

Consideration of Comments on Violation Severity Levels — Project 2007-23 and Project 2008-08

NERC thanks all commenters who submitted comments on the proposed revised Violation Severity Levels (VSLs) developed to better follow the FERC Guidelines identified in FERC's VSL Orders. The VSLs were posted for a 30-day public comment period from November 3, 2009 through December 3, 2009. The stakeholders were asked to provide feedback on the standards through a special Electronic Comment Form. There were 11 sets of comments, including comments from 52 different people from approximately 35 companies representing 8 of the 10 Industry Segments as shown in the table on the following pages. The original comments can be viewed as submitted on the following web pages:

Project 2007:23 — Violation Severity Levels SDT:

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

Project 2008-08 — EOP VSL Revisions SDT:

http://www.nerc.com/filez/standards/EOP_VSLs_Project_2008-08.html

Comments received varied widely. Several entities expressed concern that NERC staff performing such a review was inappropriate. NERC appreciates these comments, and understands the concerns expressed by its stakeholders. However, NERC as the ERO has been ordered by the FERC to review these Violation Severity Levels and ensure that they comply with the four established FERC guidelines related to VSLs. NERC's sole intent in this review was to improve the quality of the work product that is being provided pursuant to FERC's order such that it will help ensure the continued success of the Self-Regulatory Organization model. To provide FERC with VSLs that do not comply with its established guidelines would likely have impacts detrimental to both NERC as a corporate entity and to its members as part of the self-regulated organization.

Entities provided several comments and suggestions. In several cases, making the changes suggested would either result in violations of the FERC Guidelines or would undo changes to the work previously done by the VSL DT without improving or enhancing compliance with those Guidelines. In those cases, no changes were made.

However, in other cases, stakeholders identified alternative approaches that were compliant with the guidelines, or identified inconsistencies that needed to be addressed. In those cases, changes were made. These changes are listed below.

In one case, a stakeholder identified an applicability concern with Regional Reliability Organizations (RROs). Conformance with standards by Regional Entities (Regional Reliability Organizations) is handled not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). Changes were made to VSLs that were posted during this comment period as well as others that were not posted; RROs were removed from VSLs, as violation of a standard by an RRO is not processed through compliance channels, and therefore, VSLs are inappropriate. Because this item dealt with a general applicability that had been previously addressed in other filings and orders, we do not believe this to be an inappropriate change.

BAL-004 R4 — Entities suggested that interpreting this requirement as applying to the Time Monitor was inappropriate. The original balloted language was modified to align more closely with the requirement.

BAL-005 R13 — Entities suggested that the added VSL addressed a paradoxical scenario in which an entity addressed a problem without identifying the problem. NERC agrees, and has returned to the original balloted language.

BAL-006 R2 — Upon review, NERC staff believes that the JOU language can be incorporated into the VSL more cleanly than was proposed. Rather than adding the language as a severe violation, the item has been incorporated into the tie-line percentages. We believe this will eliminate concern with the “pass/fail” nature that had been proposed.

EOP-004 R1 — entities suggested that assigning VSLs to the RRO was inappropriate. NERC concurred, and removed the VSL for this requirement. VSLs assigned to the RRO were also removed from Requirements R4 and R5.

EOP-004 R3 — entities identified a typographical error that was corrected.

EOP-004 R3.1 — Upon further review, NERC staff believes that the balloted and approved VSLs better reflect the development history as suggested by the commenter. The balloted VSLs are consistent with the original Levels of Non-Compliance and the VSLs against which the comparison was being made were not approved by stakeholders. Accordingly, the balloted VSLs have been retained.

FAC-013 R2 — Entities identified a missing phrase in the Severe VSL that would improve consistency with FERC Guideline 3. The proposed change was incorporated.

EOP-004 R5 — entities suggested that assigning VSLs to the RRO was inappropriate. NERC concurred, and removed the VSL for this requirement.

IRO-001 R2 — entities identified alternate language that was more consistent with the FERC guidelines than proposed. The alternate language was used instead.

NUC-001 R8 — Entities identified a “cut and paste” error. The error was corrected.

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 Vice President and 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>.

Index to Questions, Comments, and Responses

1. Please review the proposed VSLs. Then in the following table, please provide alternate language for any VSLs that you disagree with. Please be sure to identify the standard number and requirement number for each proposed revision. 8
2. If there any other comments you wish to provide (relative to the VSLs) that you have not already provided in responses to the questions above, please provide them here. 32

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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.	Group	Denise Koehn	Bonneville Power Administration	X											
Additional Member Name		Additional Member Organization		Region			Segment								
Jim Burns		BPA Transmission Technical Operations		WECC			1								
Tim Loepker		BPA Transmission Dispatch		WECC			1								
Tedd Snodgrass		BPA Transmission Dispatch		WECC			1								
Greg Vasallo		BPA Transmission Customer Service Engineering		WECC			1								
Wes Hutchison		BPA Transmission Operational Analysis & Support		WECC			1								
2.	Individual	Edward Davis	Entergy Services	X		X		X	X						
3.	Group	Ben Li	IRC Standards Review Committee		X										
Additional Member Name		Additional Member Organization		Region			Segment								
James Castle		NYISO		NPCC			2								
Charles Yeung		SPP		SPP			2								

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		Commenter	Organization	Industry Segment										
				1	2	3	4	5	6	7	8	9	10	
		Mark Thompson	AESO	WECC					2					
		Steve Myers	ERCOT	ERCOT					2					
		Bill Phillips	MISO	MRO					2					
		Lourdes Estrada-Saliner	CAISO	WECC					2					
		Matt Goldberg	ISO-NE	NPCC					2					
		Patrick Brown	PJM	RFC					2					
4.	Group	Jason L. Marshall	Midwest ISO Stakeholder Standards Collaborators		X									
		Additional Member Name	Additional Member Organization	Region					Segment					
		Joe Knight	Great River Energy	MRO					1,3,5,6					
		Barb Kedrowski	We Energies	RFC					3,4,5					
		Kirit Shah	Ameren	SERC, RFC					1					
		Greg Rowland	Duke Energy	SERC, RFC					1,3,5,6					
		Jim Cyrulewski	JDRJC Associates, LLC	RFC					8					
5.	Individual	James H. Sorrels, Jr.	American Electric Power	X		X		X	X					
6.	Individual	Joylyn Stover	Consumers Energy			X	X	X						
7.	Group	JT Wood and Christopher Wilson	Southern Company Transmission	X										
8.	Individual	Dan Rochester	IESO		X									
9.	Group	Guy Zito	Northeast Power Coordinating Council											

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	Commenter	Organization	Industry Segment									
			1	2	3	4	5	6	7	8	9	10
Additional Member Name	Additional Member Organization		Region			Segment						
Alan Adamson	New York State Reliability Council, LLC		NPCC			10						
Gregory Campoli	New York Independent System Operator		NPCC			2						
Roger Champagne	Hydro-Quebec TransEnergie		NPCC			2						
Kurtis Chong	Independent Electricity System Operator		NPCC			2						
Sylvain Clermont	Hydro-Quebec TransEnergie		NPCC			1						
Chris de Graffenried	Consolidated Edison Co. of New York, Inc.		NPCC			1						
Brian D. Evans-Mongeon	Utility Services		NPCC			8						
Mike Garton	Dominion Resources Services, Inc.		NPCC			5						
Brian L. Gooder	Ontario Power Generation Incorporated		NPCC			5						
Kathleen Goodman	ISO - New England		NPCC			2						
David Kiguel	Hydro One Networks Inc.		NPCC			1						
Michael R. Lombardi	Northeast Utilities		NPCC			1						
Randy MacDonald	New Brunswick System Operator		NPCC			2						
Greg Mason	Dynergy Generation		NPCC			5						
Bruce Metruck	New York Power Authority		NPCC			6						
Chris Orzel	FPL Energy/NextEra Energy		NPCC			5						
Robert Pellegrini	The United Illuminating Company		NPCC			1						
Saurabh Saksena	National Grid		NPCC			1						
Michael Schiavone	National Grid		NPCC			1						
Peter Yost	Consolidated Edison Co. of New York, Inc.		NPCC			3						
Gerry Dunbar	Northeast Power Coordinating Council		NPCC			10						
Lee Pedowicz	Northeast Power Coordinating Council		NPCC			10						

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		Commenter	Organization	Industry Segment										
				1	2	3	4	5	6	7	8	9	10	
10.	Individual	Scott Barfield-McGinnis, PE	Georgia System Operations Corporation			X	X							
11.	Individual	Steve Rueckert	WECC											

1. Please review the proposed VSLs. Then in the following table, please provide alternate language for any VSLs that you disagree with. Please be sure to identify the standard number and requirement number for each proposed revision.

Summary Consideration: Entities provided several comments and suggestions. In several cases, making the changes suggested would either result in violations of the FERC Guidelines or would undo changes to the work previously done by the VSL DT without improving or enhancing compliance with those Guidelines. In those cases, no changes were made.

However, in other cases, stakeholders identified alternative approaches that were compliant with the guidelines, or identified inconsistencies that needed to be addressed. In those cases, changes were made. These changes are listed below.

In one case, a stakeholder identified an applicability concern with Regional Reliability Organizations (RROs). Conformance with the standards by Regional Entities (Regional Reliability Organizations) is handed not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). Changes were made to VSLs that were posted during this comment period as well as others that were not posted; RROs were removed from VSLs, as violation of a standard by an RRO is not processed through Compliance channels, and therefore, VSLs are inappropriate. Because this item dealt with a general applicability that had been previously addressed in other filings and orders, we do not believe this to be an inappropriate change.

BAL-004 R4 – Entities suggested that interpreting this requirement as applying to the Time Monitor was inappropriate. The original balloted language was modified to align more closely with the requirement.

BAL-006 R2 - Upon review, NERC staff believes that the JOU language can be incorporated into the VSL more cleanly than was proposed. Rather than adding the language as a severe violation, the item has been incorporated into the tie-line percentages. We believe this will eliminate concern with the “pass/fail” nature that had been proposed.

EOP-004 R1 – Entities suggested that assigning VSLs to the RRO was inappropriate. NERC concurred, and removed the VSL for this requirement. VSLs assigned to the RRO were also removed from Requirements R4 and R5.

EOP-004 R3 – entities identified a typographical error that was corrected.

EOP-004 R3.1 – Upon further review, NERC staff believes that the balloted and approved VSLs better reflect the development history as suggested by the commenter. The balloted VSLs are consistent with the original Levels of Non-Compliance and the VSLs against which the comparison was being made were not approved by stakeholders. Accordingly, the balloted VSLs have been retained.

FAC-013 R2 – Entities identified a missing phrase in the Severe VSL that would improve consistency with FERC Guideline 3. The proposed change was incorporated.

IRO-001 R1 - VSLs assigned to the RRO were also removed from Requirement R1.

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IRO-001 R2 – Entities identified alternate language that was more consistent with the FERC guidelines than proposed. The alternate language was used instead.

NUC-001 R8 – Entities identified a “cut and paste” error. The error was corrected.

Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
BPA	EOP-004	5	The VSLs should clarify that these are for recommendations that have not been completed. The RRO should not have to keep reporting twice per year on old completed recommendations.	The VSLs should clarify that these are for recommendations that have not been completed. The RRO should not have to keep reporting twice per year on old completed recommendations.	The VSLs should clarify that these are for recommendations that have not been completed. The RRO should not have to keep reporting twice per year on old completed recommendations.	The VSLs should clarify that these are for recommendations that have not been completed. The RRO should not have to keep reporting twice per year on old completed recommendations.

Response: Thank you for your comment. Per Section 100 of NERC’s Rules of Procedure, requirements assigned to the Regional Entity (RRO) are addressed as a Rules of Procedure violation, rather than through the Compliance program. As such, VSLs for this requirement are inappropriate.

Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
Entergy Services	BAL-004-0 Non-participation in one Time Error Correction does negatively impact the BES and should only be LOWER, not	R3	The Balancing Authority failed to participate in the Time Error Correction OR The Balancing Authority participated in the Time Error Correction, but did not use one of the methods defined in R3.1 or R3.2.	N/A	N/A	N/A

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
	SEVERE.					
	BAL-006-1 The balloted VSL location for Jointly Owned Generators is the correct location and should remain as balloted. Staff incorrectly assumed the change was made to reduce the “potential “cost” of a violation”.	R2	The Balancing Authority failed to include 5% or less than all AC tie lines in its Inadvertent Interchange account. OR The Balancing Authority failed to take into account interchange served by jointly owned generators.	The Balancing Authority failed to include more than 5% up to (and including) 10% of all AC tie lines in its Inadvertent Interchange account.	The Balancing Authority failed to include more than 10% up to (and including) 15% of all AC tie lines in its Inadvertent Interchange account.	The Balancing Authority failed to include more than 15% of all AC tie lines in its Inadvertent Interchange account.
	EOP-001-0 Changes in the standard can justify changes in the VSL assignments. FERC approval of a set of VSLs does not mean they never change	R5	The Transmission Operator or Balancing Authority included less than 100% but more than 90% of the applicable elements in Attachment 1-EOP-001-0 in its emergency plan.	The Transmission Operator or Balancing Authority included less than or equal to 90% but more than 70% of the applicable elements in Attachment 1-EOP-001-0 in its emergency plan.	The Transmission Operator or Balancing Authority included less than or equal to 70% but more than 50% of the applicable elements in Attachment 1-EOP-001-0 in its emergency plan.	The Transmission Operator or Balancing Authority included less than or equal to 50% of the applicable elements in Attachment 1-EOP-001-0 in its emergency plan.

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
	or only get more stringent.					
	EOP-004 Changes in the standard can justify changes in the VSL assignments. FERC approval of a set of VSLs does not mean they never change or only get more stringent.	R3.1	The responsible entity submitted the report as required in R3.1 more than 24 but less than or equal to 36 hours after the disturbance or unusual occurrence, or discovery of the disturbance or unusual occurrence	The responsible entity submitted the report as required in R3.1 more than 36 but less than or equal to 48 hours after the disturbance or unusual occurrence, or discovery of the disturbance or unusual occurrence.	The responsible entity submitted the report as required in R3.1 more than 48 but less than or equal to 72 hours after the disturbance or unusual occurrence, or discovery of the disturbance or unusual occurrence.	The responsible entity submitted the report as required in R3.1. more than 72-hours after the disturbance or unusual occurrence, or discovery of the disturbance or unusual occurrence.
	INT-001-3 Dynamic Schedules are a very minor part of total interchange and should be treated like all other interchange schedules. The failure to submit one schedule does	R1	The Load-Serving, Purchasing-Selling Entity failed to submit one Dynamic Schedule at the expected average MW profile for an hour to the Interchange Authority; as per R1.1.	The Load-Serving, Purchasing-Selling Entity failed to submit two Dynamic Schedules at the expected average MW profile for an hour to the Interchange Authority; as per R1.1.	The Load-Serving, Purchasing-Selling Entity failed to submit three Dynamic Schedules at the expected average MW profile for an hour to the Interchange Authority; as per R1.1.	The Load-Serving, Purchasing-Selling Entity failed to submit four or more Dynamic Schedules at the expected average MW profile for an hour to the Interchange Authority; as per R1.1.

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
	<p>not justify a Severe VSL. The balloted VSLs are consistent with the VSLs for INT-001-3 R2 and should be used here.</p>					
	<p>INT-001-3 The Sink BA failing to submit one Arranged Interchange to the IA is similarly situated as the comments for R1 above. Therefore one schedule is a very minor part of total interchange and should be treated like all other interchange schedules. The failure to submit one schedule does not justify a Severe VSL.</p>	R2	<p>The Sink Balancing Authority failed to submit one Arranged Interchange to the Interchange Authority as per R2.1 and R2.2.</p>	<p>The Sink Balancing Authority failed to submit two Arranged Interchanges to the Interchange Authority as per R2.1 and R2.2.</p>	<p>The Sink Balancing Authority failed to submit three Arranged Interchanges to the Interchange Authority as per R2.1 and R2.2.</p>	<p>The Sink Balancing Authority failed to submit four or more Arranged Interchanges to the Interchange Authority as per R2.1 and R2.2.</p>

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
	The balloted VSLs are consistent with the VSLs for INT-001-3 R2 and should be used here.					
	IRO-006-3 Adding the “and” changes the meaning of the VSL. The Alternate language better reflects the meaning of the balloted VSL	R4				A Reliability Coordinator, having implemented a local transmission loading relief or congestion management procedure simultaneously with an Interconnection-wide procedure, failed to follow the curtailments as directed by the Interconnection-wide procedure.

Response: Thank you for all your comments The responses to each are as follows:

BAL-004 R3- The VSL measures how severely the requirement was violated; in the case of a requirement that is “pass/fail” in nature, failure to comply with the requirement is 100% non-compliant, and results in a Severe violation. The impact on the BES is measured by the Risk Factor, not the VSL.

BAL-006 R2 - Upon review, NERC staff believes that the JOU language can be incorporated into the VSL more cleanly than was proposed. Rather than adding the language as a severe violation, the item has been incorporated into the tie-line percentages. We believe this will eliminate concern with the “pass/fail” nature that had been proposed.

EOP-001 R5- No compelling reliability reason has been provided to justify the change in VSLs from those established in the original Levels of Non-Compliance for the standard. Absent such justification, NERC does not believe it appropriate to modify the VSLs in a way that could be perceived as lowering compliance.

EOP-004 R3.1 – Upon further review, NERC staff believes that the balloted and approved VSLs better reflect the development history as suggested by the commenter. The balloted VSLs are consistent with the original Levels of Non-Compliance and the VSLs against which the comparison was being made were not approved by stakeholders. Accordingly, the balloted VSLs have been retained.

INT-001 R1 – Per FERC Guideline 4, the severity of each infraction must be measured for each occurrence unless explicitly stated in the standard.

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
INT-001 R2 – Per FERC Guideline 4, the severity of each infraction must be measured for each occurrence unless explicitly stated in the standard.						
IRO-006 R4 – In the language proposed, the sentence structure is different but the results are the same.						

Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
IRC Standards Review Committee	BAL-004-0	R1				We do not agree with the change and its rationale. For the first condition, who will be assigned the Severe VSL if the ERO assigned the TEC to a non-RC entity? For the second condition, If the assigned entity is not a registered entity (say, a consultant), to whom and how will the standard and its corresponding sanction be applied? Assigning a VSL to “an entity” is meaningless if the entity is not registered. A long term fix is to remove Requirement 1 as it is not a requirement if the ERO cannot be held responsible for assigning TEC to an RC.
	BAL-004-0	R4				We do not agree with the proposed change since the requirement is not

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						written to hold the RC that is in charge of the TEC to act or to “recognize the authority of the other RC”. R4 should be removed. In the meantime, however, the VSL should be assigned to the RC that has a reliability concern, i.e. the original VSL language was correct given the way R4 is written.
	EOP-004	R3			A typo: “provide”.	A typo: “provide”.
	FAC-009	R2				The wording does not reflect the qualifying phrase in the requirement. We suggest the SDT to use language similar to the VSL for R2 of FAC-009: “The responsible entity did not provide its Transfer Capabilities to all entities that had a reliability-related need for such Transfer Capabilities and made a written request.”
	IRO-001-1	R2	None	None	None	The Reliability Coordinator did not comply with the approved plan.

Response: Thank you for your comments. The responses for each comment are as follows:

BAL-004 R1 – The requirement indicates that only certain entities can act as Interconnection Time Monitor. The VSL is written to apply to any entity that does not meet the criteria specified in the requirement that attempts to directly initiate or halt a Time Error Correction. We do not believe this to be problematic or inconsistent.

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BAL-004 R4 – NERC staff agrees that the requirement does not directly assign responsibility to the Time Monitor. The original balloted VSL language has been retained and modified to align more closely with the requirement.

EOP-004 R3 – Thank you. The language has been corrected.

FAC-009 R2 – This comment appears to apply to FAC-013 rather than FAC-009, and we have treated it as a comment for FAC-013. The proposed language improves consistency with Guideline 3, and has been incorporated into the VSLs.

IRO-001 R2 – Thank you. The language has been modified to incorporate your change.

Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
Midwest ISO Stakeholder Standards Collaborators	IRO-001-1	R2	None	None	None	The Reliability Coordinator did not comply with the approved plan.

Response: Thank you. The language has been modified to incorporate your change.

Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
American Electric Power	EOP-004	R1			The Regional Reliability Organization has a Regional reporting procedure, but <u>it is not current</u> .*	
	EOP-005-1	R1			The Transmission Operator has a restoration plan that does not address more than one of the applicable elements listed in Attachment 1-EOP-005.**	

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
	INT-001-3	R1 and R2				(Please refer to footnote below.)***
	MOD-006-0	R2	The responsible entity made its CBM use procedure available on a web site but failed to make it accessible by one (1) of the following: Regional Reliability Organizations, NERC or transmission users.	The responsible entity made its CBM use procedure available on a web site but failed to make it accessible by two (2) of the following: Regional Reliability Organizations, NERC or transmission users.	The responsible entity made its CBM use procedure available on a web site but failed to make it accessible to all of the following: Regional Reliability Organizations, NERC or transmission users.	The responsible entity did not make its CBM use procedure available on a web site.****
<p>Comment for EOP-004 R1: * The explanation provided by NERC does not align with the text edits as presented. The text shown above has been corrected to be consistent with the explanation.</p> <p>Comment for EOP-005-1 R1: ** While the addition of Severe VSL by NERC staff is appropriate, it is more severe than the existing text that has remained as severe. It would be reasonable to shift this existing severe text to the High Severity Level to better reflect the differences in non-compliance severity that would result.</p> <p>Comment for INT-001-3 R1 and R2: *** While the explanation is appropriate, the resulting text creates a binary requirement where greater VSL categories are necessary. For example, the impact from the failure of submitting an Arranged Interchange of 1 MW is not as severe as the failure of submission of a 1000 MW Arranged Interchange. If not in this version, this concern should be addressed in the next revision of this standard.</p> <p>Comment for MOD-006-0 R2: **** While the addition of the Severe VSL by NERC staff is appropriate, the new severe VSL is more severe than the existing text that remains as severe in the proposed text. It would be reasonable to shift this existing severe text to the High Severity Level as shown above to better reflect the differences in non-compliance severity. Additionally, the text of the other levels would also shift down one level to better reflect these differences as well.</p>						
<p>Response: Thank you for your comment. The responses for each comment are as follows:</p> <p>EOP-004 R1 – Thank you for your suggestion. Conformance with the standards by Regional Entities (Regional Reliability Organizations) is handed not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). As such, a VSL for this requirement is unnecessary.</p> <p>EOP-005 R1 – As the industry has already balloted and approved the original language as Severe, we do not believe it is appropriate to move it to a lower VSL.</p> <p>INT-001 R1 and R2 – The language of the VSL is consistent with the language of the requirements. Additionally, this proposal would result in addressing the risk/impact of a violation to the VSL, rather than the VRF where it is currently handled. At a minimum, the suggestion requires a change to the standard and should</p>						

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
be proposed to the team currently redrafting the INT standards.						
MOD-006 R2 – As the industry has already balloted and approved the original language, we do not believe it is appropriate to move it to lower VSLs.						

Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
IESO	BAL-004-0	R1				<p>We do not agree with the change and its rationale. For the first condition, who will be assigned the Severe VSL if the ERO assigned the TEC to a non-RC entity? For the second condition, If the assigned entity is not a registered entity (say, a consultant), to whom and how will the standard and its corresponding sanction be applied? Assigning a VSL to “an entity” is meaningless if the entity is not registered.</p> <p>Although we are commenting only on the VSLs, we suggest a long term fix is to remove Requirement 1 as it is not a requirement if the ERO cannot be held responsible for assigning TEC to an RC. At the same time the Applicability section should</p>

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
						be changed to include 4.3 RCs designated by the NERC Operating Committee to act as Interconnection Time Monitors.
	BAL-004-0	R4				We do not agree with the proposed change since the requirement is not written to hold the RC that is in charge of the TEC to act or to “recognize the authority of the other RC”. R4 should be removed. In the meantime, however, the VSL should be assigned to the RC that has a reliability concern, i.e. the original VSL language was correct given the way R4 is written.
	EOP-004	R3			A typo: “provide”.	A typo: “provide”.
	EOP-004	R5				The VSLs still do not cater for the condition where the RRO reviewed less than 75% of the final report recommendations at least twice per year. This could be added as separate conditions for the High and Severe VSLs, with 50% marking the separation

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
						between the two.
	EOP-005	R11				<p>We recognize the need to add the second condition but “immediately” is difficult to measure. We suggest the SDT to consider using the language in IRO-009-1 which addresses “without delay”, as follows:</p> <p>“and there was a delay of five minutes or more before acting or directing others to act to...”</p>
	FAC-013	R2				<p>The wording does not reflect the qualifying phrase in the requirement. We suggest the SDT to use language similar to the VSL for R2 of FAC-009:</p> <p>“The responsible entity did not provide its Transfer Capabilities to all entities that had a reliability-related need for such Transfer Capabilities and made a written request.”</p>

Response: Thank you for your comment. The responses for each comment are as follows:

BAL-004 R1 – The requirement indicates that only certain entities can act as Interconnection Time Monitor. The VSL is written to apply to any entity that does not meet the criteria specified in the requirement that attempts to directly initiate or halt a Time Error Correction. We do not believe this to be problematic or inconsistent.

BAL-004 R4 - NERC staff agrees that the requirement does not directly assign responsibility to the Time Monitor. The original balloted VSL language has been

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
<p>retained and modified to align more closely with the requirement.</p> <p>EOP-004 R3 – Thank you. The language has been corrected.</p> <p>EOP-004 R5 – Thank you for your suggestion. Conformance with the standards by Regional Entities (Regional Reliability Organizations) is handed not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). As such, a VSL for this requirement is unnecessary.</p> <p>EOP-005 R11 NERC agrees that the use of the word “immediately” is not ideal. However, this is what is required by the language in the standard, and in order to be consistent with FERC Guideline 3, the VSL language must align with the requirement.</p> <p>FAC-013 R2 – The proposed language improves consistency with Guideline 3, and has been incorporated into the VSLs.</p>						

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
Northeast Power Coordinating Council	BAL-004-0	R1				<p>We do not agree with the change and its rationale. For the first condition, who will be assigned the Severe VSL if the ERO assigned the TEC to a non-RC entity? For the second condition, If the assigned entity is not a registered entity (say, a consultant), to whom and how will the standard and its corresponding sanction be applied? Assigning a VSL to “an entity” is meaningless if the entity is not registered.</p> <p>Although we are commenting only on the VSLs, we suggest a long term fix is to remove Requirement 1 as it is not a requirement if the ERO cannot be held responsible for assigning TEC to an RC. At the same time the Applicability section should be changed to include 4.3 RCs designated by the NERC Operating Committee to act as Interconnection Time Monitors.</p>
	BAL-004-0	R4				We do not agree with the

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						proposed change since the requirement is not written to hold the RC that is in charge of the TEC to act or to “recognize the authority of the other RC”. R4 should be removed. In the meantime, however, the VSL should be assigned to the RC that has a reliability concern, i.e. the original VSL language was correct given the way R4 is written.
	EOP-004	R3			A typo: “provide”.	A typo: “provide”.
	EOP-004	R5				The VSLs still do not cater for the condition where the RRO reviewed less than 75% of the final report recommendations at least twice per year. This could be added as a separate conditions for the High and Severe VSLs, with 50% marking the separation between the two.
	EOP-005	R11				We recognize the need to add the second condition but “immediately” is difficult to measure. We suggest the SDT to consider using the language in IRO-009-1 which addresses “without delay”, as follows:

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						“and there was a delay of five minutes or more before acting or directing others to act to....”
	FAC-009013	R2				<p>The wording does not reflect the qualifying phrase in the requirement. We suggest the SDT to use language similar to the VSL for R2 of FAC-009:</p> <p>“The responsible entity did not provide its Transfer Capabilities to all entities that had a reliability-related need for such Transfer Capabilities and made a written request.”</p>

Response: Thank you for your comment. The responses for each comment are as follows:

BAL-004 R1 – The requirement indicates that only certain entities can act as Interconnection Time Monitor. The VSL is written to apply to any entity that does not meet the criteria specified in the requirement that attempts to directly initiate or halt a Time Error Correction. We do not believe this to be problematic or inconsistent.

BAL-004 R4 - NERC staff agrees that the requirement does not directly assign responsibility to the Time Monitor. The original balloted VSL language has been retained and modified to align more closely with the requirement.

EOP-004 R3 – Thank you. The language has been corrected.

EOP-004 R5 – Thank you for your suggestion. Conformance with the standards by Regional Entities (Regional Reliability Organizations) is handed not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). As such, a VSL for this requirement is unnecessary.

EOP-005 R11 NERC agrees that the use of the word “immediately” is not ideal. However, this is what is required by the language in the standard, and in order to be consistent with FERC Guideline 3, the VSL language must align with the requirement.

FAC-013 R2 – The proposed language improves consistency with Guideline 3, and has been incorporated into the VSLs.

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
Georgia System Operations Corporation	BAL-004	R1	<p>R1 requires the ERO to designate a single RC at the ITM; therefore the VSL balloted language should remain. The words “responsible entity” would be more correct to use “ERO” because if the ERO did not designate or designates more than one ITM, the ERO is in violation.</p> <p>The first part of the proposed VSL is fine because this standard applies to an RC; therefore, an RC should know they are to be designate by the ERO at the ITM.</p> <p>The second part of the proposed VSL is invalid because only an RC and BA are applicable to this standard.</p>			
	EOP-004	R3	“provide” is misspelled (provid).			
	INT-001	R2	Interchange transactions should be from lower to severe based on the MW size of the interchange involved and the risk to reliability, not the number of transactions that were not submitted.			

Response: Thank you for your comment. The responses for each comment are as follows:

BAL-004 R1 – The requirement indicates that only certain entities can act as Interconnection Time Monitor. The VSL is written to apply to any entity that does not meet the criteria specified in the requirement that attempts to directly initiate or halt a Time Error Correction. We do not believe this to be problematic or inconsistent.

EOP-004 R3 – Thank you. The language has been corrected.

INT-001 R2 – The language of the VSL is consistent with the language of the requirements. Additionally, this proposal would result in addressing the risk/impact of a violation to the VSL, rather than the VRF where it is currently handled. At a minimum, the suggestion requires a change to the standard and should be proposed to the team currently redrafting the INT standards.

Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
WECC	BAL-004-0	R4				No proposed alternative language. However, the language of the requirement does not include the obligation for the Time Monitor to recognize the authority of another Reliability

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
						<p>Coordinator with a reliability concern to request termination of the Time Error Correction. Therefore, we disagree with the explanation provided. The proposed change does not align with the language of the requirement and is inconsistent with FERC Guideline 3.</p> <p>The Balloted Language for R4 seems to align with the language of R4.1. It is difficult to identify any wording for a VSL that would align with the language of R4</p>
	BAL-006-1	R1	See comment under Severe	See comment under Severe	See comment under Severe	<p>The addition of the words “in a calendar month” seem to be inconsistent with Guideline 3. The explanation indicates the VSL was modified to make clear that performance was based on a monthly periodicity. There is no reference to a monthly timeframe in R1. The language of R1 only requires the BA to calculate and record hourly Inadvertent Interchange. The</p>

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
						<p>obligation to report on a monthly basis is in section D1.1, which is not a part of the requirement. Although we agree with the monthly periodicity, based on Guideline 3 we believe the Balloted Language must be used for the VSLs, and the Compliance Monitoring section must be utilized for the identification of the monthly periodicity</p>
	EOP-004	R1			<p>No changes recommended.</p> <p>However, the explanation for the Proposed change indicates the word “current” was added. The word “current” was NOT added. The proposed VSL indicates the procedure must be maintained. With no definition of maintained this will be difficult to assess. An annual review and update may be appropriate, but this would be inconsistent with Guideline 3 because there is no annual review required by the wording in the requirement</p>	

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
	IRO-001-1	R2				<p>The Reliability Coordinator does not have a regional reliability plan approved by the NERC OC.</p> <p>OR</p> <p>The Reliability Coordinator did not comply with the approved plan.</p> <p>Comment: R2 does not explicitly require the RC to have a plan, only to comply with a Regional Reliability Plan approved by the NERC OC. Adding the requirement to have one through the VSLs is inconsistent with Guideline 3</p>
	NUC-001	R8			<p>The proposed Change is confusing. The Balloted Language had a Moderate VSL addressing failure to inform of proposed changes and a Severe VSL addressing failure to inform of actual changes. The requirement addresses both proposed and actual, yet the Proposed language is for a High VSL that only addresses failure to inform of proposed changes. This</p>	

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
					seems to be inconsistent with Guideline 3 (the failure to notify of actual changes is not addressed) and also results in lower violations (no severe).	
	PRC-001-0	R4	Same comment for all 4 VSLs (see severe)	Same comment for all 4 VSLs (see severe)	Same comment for all 4 VSLs (see severe)	These proposed VSLs do not take into account the number of neighboring entities. As proposed, a responsible entity with only two neighboring entities could do nothing and the worst violation they could be assigned is Moderate. However, a responsible entity with 15 neighboring entities could coordinate with 11 and still be assigned a severe VSL. Suggest using percentages of neighboring entities rather than fixed numbers
	PRC-017-0	R2				The responsible entity provided documentation of its SPS maintenance and testing program and its implementation more than 60 calendar days following a request from its Regional Reliability Organization or NERC.

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
						<p>OR</p> <p>The responsible entity did not provide documentation of its SPS maintenance and testing program and its implementation following a request from its Regional Reliability Organization and/or NERC.</p> <p>Comment: The second part of this VSL is unnecessary. Never providing the documentation is beyond the 60 days identified in the first part. Once an entity passed the 60 days, whether they provide the documentation or not, they will be in the Severe VSL category.</p>

Response: Thank you for your comment. The responses for each comment are as follows:

BAL-004 R4 – FERC requires that the VSL be assigned to the standard as currently written and approved. Your suggestion to revise the standard should be sent to a drafting team that is revising the standard. You can use the SAR process to initiate changes to this standard.

BAL- 006 R1 – While we agree that the Requirement does not specify a monthly periodicity, the Compliance Monitoring Process includes the following text which we believe clarifies that reporting must be done monthly:

Each Balancing Authority shall submit a monthly summary of Inadvertent Interchange. These summaries shall not include any after-the-fact changes that were not agreed to by the Source Balancing Authority, Sink Balancing Authority and all Intermediate Balancing Authority(ies).

EOP-004 R1 – Thank you for your suggestion. Conformance with the standards by Regional Entities (Regional Reliability Organizations) is handed not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). As such, a VSL for this requirement is unnecessary.

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Organization	Standard Number	Requirement Number	Alternate Lower VSL Language	Alternate Moderate VSL Language	Alternate High VSL Language	Alternate Severe VSL Language
<p>IRO-001 R2 – Thank you. The language has been modified to incorporate your change.</p> <p>NUC-001 R8 – The VSLs presented were inadvertently copied into the document incorrectly. The only intended change, as described in the explanation, was to add language to both the Moderate and Severe VSLs such that they reference the agreements specified in the requirement. We apologize for this error.</p> <p>PRC-001 R4 Thank you for your comment. While we don't disagree that this approach might merit further consideration, the balloted and approved VSLs were based on a simple count, and we do not believe this creates any inconsistencies with the FERC Guidelines. If such a change is desired, it should be handled through the normal SAR process.</p> <p>PRC-017 R2 We do not disagree with your understanding. However, as written, the Severe VSL could be considered to apply only to cases in which the entity did provide the documentation; cases in which the entity did not provide the documentation at all would be considered undefined, as they are not explicitly addressed. , As such, the VSL has been modified to eliminate this deficiency. We do not believe this changes the intent of the VSL, but it does make is the VSL more precise.</p>						

2. If there any other comments you wish to provide (relative to the VSLs) that you have not already provided in responses to the questions above, please provide them here.

Summary Consideration: Several entities expressed concern that NERC staff performing such a review was inappropriate. NERC appreciates these comments, and understands the concerns expressed by its stakeholders. However, NERC as the ERO has been ordered by FERC to review these Violation Severity Levels and ensure that they comply with the four established FERC guidelines related to VSLs. NERC's sole intent in this review was to improve the quality of the work product that is being provided pursuant to FERC's order such that it will help ensure the continued success of the Self-Regulatory Organization (SRO) model. To provide FERC with VSL that do not comply with its established guidelines would likely have impacts detrimental to both NERC as a corporate entity and to its members as part of the SRO.

Entities provided several comments and suggestions. In several cases, making the changes suggested would either result in violations of the FERC Guidelines or would undo changes to the work previously done by the VSL DT without improving or enhancing compliance with those Guidelines. In those cases, no changes were made.

However, in other cases, stakeholders identified alternative approaches that were compliant with the guidelines, or identified inconsistencies that needed to be addressed. In those cases, changes were made. These changes are listed below.

A stakeholder identified an applicability concern with Regional Reliability Organizations. Conformance with the standards by Regional Entities (Regional Reliability Organizations) is handed not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). Changes were made to VSLs that were posted during this comment period as well as other that were not posted; RROs were removed from VSLs, as violation of a standard by an RRO is not processed through Compliance channels, and therefore, VSLs are inappropriate. Because this item dealt with a general applicability that had been previously addressed in other filings and orders, we do not believe this to be an inappropriate change.

BAL-004 R4 – Entities suggested that interpreting this requirement as applying to the Time Monitor was inappropriate. The original balloted language was modified to align more closely with the requirement.

BAL-005 R13 – Entities suggested that the added VSL addressed a paradoxical scenario in which an entity addressed a problem without identifying the problem. NERC agrees, and has returned to the original balloted language.

BAL-006 R2 -Upon review, NERC staff believes that the JOU language can be incorporated into the VSL more cleanly than was proposed. Rather than adding the language as a severe violation, the item has been incorporated into the tie-line percentages. We believe this will eliminate concern with the "pass/fail" nature that had been proposed.

EOP-004 R1 – entities suggested that assigning VSLs to the RRO was inappropriate. NERC concurred, and removed the VSL for this requirement.

EOP-004 R3 – entities identified a typographical error that was corrected.

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EOP-004 R3.1 – Upon further review, NERC staff believes that the balloted and approved VSLs better reflect the development history as suggested by the commenter. The balloted VSLs are consistent with the original Levels of Non-Compliance and the VSLs against which the comparison was being made were not approved by stakeholders. Accordingly, the balloted VSLs have been retained.

EOP-004 R5 – entities suggested that assigning VSLs to the RRO was inappropriate. NERC concurred, and removed the VSL for this requirement.

IRO-001 R2 – entities identified alternate language that was more consistent with the FERC guidelines than proposed. The alternate language was used instead.

Organization	Comment
<p>IRC Standards Review Committee</p>	<p>In general, we do not support this additional review of the VSLs. Multiple reviews have already occurred and been vetted through the industry and FERC. Each time improvements have been identified but new issues have been created along with new errors. This is largely due to the ambiguous nature of the version 0 standards. For some VSLs, it is nearly impossible to write good quality VSLs. The NERC Board’s resounding support of the Performance Based Standards should be recognized and efforts to attempt to incrementally improve the Version 0 standards should be weighed against allocating resources to that effort. Thus, the best solution is to focus the industry resources on writing good quality standards rather than on trying to continue to write VSLs for version 0 requirements. The NERC comments and proposed VSLs are riddled with many typos and create new conflicts with the FERC guidelines. Because of this we question the quality of this review and if additional errors have been created by rushing through it once again. There are definitely some good corrections that improve the VSLs but there are also many slight tweaks to the VSLs that aren’t necessary given these requirements will be revised. We do not believe there is likely any net benefit to industry reliability created by this additional review.</p> <p>Response: The additional Review was required to assure that the VSLs assigned meet the FERC guidelines and directives. Many of the concerns expressed seem to be directed at the language of the requirements. The current approved standards are the starting point and the standards are being revised over time using the defined process. To the extent you wish to address these problems, you can initiate changes by developing a SAR and utilizing the Standards Development Process.</p> <p>BAL-003a R2 – Use the original language posted. As a practical matter, a Balancing Authority cannot fail to establish a frequency bias setting. They could not calculate ACE without it. Further, L₁₀ could not be calculated for any BA which is required to calculate CPS2 because the total interconnection Frequency Bias could not be calculated.</p> <p>Response: Using the original language posted would result in a conflict with FERC Guideline 3.</p> <p>BAL-004-0 R1 – Use the original language posted. The proposed language violates the Commission’s guideline 3. No where in the requirement are there any statements that require or obligate the Reliability Coordinator to take action. The first sentence is simply explanatory. It does not even obligate a Reliability Coordinator to volunteer to be the Interconnection Time Monitor. Secondly, the requirement is that the NERC Operating Committee designate a Interconnection Time Monitor. No where in the balloted VSL is NERC or the ERO mentioned so it does not imply that either is obligated by the requirement. This is an example of a requirement</p>

that should never have been approved to be enforceable because of these issues continued review of it is wasted effort. Midwest ISO relayed many of these issues to NERC staff in a letter regarding enforcing the Interconnection Time Monitor requirements against an Reliability Coordinator that in effect is a volunteer and receives no compensation for performing the function.

Response: Please see response in Question 1.

BAL-004-0 R4 – Use the original language posted. The proposed language is a violation of guideline 3. The requirement very clearly applies to a Reliability Coordinator. It does not apply to the Interconnection Time Monitor as the proposed VSL language states. The only mention of the Interconnection Time Monitor is the Reliability Coordinator must request the Interconnection Time Monitor to terminate the Time Error Correction. This is adding to the requirement and clearly violates guideline 3.

Response: - NERC staff agrees that the requirement does not directly assign responsibility to the Time Monitor. The original balloted VSL language has been retained and modified to align more closely with the requirement.

BAL-004-0 R13 – Use the original language posted. An entity can't adjust ACE if it doesn't know what the error is. Thus, if they are not performing hourly checkouts, they will have no idea what the error is. They might leave an old I_{me} in the ACE equation but that will be another violation of a different requirement.

Response: We did not propose any changes to BAL-004 R13. If referring to BAL-005 R13, we believe that the original balloted and approved VSLs are acceptable, and have reverted to the original language.

BAL-006-0 R2 – Use the original language proposed. The Commission's approval of VSLs were conditional based on reviewing them against the four guidelines. These VSLs to date have in effect not been used in compliance penalty determinations. Thus, the proposed VSLs can't lower compliance. Further, there have been no Notices of Penalty issued for violations of this requirement to establish a compliance history for the cost of a violation. The calculation of compliance penalties is much more complex than finding the appropriate range in the sanctions matrix given the VRF and VSL. In fact, because of the complexity of the calculation, no penalty for any violation to date can be deduced by from knowing a VSL and VRF. Thus, simply modifying the VSL in this case can't have the unintended consequence of lowering compliance.

Response: Upon review, NERC staff believes that the JOU language can be incorporated into the VSL more cleanly than was proposed. Rather than adding the language as a severe violation, the item has been incorporated into the tie-line percentages. We believe this will eliminate concern with the "pass/fail" nature that had been proposed.

BAL-006-0 R5 – Use the original language posted. The addition does not make sense. How would an entity provide a process to correct the dispute without identifying the cause and nature of the dispute? They couldn't for all practicality.

Response: As an example, a simple approach such as "splitting the difference" would be a process to correct the dispute that would not identify the cause and nature of the dispute. Regardless, the original language posted did not comply with FERC Guideline 3.

COM-001-1 R3 – Use the original language posted. We are perplexed by the explanation for the change. The balloted High VSL repeats the second sentence of the requirement almost verbatim. Further, the explanation indicates the requirement includes the word "assist". It does not. The original VSL does not violate any FERC guidelines.

Response: The original language posted for the "High" VSL indicated that an entity would be in violation if they "failed to assist in the investigation and recommending of solutions to telecommunications problems within the area and with other areas.." However, the

requirement states that entities' "coordination shall include the ability to investigate and recommend solutions to telecommunications problems within the area and with other areas." We interpreted the original language's use of the term "assist" to be referencing this section of the requirement, which requires that entities have an ability, but does not require that entities use that ability.

EOP-001-0 R5 – Use the original language as posted. We do not understand how simply changing the VSL can be a basis for violating FERC guideline 1. This does not look at actual performance to date but simply the standard in isolation from compliance. To date, NERC has issued four Notices of Penalty for violations associated with EOP-001-0 R5. All have been for \$0 penalties. Since penalties have not been assessed, how could an entity calculate any lower cost of compliance due to penalties and decide to risk not getting caught?

Response: No compelling reliability reason has been provided to justify the change in VSLs from those established in the original Levels of Non-Compliance for the standard. NERC does not believe it appropriate to modify the VSLs in a way that could be perceived as lowering compliance.

EOP-004 R1 – The staff recommendation in the comment is reasonable. The staff comment indicates that the word "current" was added to the VSL. However, it does not appear in the VSL. This is another example of where errors are potentially being introduced by rushing through another review.

Response: Thank you for your suggestion. Conformance with the standards by Regional Entities (Regional Reliability Organizations) is handled not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). As such, a VSL for this requirement is unnecessary.

EOP-004 R3 – Use the original language posted. There is no confusion in the use of "and" and "or" as stated in the NERC staff comment. In fact, the NERC staff proposal adds typos and confusion.

Response: Thank you for pointing out the need or correction. The errors have been corrected.

EOP-004 R3.1 – Use the original language as posted. We do not understand how simply changing the VSL can be a basis for violating FERC guideline 1. This does not look at actual performance to date but simply the standard in isolation from compliance. Further, NERC staff proposal ignores the Commission's guideline 2 that it prefers gradated VSLs wherever possible. Clearly, four levels are possible here. The VSL Drafting Team had to weigh these types of issues and develop a balanced proposal to best satisfy all the Commission guidelines as best as possible. This proposal ignores that history.

Response: Upon further review, NERC staff believes that the balloted and approved VSLs better reflect the development history as suggested by the commenter. The balloted VSLs are consistent with the original Levels of Non-Compliance and the VSLs against which the comparison was being made were not approved by stakeholders. Accordingly, the balloted VSLs have been retained.

EOP-004 R5 – This is a further example of the futility of this additional effort to review these VSLs. Because this requirement applies to the Regional Reliability Organization, no penalty will ever be proposed because the RRO is not user, owner or operator. Modifying this VSL provides no value at this point.

Response: Thank you for your suggestion. Conformance with the standards by Regional Entities (Regional Reliability Organizations) is handled not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). As such, a VSL for this requirement is unnecessary.

EOP-005-1 R11 – Use the original language posted with the word “but” inserted for “and”. NERC staff comment indicates that FERC Guideline 3 would not be met unless their proposed language is added to the Severe VSL. This is incorrect. FERC guideline 3 states that the VSLs “should not appear to redefine or undermine the requirement”. The balloted VSLs do neither. The balloted VSLs simply reflect the practical experience of the industry. No entity would ever delay restoring their system. There is no reason to delay restoring their and every reason against this ever happening (such as revenue meters won’t be spinning).

Response: To the extent a different VSL is required; we encourage you to submit a SAR that proposes to eliminate the word “immediately” from the standard. Regarding whether or not an entity would ever delay restoring its system, we agree that entities should not delay. Without this change, cases in which entities do delay would not be addressed by any VSL, which would be inappropriate.

INT-001-3 R1 – Use original balloted VSLs. NERC staff comments indicate that the Commission’s guideline 4 was not met by the balloted VSLs and proposed a binary VSL. In fact, NERC staff’s proposed VSLs do not meet the Commission’s guideline 2 and 3 while the original balloted VSL did meet guideline 4. The proposal fails to recognize the plural use of “All Dynamic Schedules” in R1.1. Clearly, this is intended to be all Dynamic Schedules in aggregate. Thus, the NERC standard undermines the requirement by making the requirement singular and fails to recognize that a binary VSL is not necessary. NERC’s proposal would be equivalent to modifying the requirement by replacing the words the words “All Dynamic Schedules” with “A Dynamic Schedule”.

Response: While NERC recognizes this as a possible interpretation of the standard, we do not believe this is the appropriate venue for requesting such an interpretation. As written, we believe the intent of the requirement is to apply to a single violation.

INT-001-3 R2 - Use original balloted VSLs. NERC staff comments indicate that the Commission’s guideline 4 was not met by the balloted VSLs and proposed a binary VSL. In fact, NERC staff’s proposed VSLs do not meet the Commission’s guideline 2 and 3 while the original balloted VSL did meet guideline 4. The proposal fails to recognize the plurality used in the definition Arranged Interchange and the dependent Interchange definition. The Interchange definition uses energy transfers in the plural. Thus, requirement is to apply to all schedules in aggregate. Thus, the NERC standard undermines the requirement by making the requirement singular and fails to recognize that a binary VSL is not necessary.

Response: While NERC recognizes this as a possible interpretation of the standard, we do not believe this is the appropriate venue for requesting such an interpretation. As written, we believe the intent of the requirement is to apply to a single violation.

IRO-001-1 R2 – Neither the proposed or balloted VSL meet the FERC Guideline 3. The requirement is that the RC must comply with the Regional Reliability Plan. The requirement mentions nothing about the RC having a regional reliability plan so the VSL stating that the RC does not have one is not consistent with the requirement.

Response: Thank you. The VSL has been changed to address your concern.

IRO-016-1 R16 – Use the balloted VSLs. We do not understand how simply changing the VSL can be a basis for violating FERC guideline 1. This does not look at actual performance to date but simply the standard in isolation from compliance. Further, NERC staff proposal ignores the Commission’s guideline 2 that it prefers gradated VSLs wherever possible. Clearly, four levels are possible here. The VSL Drafting Team had to weigh these types of issues and develop a balanced proposal to best satisfy all the Commission guidelines as best as possible. This proposal ignores that history.

Response: We did not propose any changes to IRO-016 R16. If this is intended to apply to IRO-016 R2, then no compelling

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	<p>reliability reason has been provided to justify the change in VSL proposed by the VSLDT. Absent such justification, NERC does not believe it appropriate to modify the VSLs in a way that could be perceived as lowering compliance.</p> <p>PRC-009-0 R2 - Use the balloted VSLs. We do not understand how simply changing the VSL can be a basis for violating FERC guideline 1. This does not look at actual performance to date but simply the standard in isolation from compliance.</p> <p>Response: No compelling reliability reason has been provided to justify the change in VSL proposed by the VSLDT. Absent such justification, NERC does not believe it appropriate to modify the VSLs in a way that could be perceived as lowering compliance. The VSLs are still graded; but graded to three levels instead of four.</p>
<p>Response: Please see in-line comments above.</p>	
<p>Midwest ISO Stakeholder Standards Collaborators</p>	<p>In general, we do not support this additional review of the VSLs. Multiple reviews have already occurred and been vetted through the industry and FERC. Each time improvements have been identified but new issues have been created along with new errors. This is largely due to the ambiguous nature of the version 0 standards. For some VSLs, it is nearly impossible to write good quality VSLs. The NERC Board’s resounding support of the Performance Based Standards should be recognized and efforts to attempt to incrementally improve the Version 0 standards should be weighed against allocating resources to that effort. Thus, the best solution is to focus the industry resources on writing good quality standards rather than on trying to continue to write VSLs for version 0 requirements. The NERC comments and proposed VSLs are riddled with many typos and create new conflicts with the FERC guidelines. Because of this we question the quality of this review and if additional errors have been created by rushing through it once again. There are definitely some good corrections that improve the VSLs but there are also many slight tweaks to the VSLs that aren’t necessary given these requirements will be revised. We do not believe there is likely any net benefit to industry reliability created by this additional review.</p> <p>Response: The additional Review was required to assure that the VSL assigned meet the FERC guidelines and directives. Many of the concerns expressed seem to be directed at the language of the requirements. The current approved standards are the starting point and the standards are being revised over time using the defined process. To the extent you wish to address these problems, you can initiate changes by developing a SAR and utilizing the Standards Development Process.</p> <p>BAL-003a R2 – Use the original language posted. As a practical matter, a Balancing Authority cannot fail to establish a frequency bias setting. They could not calculate ACE without it. Further, L₁₀ could not be calculated for any BA which is required to calculate CPS2 because the total interconnection Frequency Bias could not be calculated.</p> <p>Response: Using the original language posted would result in a conflict with FERC Guideline 3.</p> <p>BAL-004-0 R1 – Use the original language posted. The proposed language violates the Commission’s guideline 3. No where in the requirement are there any statements that require or obligate the Reliability Coordinator to take action. The first sentence is simply explanatory. It does not even obligate a Reliability Coordinator to volunteer to be the Interconnection Time Monitor. Secondly, the requirement is that the NERC Operating Committee designate a Interconnection Time Monitor. No where in the balloted VSL is NERC or the ERO mentioned so it does not imply that either is obligated by the requirement. This is an example of a requirement that should never have been approved to be enforceable because of these issues continued review of it is wasted effort. Midwest ISO relayed many of these issues to NERC staff in a letter regarding enforcing the Interconnection Time Monitor requirements against</p>

	<p>an Reliability Coordinator that in effect is a volunteer and receives no compensation for performing the function.</p> <p>Response: Please see response in Question 1.</p> <p>BAL-004-0 R4 – Use the original language posted. The proposed language is a violation of guideline 3. The requirement very clearly applies to a Reliability Coordinator. It does not apply to the Interconnection Time Monitor as the proposed VSL language states. The only mention of the Interconnection Time Monitor is the Reliability Coordinator must request the Interconnection Time Monitor to terminate the Time Error Correction. This is adding to the requirement and clearly violates guideline 3.</p> <p>Response: - NERC staff agrees that the requirement does not directly assign responsibility to the Time Monitor. The original balloted VSL language has been retained and modified to align more closely with the requirement.</p> <p>BAL-004-0 R13 – Use the original language posted. An entity can't adjust ACE if it doesn't know what the error is. Thus, if they are not performing hourly checkouts, they will have no idea what the error is. They might leave an old I_{me} in the ACE equation but that will be another violation of a different requirement.</p> <p>Response: We did not propose any changes to BAL-004 R13. If referring to BAL-005 R13, we believe that the original balloted and approved VSLs are acceptable, and have reverted to the original language.</p> <p>BAL-006-0 R2 – Use the original language proposed. The Commission's approval of VSLs were conditional based on reviewing them against the four guidelines. These VSLs to date have in effect not been used in compliance penalty determinations. Thus, the proposed VSLs can't lower compliance. Further, there have been no Notices of Penalty issued for violations of this requirement to establish a compliance history for the cost of a violation. The calculation of compliance penalties is much more complex than finding the appropriate range in the sanctions matrix given the VRF and VSL. In fact, because of the complexity of the calculation, no penalty for any violation to date can be deduced by from knowing a VSL and VRF. Thus, simply modifying the VSL in this case can't have the unintended consequence of lowering compliance.</p> <p>Response: Upon review, NERC staff believes that the JOU language can be incorporated into the VSL more cleanly than was proposed. Rather than adding the language as a severe violation, the item has been incorporated into the tie-line percentages. We believe this will eliminate concern with the "pass/fail" nature that had been proposed.</p> <p>BAL-006-0 R5 – Use the original language posted. The addition does not make sense. How would an entity provide a process to correct the dispute without identifying the cause and nature of the dispute? They couldn't for all practicality.</p> <p>Response: As an example, a simple approach such as "splitting the difference" would be a process to correct the dispute that would not identify the cause and nature of the dispute. Regardless, the original language posted did not comply with FERC Guideline 3.</p> <p>COM-001-1 R3 – Use the original language posted. We are perplexed by the explanation for the change. The balloted High VSL repeats the second sentence of the requirement almost verbatim. Further, the explanation indicates the requirement includes the word "assist". It does not. The original VSL does not violate any FERC guidelines.</p> <p>Response: The original language posted for the "High" VSL indicated that an entity would be in violation if they "failed to assist in the investigation and recommending of solutions to telecommunications problems within the area and with other areas.." However, the requirement states that entities' "coordination shall include the ability to investigate and recommend solutions to telecommunications problems within the area and with other areas." We interpreted the original language's use of the term "assist" to be referencing this</p>
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	<p>section of the requirement, which requires that entities have an ability, but does not require that entities use that ability.</p> <p>EOP-001-0 R5 – Use the original language as posted. We do not understand how simply changing the VSL can be a basis for violating FERC guideline 1. This does not look at actual performance to date but simply the standard in isolation from compliance. To date, NERC has issued four Notices of Penalty for violations associated with EOP-001-0 R5. All have been for \$0 penalties. Since penalties have not been assessed, how could an entity calculate any lower cost of compliance due to penalties and decide to risk not getting caught?</p> <p>Response: No compelling reliability reason has been provided to justify the change in VSLs from those established in the original Levels of Non-Compliance for the standard. NERC does not believe it appropriate to modify the VSLs in a way that could be perceived as lowering compliance.</p> <p>EOP-004 R1 – The staff recommendation in the comment – is reasonable. The staff comment indicates that the word “current” was added to the VSL. However, it does not appear in the VSL. This is another example of where errors are potentially being introduced by rushing through another review.</p> <p>Response: Thank you for your suggestion. Conformance with the standards by Regional Entities (Regional Reliability Organizations) is handled not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). As such, a VSL for this requirement is unnecessary.</p> <p>EOP-004 R3 – Use the original language posted. There is no confusion in the use of “and” and “or” as stated in the NERC staff comment. In fact, the NERC staff proposal adds typos and confusion.</p> <p>Response: Thank you for pointing out the need or correction. The errors have been corrected.</p> <p>EOP-004 R3.1 – Use the original language as posted. We do not understand how simply changing the VSL can be a basis for violating FERC guideline 1. This does not look at actual performance to date but simply the standard in isolation from compliance. Further, NERC staff proposal ignores the Commission’s guideline 2 that it prefers gradated VSLs wherever possible. Clearly, four levels are possible here. The VSL Drafting Team had to weigh these types of issues and develop a balanced proposal to best satisfy all the Commission guidelines as best as possible. This proposal ignores that history.</p> <p>Response: Upon further review, NERC staff believes that the balloted and approved VSLs better reflect the development history as suggested by the commenter. The balloted VSLs are consistent with the original Levels of Non-Compliance and the VSLs against which the comparison was being made were not approved by stakeholders. Accordingly, the balloted VSLs have been retained.</p> <p>EOP-004 R5 – This is a further example of the futility of this additional effort to review these VSLs. Because this requirement applies to the Regional Reliability Organization, no penalty will ever be proposed because the RRO is not user, owner or operator. Modifying this VSL provides no value at this point.</p> <p>Response: Thank you for your suggestion. Conformance with the standards by Regional Entities (Regional Reliability Organizations) is handled not through the use of VSLs and Sanctions Guidelines, but as part of the Rules of Procedure (as described in Section 100). As such, a VSL for this requirement is unnecessary.</p> <p>EOP-005-1 R11 – Use the original language posted with the word “but” inserted for “and”. NERC staff comment indicates that FERC Guideline 3 would not be met unless their proposed language is added to the Severe VSL. This is incorrect. FERC guideline 3 states</p>
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that the VSLs “should not appear to redefine or undermine the requirement”. The balloted VSLs do neither. The balloted VSLs simply reflect the practical experience of the industry. No entity would ever delay restoring their system. There is no reason to delay restoring their and every reason against this ever happening (such as revenue meters won’t be spinning).

Response: To the extent a different VSL is required; we encourage you to submit a SAR that proposes to eliminate the word “immediately” from the standard. Regarding whether or not an entity would ever delay restoring its system, we agree that entities should not delay. Without this change, cases in which entities do delay would not be addressed by any VSL, which would be inappropriate.

INT-001-3 R1 – Use original balloted VSLs. NERC staff comments indicate that the Commission’s guideline 4 was not met by the balloted VSLs and proposed a binary VSL. In fact, NERC staff’s proposed VSLs do not meet the Commission’s guideline 2 and 3 while the original balloted VSL did meet guideline 4. The proposal fails to recognize the plural use of “All Dynamic Schedules” in R1.1. Clearly, this is intended to be all Dynamic Schedules in aggregate. Thus, the NERC standard undermines the requirement by making the requirement singular and fails to recognize that a binary VSL is not necessary. NERC’s proposal would be equivalent to modifying the requirement by replacing the words the words “All Dynamic Schedules” with “A Dynamic Schedule”.

Response: While NERC recognizes this as a possible interpretation of the standard, we do not believe this is the appropriate venue for requesting such an interpretation. As written, we believe the intent of the requirement is to apply to a single violation.

INT-001-3 R2 - Use original balloted VSLs. NERC staff comments indicate that the Commission’s guideline 4 was not met by the balloted VSLs and proposed a binary VSL. In fact, NERC staff’s proposed VSLs do not meet the Commission’s guideline 2 and 3 while the original balloted VSL did meet guideline 4. The proposal fails to recognize the plurality used in the definition Arranged Interchange and the dependent Interchange definition. The Interchange definition uses energy transfers in the plural. Thus, requirement is to apply to all schedules in aggregate. Thus, the NERC standard undermines the requirement by making the requirement singular and fails to recognize that a binary VSL is not necessary.

Response: While NERC recognizes this as a possible interpretation of the standard, we do not believe this is the appropriate venue for requesting such an interpretation. As written, we believe the intent of the requirement is to apply to a single violation.

IRO-001-1 R2 – Neither the proposed or balloted VSL meet the FERC Guideline 3. The requirement is that the RC must comply with the Regional Reliability Plan. The requirement mentions nothing about the RC having a regional reliability plan so the VSL stating that the RC does not have one is not consistent with the requirement.

Response: Thank you. The VSL has been changed to address your concern.

IRO-016-1 R16 – Use the balloted VSLs. We do not understand how simply changing the VSL can be a basis for violating FERC guideline 1. This does not look at actual performance to date but simply the standard in isolation from compliance. Further, NERC staff proposal ignores the Commission’s guideline 2 that it prefers gradated VSLs wherever possible. Clearly, four levels are possible here. The VSL Drafting Team had to weigh these types of issues and develop a balanced proposal to best satisfy all the Commission guidelines as best as possible. This proposal ignores that history.

Response: Response: We did not propose any changes to IRO-016 R16. If this is intended to apply to IRO-016 R2, then no compelling reliability reason has been provided to justify the change in VSL proposed by the VSLDT. Absent such justification, NERC

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	<p>does not believe it appropriate to modify the VSLs in a way that could be perceived as lowering compliance.</p> <p>PRC-009-0 R2 - Use the balloted VSLs. We do not understand how simply changing the VSL can be a basis for violating FERC guideline 1. This does not look at actual performance to date but simply the standard in isolation from compliance.</p> <p>Response: No compelling reliability reason has been provided to justify the change in VSL proposed by the VSLDT. Absent such justification, NERC does not believe it appropriate to modify the VSLs in a way that could be perceived as lowering compliance. The VSLs are still graded; but graded to three levels instead of four.</p>
<p>Response: Please see in-line comments above.</p>	
<p>Consumers Energy</p>	<p>Consumers Energy believes these VSLs are BY FAR the best that we have seen proposed yet for these standards; to the degree supported by the quality of the standards themselves, the VSL's are fair, fairly meaningful, and, most of all, do not subject entities to double jeopardy.</p>
<p>Response: Thank you for your comment and support.</p>	
<p>Southern Company Transmission</p>	<p>Page 11 BAL-006-1</p> <p>Lower VSL (and all others): “The Balancing Authority failed to calculate and record hourly Inadvertent Interchange for more than 15% of the hours in a calendar month.”</p> <p>Explanation – The balloted VSL did not specify that performance was based on a monthly periodicity. The VSL was modified to make this clear.</p> <p>Comment: Is the industry OK with a compliance measure that varies with the number of days in each month? By using a percentage based on ‘monthly periodicity’, the amounts by which a BA could be found non-compliant will vary.</p> <p>Page 24 EOP-009-0</p> <p>Lower VSL (and all others): The Generator Operator’s testing records for Requirement R1 are missing 5% or less of the required information.</p> <p>Explanation – The balloted VSLs did not address the case where the GO tested 95% or more of its blackstart units, but did not test them all. This scenario was added to the Lower VSL.</p> <p>Comment: When this standard is evaluated in an audit, how will an auditor quantify a ‘percentage’ of information? The proposed changes do not address this aspect of the VSL</p>
<p>Response: BAL-006 – Industry practice on Inadvertent has historically been based on quarterly reporting. While we agree that the Requirement does not specify a monthly periodicity, the Compliance Monitoring Process includes the following text which we believe clarifies that reporting must be done monthly:</p> <p>Each Balancing Authority shall submit a monthly summary of Inadvertent Interchange. These summaries shall not include any after-the-fact changes that were not agreed to by the Source Balancing Authority, Sink Balancing Authority and all Intermediate Balancing Authority(ies).</p>	

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<p>While NERC is not opposed to changing this, we do not believe it is in the scope of this work. Suggested changes should be communicated to the drafting team currently working on redrafting BAL-006.</p> <p>EOP-009 – NERC does not disagree that this has the potential to be challenging. However, these VSLs were balloted and approved by the industry, and our intent with these modifications was to address consistency with the FERC guidelines. In this case, the VSL clearly did not cover all cases of violation, so the modification was made to address this deficiency.</p>	
<p>Northeast Power Coordinating Council</p>	<p>Regarding EOP-004, the language implies that an entity has a certain time limit from the disturbance to report. There needs to be recognition for certain events where it is impossible or impractical for this time limit to be met. Extreme meteorological events such as severe ice storms, or hurricanes would be examples. This comment is not intended to say that lack of communications between operating entities for an extended period of time is acceptable. Referring to R3, the VSLs are particular to each sub-requirement. This does not allow the leeway prescribed in R3.3 to extend back to R3.1.</p>
<p>Response: We understand this concern, but note that it is very difficult to document every appropriate exception and scenario that may be encountered by a specific reason. For this reason, Compliance has wide discretion when determining whether or not an entity complied with a standard, and generally takes into account all mitigating circumstances when evaluating a potential violation.</p>	
<p>Georgia System Operations Corporation</p>	<p>The VSLs should be based on what was balloted and not changed by NERC without industry drafting team participation. Any changes should be put to a binding industry ballot.</p> <p>The concept of VSLs and the penalty matrix which incorporates VSLs is flawed. It was based on an assumption which was made before we had any experience with mandatory standards and compliance and before anyone tried to draft a VSL. Many of the VSLs impact one entity more severely than others because requirements were not designed to allow for sensitivity testing and VSL design. Case in point is the current mess of sub-requirements and binary applications of VSLs.</p>
<p>Response: The revisions to the VSLs were required in order for the ERO to be compliant with FERC guidelines and directives. By posting these for industry comment, we are soliciting industry participation.</p> <p>To the extent that the concept of VSLs and the penalty matrix are of concern, we suggest that you work with the Standards Committee and the Compliance and Certification Committee to suggest changes you feel are appropriate.</p>	
<p>WECC</p>	<p>In some of the boxes above I have provided comments for consideration on a particular VSL rather than specific proposed wording. Many of these comments have to do with adherence to the specific FERC guidelines identified on page 3 of this comment form.</p>
<p>Response: Thank you for your comments.</p>	