine how each Standard will be balloted, whether individually or in groups as there are potential issues with either method (individual vs. groups).
AEP	No Comment
Ameren	With the number and diversity of the NERC Standards that require development of violation severity levels, we question whether a single drafting team can exist that would contain the required expertise in all of the standards areas to be able to develop the proper violation severity levels for each standard. It is therefore suggested that several drafting teams be developed to address the list of standards within the various Standards Categories.
	Response: The VSL DT thanks you for your comment. We will modify the SAR to include the development of criteria to establish the VSL's. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards teams for their use in assigning VSL's. The VSL DT will utilize existing SAR/Standard development teams to develop VSL using the criteria developed by the VSL DT. This will allow expert input from various technical and industry sectors and also will allow meeting the filing deadline required by FERC.
IESO	The SAR mentions that 83 standard were approved by FERC - this would have to be revised and all standards subsequently approved since FERC Rule 693 should be incorporated into this SAR and corresponding SDTs be identified accordingly.

Consideration of Comments on 1st Draft of Violation Severity Levels SAR (Project 2007-23)

Question #3	
Commenter	Comment
	Response: The VSL DT thanks you for your comment. The goal of this Drafting Team is to meet the directive issued by FERC to replace levels of non-compliance with VSL's. Subsequently revised Standards will contain VSL's developed by the drafting team responsible for developing those Standards.
ISO/RTO Council	
ITC	
Kansas City Power & Light	Violation Severity Levels should only apply directly to reliability related requirements. Any requirements in the standards that can be deemed as administrative in nature or procedural should be exempt from the application of these Violation Severity Levels.
	Response: The VSL DT thanks you for your comment. Any regulatory approved Requirement is enforceable by the ERO and must have a VSL assigned.
Manitoba Hydro	
Midwest ISO	
MRO	<ol style="list-style-type: none"> 1. VSL impact all entities responsible for requirements so all the entities should be checked which are listed on page SAR-3. 2. VSL impact all entities responsible for reliability principles so all the principles should be checked which are listed on page SAR-4. 3. Attachment #1, lists SAR projects which have already been vetted on. If there's a change in the VSL already vetted on, can we have one ballot per change in VSL? 4. SDT should determine additional VSL for an attribute (were the requirement is either fully meet or not) requirement and any other types of requirements that don't fit VSL as defined in question two. These VSL guidelines should be vetted to the industry BEFORE specifically applying them to the standards.
	Response: Thank you for your comment. The VSL DT will modify the SAR as appropriate for your suggestions in 1 and 2 above. There are no existing VSL's that fall within the scope of this SAR. The DT will modify the SAR to include the development of criteria to establish the VSL's. The DT will develop and approve these guidelines and provide them to the existing SAR/Standards teams for their use in assigning VSL's. The VSL DT will utilize existing SAR/Standard development teams to develop VSL using the criteria that will be developed by the VSL DT. This will allow expert input from various technical and industry sectors and also will allow meeting the filing deadline required by FERC.
Ontario Power Generation Inc.	
PSC of SC	One typographical suggestion: Page SAR-20, Attachment 2, last paragraph: Remove the subscript "7" after the word "established".
	Response: Thank you for your comment. The SAR will be revised to remove the subscript.
Southern Company	None at this time.