

Consideration of Comments on Initial Ballot of VSLs for Balancing Resources and Demand Standards

Summary Consideration:

The VSL DT appreciates the industry's comments received during the initial ballot of the proposed BAL Violation Severity Levels. The FERC Order to replace Levels of Non-compliance with Violation Severity Levels has a firm due date of March 1, 2008. In the interest of delivering the best set of VSLs practical given the time constraints of this project, the Standards Committee has authorized the drafting team to use stakeholder comments from the initial ballot to make improvements to the VSLs before proceeding with another ballot. Several balloters made specific suggestions for improvements to the proposed VSLs, and, based on those comments the drafting team has revised the VSLs for the following requirements:

BAL-001-1 — Real Power Balancing Control Performance

- Requirement R3

BAL-002-0 — Disturbance Control Performance

- Requirement R2.5

BAL-003-0 — Frequency Response and Bias

- Requirement R1.2
- Requirement R6

BAL-004-0 — Time Error Correction

- Requirement R3.1

BAL-005-0 — Automatic Generation Control

- Requirement R1.1
- Requirement R1.2
- Requirement R1.3
- Requirement R3
- Requirement R6
- Requirement R10

BAL-006-1 — Inadvertent Interchange

- Requirement R4
- Requirement R4.3

The proposed set of VSLs represents a reasonable and consistent approach to classifying severity for a non-compliant condition. The VSL DT also recognizes that, as demonstrated by comments received, additional improvements are needed. Any additional VSL improvements are best made in concurrence with revising the language of the requirements. The VSL DT concludes that many of the comments received are related to the clarity of the requirement or the lack of clear measures within the standard, and not the VSLs themselves. It is important to note that the scope of this project is limited to replacing the Levels of Non-compliance with VSLs. The VSL DT cannot make revisions to requirements or measures within the scope of this project. Therefore we expect that additional improvements to the VSLs will occur as on-going and future standard drafting teams make revisions to the standards, including requirements, measures and compliance elements. All NERC Standards are slated for

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review in the course of the Reliability Standards Work Plan established by NERC. We encourage all stakeholders to participate in the standard development process.

In reviewing the comments, it was evident that many of the responders have similar concerns. The VSL DT offers the following response to the recurring comments.

DOUBLE JEOPARDY: The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL on all requirements and sub-requirements that currently have a violation risk factor (VRF). These “parent-child” requirements are at the heart of the double jeopardy concerns. Most of the standards addressed in this project are “Version 0” standards that were translated from Operating Policies and Planning Standards without regard to the format of the requirement and its subrequirements. In some cases, a single subrequirement (child) was more important to reliability than the main requirement (parent). When the violation risk factors (VRFs) were assigned to these standards, because of the mismatch in importance between the “parent” and “child”, the VRF drafting team (which could not modify the requirements or subrequirements) defaulted to adding a VRF to each requirement and each subrequirement. The intent of the VRF DT was to ensure that none of the “children” critical to reliability were overlooked because they were associated with a “parent” requirement that was not critical to reliability. These standards are undergoing revision as part of the Reliability Standards Work Plan – and drafting teams that are revising these standards are only assigning a single VRF to the “parent” requirement – and are only required to develop a single set of VSLs for that requirement. These modifications will involve stakeholder participation.

GENERIC LANGUAGE: The VSL DT appreciates the commenters’ concerns around using generic language in the VSLs. Many of the commenters had concerns with terms such as “minor” or “significant” and the subjectivity that these terms create in application of the VSLs. Throughout the VSL development process, the VSL DT attempted to limit the use of the generic language in the VSLs. However, in some instances the existing requirements do not lend themselves to specific VSL language. It is expected that through on-going standards development projects and future projects, the use of generic language will be further refined to provide specific VSL language. This will require stakeholder participation in the standard development process.

BALLOTING PROCESS / GROUPINGS: The VSL DT received several comments regarding the ballot makeup. The ballot groupings were selected by the VSL DT to maximize the opportunity for stakeholder input while ensuring that a quorum would be achieved in each of the ballots by not having too many ballots.

COMMENTS THAT CONSIDER RISK: Some comments received included discussion of “risk”. The VSL is a separate compliance element that does not take reliability-related risk into account. The VSL DT has made a concerted effort to eliminate all risk indicators from the VSLs. The VSLs are determined with no consideration of the risk associated with the requirement – VSLs are used to break down non-compliance into various levels to describe a range of performance from the level where an entity is mostly compliant (Lower VSL) to a level where the entity missed most or all of the requirement (Severe VSL). More detailed information is available in the VSL Development Guidelines document.

BINARY ISSUE: Many commenters observed that there is inconsistency in the assignment of VSL level for binary requirements. The VSL DT and the industry could not reach consensus on how best to address this issue. At this point in the process, and with consideration that this group

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of standards received an affirmative vote in the initial ballot, the VSL DT has decided not to make revisions to the proposed binary VSLs. It is expected that through on-going standards development projects and future projects, this issue will be addressed. These modifications will involve stakeholder participation.

Company	Segment	Ballot	Comment
AEP Service Corp. -- Transmission System AEP	1	Negative	<p>AEP does not support the proposed VSL in there current form, due to a number of overarching issues that should be addressed. AEP, in previous comments suggested that the Standard Drafting Team adhere to and develop the Violation Severity Levels using a similar approach as FERCs guidance on Violation Risk Factors. Where, per FERCs response in their consideration of the Violation Risk Factor, FERC stated that in determining Violation Risk Factor there should be; consistency within a Reliability Standard, i.e., among sub- and main Requirements of the same Reliability Standard, consistency among Reliability Standards with similar Requirements, consistency with NERC's proposed definition of the Violation Risk Factor level, and assignment of a Violation Risk Factor level to those Requirements in certain Reliability Standards that co-mingle a higher risk reliability objective and a lesser risk reliability objective. It is not clear, based on this draft of the VSLs, how the Standard Drafting Team consistently addresses the VSLs on each of the requirements and sub-requirements.</p> <p>Additionally, we cannot find any information that states that an entity will not be subject to double jeopardy for the same violation. For example, if an entity is non-compliant with respect to R1.3 of a standard and R1.3 is a sub-requirement of R1, can the entity be in violation of the parent requirement as well? If not what will determine which requirement has been violated and what VRF and VSL will be applied in the penalty matrix? Depending upon the VSL and the VRF, it is possible the financial penalties will be different. This was discussed during the Standard Drafting Team led conference call, but there was not a clear answer to the situation. There are examples whereby a violation can fit into multiple VSL for a given requirements.</p> <p>Finally, there is no consistency in the application of the VSL between related standards in particular the MOD and PRC standards. The Standard Drafting Team has developed the Violation Severity Level Development Guidelines, but it is our understanding that guidelines will not be balloted any time soon and are subject to change. This appears to be putting the cart before the horse and if the guidelines are needed they should be included in the balloting. There is ambiguity regarding some of the VSL that are proposed. The drafting team has removed many instances of "minor" and other vague terms, but there are still many requirements that have VSL that are not clear. Similarly, it appears that some VSL provide additional details than what is written into the requirements or measures. Obviously, establishing fair, effective and consistent VSLs is a daunting task and we are confident that the Standard Drafting Team worked diligently to produce what could be done to meet the schedule. However, we feel that more time is needed and we should keep to the Standard</p>

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			Development process that has been developed.
<p>Response: The VSL DT thanks you for your comments. As described in the VSL Development Guidelines Criteria document, the VRFs and VSLs are distinctly different compliance elements and are therefore developed differently. The VSL DT attempted to achieve consistency with the assignment of VSLs within the guidelines. Some requirements do not fit neatly into one of the criteria “buckets” and have to be dealt with on a case by case basis. The VSLs will be refined through the on-going standards development process.</p> <p>The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL to each requirement and sub-requirement that currently has a violation risk factor (VRF). These “parent-child” requirements are at the heart of the double jeopardy concerns. It is expected that through on-going standards development projects and future projects, the application of VSL and VRF will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p> <p>The VSL Development Guidelines Criteria document was developed to provide guidance to the VSL DT in the assignment of VSLs per the FERC order and to help ensure consistency in the process. We are providing this document for other teams to use as a guideline for them to consider in development of VSLs. This document was posted twice for comment by the industry and appropriate revisions were made based on that feedback. The guidelines document is not a NERC standard or a part of a standard, and therefore does not require balloting. The VSL criteria will be provided to FERC for informational purposes; NERC will not ask for FERC approval of the VSL Development Guidelines Criteria document.</p> <p>The VSL DT appreciates the commenter’s concerns around using generic language in the VSLs. Many commenters had concerns with terms such as “minor” or “significant” and the subjectivity that these terms create in application of the VSLs. Throughout the VSL development process, the VSL DT attempted, to limit the use of the generic language in the VSLs. However, in some instances the existing requirements do not lend themselves to specific VSL language. It is expected that through on-going standards development projects and future projects, the use of generic language will be further refined to provide specific VSL language. This will require stakeholder participation in the standard development process.</p>			
Ameren Services Company	1	Negative	The grouping of 83 standards into only nine ballots, mainly due to time constraint, does not provide the granularity required for voting on such an important issue.
<p>Response: The VSL DT thanks you for your comment. The VSL DT received several comments regarding the ballot make up. The ballot groupings were selected by the VSL DT to maximize the opportunity for stakeholder input while ensuring that a quorum would be achieved in each of the ballots.</p>			
American Transmission Company, LLC	1	Affirmative	BAL-001-0 R3 <ul style="list-style-type: none"> ▪ If a BA evaluated R1 and R2 using combined ACE and did not evaluate R1 and R2 using combined Frequency Bias then the BA is at the High VSL level.

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			<ul style="list-style-type: none"> ▪ If a BA did not evaluate R1 and R2 using combined Frequency Bias then it failed to evaluate R1 and R2 using combined Frequency Bias so the BA has also met the Severe VSL level. ▪ There is no difference between High VSL and Severe VSL. <p>BAL-001-0 R4</p> <ul style="list-style-type: none"> ▪ Severe VSL: This should be N/A or apply to NERC and the Regions. This requirement says the receiving BA shall not have its control performance evaluated. This means that NERC or the Regions shall not evaluate control performance for the receiving BA. It is impossible for a receiving BA to violate this requirement. If NERC or a Region evaluated a receiving BA's control performance, then NERC or the Region would be violating this requirement. BAL-001-01 does not exist. <p>BAL-002-0 R1.1</p> <ul style="list-style-type: none"> ▪ Severe VSL What does it mean if a Reserve Sharing Group has not provided responsibilities? How does a Reserve Sharing Group provide obligations? <p>BAL-002-0 R2.5</p> <ul style="list-style-type: none"> ▪ Lower VSL R2 requires specifying policy, not providing guidance. <p>BAL-002-0 R2.6</p> <p>Lower VSL R2 states that policy must be specified. This VSL is evaluating something that is not in the standard.</p> <p>BAL-003-0 R1.2</p> <ul style="list-style-type: none"> ▪ Lower VSL How is this possible? There are only two things to do. Report Bias and report method. There are no minor details. If all significant elements are satisfied, this Lower VSL will never apply. ▪ Moderate VSL How is this possible? There are only two things to do. Report Bias and report method. If required information is reported (bias and method) there is nothing left to do. There are no other significant elements. This Moderate VSL will never apply. ▪ High VSL How is this possible? There are only two things to do. Report Bias and report method. If required information is reported (bias and method) there is nothing left to do. There are no other significant elements. This High VSL will never apply. <p>BAL-003-0 R6</p> <ul style="list-style-type: none"> ▪ Moderate VSL Overlap Regulation Service and Supplemental Regulation Service are two different things. What if a BA is only providing Supplemental Regulation Service? If it changes its Frequency Bias Setting while performing that Supplemental Regulation Service, this VSL

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			<p>does not apply.</p> <ul style="list-style-type: none"> ▪ Severe VSL What if a BA is only providing Overlap Regulation Service but failed to increase its Frequency Bias Setting to match the frequency response of the entire area being controlled. The "and changed its Frequency Bias Setting while performing Supplemental Regulation Service" would never occur and this VSL would not apply. <p>BAL-004-0 R3.1</p> <ul style="list-style-type: none"> ▪ All VSLs A BA is not obligated to identify a [preferred] method of time error correction participation. Confusing sentence wording and grammar. How are the "and" phrases supposed to be grouped/interpreted? <p>BAL-004-0 R3.2</p> <ul style="list-style-type: none"> ▪ All VSLs A BA is not obligated to identify a [preferred] method of time error correction participation. What is a "net interchange schedule frequency schedule"? <p>BAL-004-0 R4</p> <ul style="list-style-type: none"> ▪ Lower VSL This phrase is a new requirement/measure. It is beyond what is in the requirement. <p>BAL-005-0 R1.1, R1.2, R1.3</p> <ul style="list-style-type: none"> ▪ Severe VSL A GO/TOP/LSE does not have metered boundaries. Change wording to "within the metered boundaries" <p>BAL-005-0 R3</p> <ul style="list-style-type: none"> ▪ Moderate VSL The BA providing Regulation Service needs to ensure that adequate metering, communications and control equipment are employed. It does not necessarily need to provide them. <p>BAL-005-0 R6</p> <ul style="list-style-type: none"> ▪ Severe VSL The requirement does not mention approval. The requirement's "but not limited to" phrase allows a single asynchronous BA to use a method not mentioned in this requirement. <p>BAL-005-0 R10</p> <ul style="list-style-type: none"> ▪ Lower VSL Should be "failed to include all Dynamic Schedules". <p>BAL-006-1 R4</p> <ul style="list-style-type: none"> ▪ Moderate VSL The first half of this VSL, before the OR does not make sense. <p>BAL-006-1 R4.3</p>

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			<ul style="list-style-type: none"> The wording says that if a BA did not (failed to) reflect changes or corrections based on non-reliability considerations in their inadvertent, the VSL would apply. This is opposite of what the requirement states.
<p>Response: The VSL DT thanks you for your comments.</p> <p>For BAL-001 R3, we agree and have modified the VSLs.</p> <p>For BAL-001 R4, we believe you have an issue with the requirement and recommend you submit a SAR.</p> <p>For BAL-002 R1.1, we believe your issue is really with the requirement and suggest you submit a request for interpretation.</p> <p>For BAL-002 R2.5 and R2.6, we have modified the VSLs.</p> <p>For BAL-003-0 R1.2, the generic language has been replaced with specific language based on your comments (see Revised VSL Matrix). The Severe was left unchanged. These comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process.</p> <p>For BAL-003 R6, we agree and have removed the severe VSL.</p> <p>For BAL-004-0 R3.1 and R3.2, the VSL DT agrees and has simplified the wording of the VSL.</p> <p>For BAL-004-0 R4, the VSL DT disagrees. We also note the VSL are only used after the compliance auditor has identified a non-compliance so they don't add anything to the requirements.</p> <p>For BAL-005-0 R1.1, R1.2 and R1.3, the VSL DT agrees and have modified the VSLs.</p> <p>For BAL-005-0 R3, the VSL DT agrees and modified the VSL.</p> <p>For BAL-005-0 R6, we received multiple suggested changes and have made modifications to the Severe VSL.</p> <p>For BAL-005-0 R10, the VSL DT agrees and has corrected the VSL.</p> <p>For BAL-006-1 R4, the VSL DT agrees and has modified the VSL.</p> <p>For BAL-006-1 R4.3, the VSL DT agrees and has correct the VSL.</p>			
Consolidated Edison Co. of New York	1	Negative	<p>Con Edison would like to thank the drafting team for their effort in reviewing the standard requirements and developing VSL's. Our thoughts on this process is as follows: When a Requirement has Sub-requirements, only one or the other can have VSL's. This eliminates any potential "double jeopardy" issues. The following Requirements have Sub-Requirements with VSL's assigned. Therefore, the following list of Requirements should be assigned "NA" VSL's. They are BAL-002-R2, R3, R4, BAL-003 - R1, R2, R4, R5, BAL-004-R3, R4, BAL-005-R1.1, R8, R9, R12, BAL-006-R6. The drafting team may also consider assigning VSL's to the Requirement, and eliminate the Sub-Requirement VSL.</p>

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<p>Response: The VSL DT thanks you for your comment. The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL on each requirement and sub-requirement that currently has a violation risk factor (VRF). These “parent-child” requirements are at the heart of the double jeopardy concerns. It is expected that through on-going standards development projects and future projects, the application of VSLs and VRFs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p>			
Dominion Virginia Power	1	Negative	<p>The announcement of the pre-ballot window stated that the drafting team has modified “more than half of the VSLs but does not have time to collect additional feedback on the acceptability of the modifications before proceeding to ballot”. Consequently, Dominion Virginia Power cannot verify that the changes made to the VSLs are acceptable because we have no basis of comparison and no indication of what was specifically changed. In addition, the drafting team seems to have ignored many of the comments submitted by the SERC Operating Committee that Dominion Virginia Power helped prepare.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT received many comments on the VSLs during the 45 day comment period. Each comment was considered in deciding whether any revisions were necessary. The revised VSLs were posted for the pre-ballot period without another comment period because NERC is required to file the VSLs with FERC by March 1, 2008.</p>			
Duke Energy Carolina	1	Affirmative	<p>a) BAL-002-0, R3 proposed VSLs are too granular of a measure. An entity might only have one event per quarter to report, which would automatically be a “Severe” violation. Need more clarity on this measure.</p> <p>b) BAL-003, R3 proposed “Severe” VSL - how will it be determined “when such operation would not have been adverse to system or Interconnection reliability”?</p>
<p>Response: VSL DT thanks you for your comments. A) The VSLs represent the Levels of Non-compliance in the existing standard. B) The severe VSL is a restatement of the requirement. In both of these cases, the VSL DT perceives that the commenter has issues with the requirements. We suggest that the commenter create a SAR to correct any perceived deficiencies with the requirements.</p>			
FirstEnergy Energy Delivery	1	Affirmative	<p>GENERAL VSL COMMENTS EXPLANATORY TEXT: We commend the VSL SDT for removing references to the “Explanatory Text” VSL category described in its VSL guideline document. FE believes doing so is an improvement in the guidance being provided to future standard drafting teams. However, FE believes there are cases in the standards where a Violation Risk Factor (VRF) was inadvertently assigned to an explanatory type “requirement” and that steps should be taken at this point to remove the VRF which would negate the need for a VSL.</p> <p>As an example, in FAC-002, R3.1 states “Multiple sustained outages on an individual line, if caused by the same vegetation, shall be reported as one outage regardless of the actual number of outages within a 24-hour period” This is clearly explanatory to the parent (R3) requirement which requires quarterly reporting of vegetation management outages by a Transmission Owner</p>

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			<p>to its Regional Reliability Organization. Requirement R3.1 now has a "Lower VSL" assigned to it which reads "The Transmission Owner failed to report, as a single outage, multiple sustained outages within a 24-hour period on an individual line, if caused by the same vegetation". It does not seem appropriate to penalize someone for reporting too much information and one must ask what the reliability risk the Bulk Electric System was exposed to by doing so. Clearly, the standards require improvement.</p> <p>FE supports the "explanatory requirement" VSL as the best approach for the interim based on the existing state of the standards with the understanding that the standards will be refined through the standards development process. To assist the SDT and NERC in identifying all the explanatory text in existence today that have a VRF assigned to them, FE will send a complete spreadsheet to the chair of the VSL SDT in a separate correspondence.</p>
<p>Response: The VSL DT thanks you for your comment. Removing or revising VRFs is outside the scope of this project. These comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process.</p>			
Hydro One Networks, Inc.	1	Negative	<p>BAL-006-1 Requirement 1 assigns a "Lower VSL" for failure to calculate and record hourly Inadvertent Interchange yet Requirement 2 assigns a High and Severe VSLs for failing to include all AC tie lines to adjacent BAs and/or interchange served by jointly owned generators. Why is failure to calculate and record hourly Inadvertent Interchange a lower VSL than at least making an attempt to calculate and be missing some interchange from AC ties and jointly owned gens? It seems that a High or Severe should have been the VSL for failing to calculate and record and a Lower or Medium VSL for having some missing information in those calculations.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT attempted to assign VSLs in a consistent fashion. Without specific examples, it is impossible to address your concerns regarding consistency. We are bound by FERC's Order on Compliance Filing dated June 7, 2007 (Docket #RR06-1-007) that directed NERC to assign VSLs to all requirements and subrequirements in the 83 regulatory approved standards that have a VRF assigned.</p> <p>We disagree that BAL-006-1 R1 should have a more severe VSL than BAL-006 R2 because failure to calculate the inadvertent interchange will be known whereas the BA could assume that their inadvertent interchange is correct because they may not realize they have not included all the inputs which leads to greater confusion and more difficulty in resolving the balances.</p>			
Hydro-Quebec TransEnergie	1	Negative	<p>For some requirements, there is no VSL specified; even if there are VSLs specified in sub-requirements, it is confusing.</p>
<p>Response: The VSL DT thanks you for your comment. The only requirements without a VSL are those without a VRF. These requirements do not need a VSL per the FERC order.</p>			

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Kansas City Power & Light Co.	1	Negative	<p>BAL-002-0 R1-This is a double jeopardy penalty. There should not be VSL's for sub-requirements when there are VSL's defined for the main requirement that are tied to the sub-requirements.</p> <p>BAL-003-0 R1.1-R1.2-This is a double jeopardy penalty. There should not be VSL's for sub-requirements when there are VSL's defined for the main requirement that are tied to the sub-requirements.</p> <p>BAL-003-0 R2.1-R2.2-This is a double jeopardy penalty. There should not be VSL's for sub-requirements when there are VSL's defined for the main requirement that are tied to the sub-requirements.</p> <p>BAL-003-0 R4.1-R4.2-This is a double jeopardy penalty. There should not be VSL's for sub-requirements when there are VSL's defined for the main requirement that are tied to the sub-requirements.</p> <p>BAL-003-0 R5.1-This is a double jeopardy penalty. There should not be VSL's for sub-requirements when there are VSL's defined for the main requirement that are tied to the sub-requirements.</p> <p>BAL-004-0 R3-This is a double jeopardy penalty. There should not be VSL's for sub-requirements when there are VSL's defined for the main requirement that are tied to the sub-requirements.</p> <p>BAL-004-0 R4.1-This is a double jeopardy penalty. There should not be VSL's for sub-requirements when there are VSL's defined for the main requirement that are tied to the sub-requirements.</p> <p>BAL-005-0 R12-This is a double jeopardy penalty. There should not be VSL's for sub-requirements when there are VSL's defined for the main requirement that are tied to the sub-requirements.</p> <p>BAL-006-1 R4.1.1-R4.1.2-This is a double jeopardy penalty. There should not be VSL's for sub-requirements when there are VSL's defined for the main requirement that are tied to the sub-requirements.</p>
<p>Response: The VSL DT thanks you for your comments. The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL on each requirement and sub-requirement that currently has a violation risk factor (VRF). These “parent-child” requirements are at the heart of the double jeopardy concerns. It is expected that through on-going standards development projects and future projects, the application of VSLs and VRFs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p>			

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Manitoba Hydro	1	Negative	<p>-Manitoba Hydro objects to the use of ambiguous language (minor, significant) in the VSLs for BAL-003-0 R1.2. –</p> <p>In BAL-002-0 R1.1, the severe VSL is not clear and needs revision. The VSL should require that a contractual agreement exists between Balancing Authorities and the Reserve Sharing Group outlining responsibilities and obligations of all parties as required by BAL-002-0.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT appreciates the commenters concerns around using generic language in the VSL. Many of the commenters had concerns with terms such as “minor” or “significant” and the subjectivity that these terms create in application of the VSL. Throughout the VSL development process, the VSL DT attempted to limit the use of the generic language in the VSLs. However, in some instances the existing requirements do not lend themselves to specific VSL language. It is expected that through on-going standards development projects and future projects, the use of generic language will be further refined to provide specific VSL language. This will require stakeholder participation in the standard development process.</p> <p>For BAL-002, the VSL can not impose any additional requirements other than what is in the standard. The VSL is based on the language in the requirement.</p>			
New Brunswick Power Transmission Corporation	1	Negative	<p>"BAL-005-0 R-1 VSL seems to be missing with no explanation why. This is important and should be a High or Severe VSL as a "parent". It should be noted however that the sub-requirements or “children” do address the parent requirement. Therefore there is an inconsistency between how VSLs were handled here as opposed to how they are handled in EOP-001-1 Requirement 3."</p>
<p>Response: The VSL DT thanks you for your comment. There is no VRF for this requirement and therefore it does not require a VSL.</p>			
New York Power Authority	1	Negative	<p>Binary requirements seem to be mixed with VRFs</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT has made a concerted effort to eliminate all risk indicators from the VSLs. The VSLs are determined with no consideration of the risk associated with the requirement. More detailed information is available in the VSL Development Guidelines Criteria document. Your comment will be made available to future drafting teams to use in developing VSLs in the on-going standards development process.</p>			
Salt River Project	1	Negative	<p>SRP has identified issues with the proposed VSLs listed below. Our comments are included. We were unable to provide comments on all VSLs based on the short time frame available to us. However, we believe that there are other proposed VSLs that require modification. We will plan to comment on these in the second ballot. Moderate VSL assumes there is a change in the setting. Reliability Entities may use a setting that does not result in an annual change of the Frequency Bias Settings.</p>
<p>Response: The VSL DT thanks you for your comment, however we can not respond without more information.</p>			

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Company	Segment	Ballot	Comment
Sierra Pacific Power Co.	1	Negative	<p>There are several flaws in the VSL's for these BAL standards, and the VSL's are generally too severe:</p> <p>BAL-002: Requirements R4.1 and R4.2 should not have VSL's as they only further clarify the criteria in R4.</p> <p>BAL-003: Requirement R1.1 on frequency bias should not have any severity level and certainly not "severe", as the change in bias may have been made to improve the reliability of the Interconnection, even though none of the determining factors have changed.</p> <p>In R1.2, the failure to report a bias setting does not jeopardize the Interconnection, and should not be "severe".</p> <p>I feel R2's VSL is far too severe.</p> <p>In R3, the operation out of tie-line frequency bias does not necessarily harm the Interconnection to any great degree, and it may be done for a variety of reasons that are valid and appropriate. Failure to do so should not be considered "severe".</p> <p>Finally, in R5, failure to set one's bias to at least 1% does not necessarily cause a severe impact; the severity would depend on the size of the BA and how far below 1% the bias is set.</p>
<p>Response: The VSL DT thanks you for your comment. BAL-002: Requirement 4.1 has a VRF and must have at least one VSL. R 4.2 does not have a VRF and therefore has no VSLs.</p> <p>BAL-003: Your comments point to risk. The VSL is a separate compliance element that does not take risk into account. The VSL DT has made a concerted effort to eliminate all risk indicators from the VSLs. The VSLs are determined with no consideration of the risk associated with the requirement. More detailed information is available in the VSL Development Guidelines Criteria document.</p>			
Independent Electricity System Operator	2	Negative	<p>There are binary requirements which are clear in their intent – either you take an action or you don't – these however, have low VSLs associated with them. This is incorrect as these should have severe VSLs associated as it is a direct indication of failure to comply (there are no intermediate stages here).</p> <p>In this regard, BAL-003 contains some incorrect VSL assignments to R1 and R2 which are of minor impact.</p> <p>However, R4 is a binary requirement so failure to comply should be assigned a severe level. Similarly some requirements have been assigned incorrect VSLs.</p> <p>BAL-005 - Many binary requirements (e.g. R2 to R5, R8) are assigned a low VSL. There are VSL</p>

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			<p>assignments to many requirements and sub-requirements which are based on the VRF concept – impact/concomitant risk of violating a particular requirement. This is not what the VSLs were assigned to do – VSLs were to provide an indication of how badly the requirement was violated and not look at the operational impact of a particular requirement – this aspect was already covered while developing the VRFs for these standards.</p> <p>There are incorrect VSL assignments to R6 of rather high impact.</p> <p>VSLs for each of R9 to R12 should be progressive but it is assigned a Low only.</p> <p>In BAL-006, there are many binary requirements that have been assigned low severity levels. Additionally, BAL-006-1 Requirement 1 assigns a “Lower VSL” for failure to calculate and record hourly Inadvertent Interchange yet Requirement 2 assigns a High and Severe VSLs for failing to include all AC tie lines to adjacent BAs and/or interchange served by jointly owned generators. Why is failure to calculate and record hourly Inadvertent Interchange a lower VSL than at least making an attempt to calculate and be missing some interchange from AC ties and jointly owned generators? It seems that a High or Severe should have been the VSL for failing to calculate and record and a Lower or Medium VSL for having some missing information in those calculations.</p> <p>There is also an inconsistency in how R1 of BAL-005 and BAL-006 have been assigned VSLs. In the former, the parent requirement does not have any VSLs associated with it whereas this is not the case with the latter. Some sub-requirements are not really requirements but are "elements" to be included in, say, an assessment report. Exclusion of any of these is already covered by the parent requirement (most likely in a progressive manner) and hence these "sub-requirements" should not have any VSLs assigned to them.</p>

Response: The VSL DT thanks you for your comment. Many commenters observed that there is inconsistency in the assignment of VSLs for binary requirements. The VS LDT and the industry could not reach consensus on how best to address this issue. At this point in the process, and with consideration that this group of standards received an affirmative vote in the initial ballot, the VSL DT has decided not to make revisions to the proposed binary VSLs. It is expected that through on-going standards development projects and future projects, this issue will be addressed. This will require stakeholder participation in the standard development process. These comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process.

Your last paragraph appears to deal with the double jeopardy issue. The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL to each requirement and sub-requirement that currently has a violation risk factor (VRF). These “parent-child” requirements are at the heart of the double jeopardy concerns. It is expected that through on-going standards development projects and future projects, the application of VSLs and VRFs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation. There is no VSL for BAL-005 R1 because this has no VRF and was identified during the development of VRFs as, “supporting text” rather than a

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Midwest ISO, Inc.	2	Affirmative	<p>We understand and appreciate that NERC was directed to create these VSLs on a tight deadline. Still, we understood from NERC staff that these VSLs weren't necessary for the FERC to issue sanctions. Our concern is that the outcome of hastily done VRFs and VSLs means there will be future changes triggered via due process. Many things labeled in the standards as requirements are not truly requirements, but explanatory text. This is the outcome of the bulk conversion of NERC policies into the V0 standards. We, as an industry and NERC, looked the other way on this issue with the VRF exercise. We did it again with VSLs. The next iteration the industry will have to undertake is to figure out ways to measure things that were never intended to be measured. It's time to clarify and distill the standards to the core requirements to focus on what is important to reliability.</p> <p>We have noted there is an obvious tendency to make yes-no requirements Severe VSLs. This is the equivalent of saying you always are in last place in a one runner race. While it appears we are serving reliability by elevating the VSLs and VRFs, arbitrary escalation of sanctions will tie up due process. We also have a concern that there will be multiple iterations of Orders directing changes to particular VSLs. Responding to such changes takes focus away from the things to which we should be paying attention. The industry should be given deference with regard to the development of standards and compliance elements until it is proven the process doesn't work.</p> <p>Finally, we have a concern where a broad-brush action is taken to all the standards and then the ballot is split. When this is done, very few blocks of standards apply to the bulk of the ballot body. While this increases the chances the ballot will pass, is this the goal or is the goal to have a quality product prior to adoption?</p>
<p>Response: The VSL DT thanks you for your comment. The proposed set of VSLs represent a reasonable and consistent approach to classifying severity for a non-compliant condition. The VSL DT also recognizes that, as demonstrated by comments received, additional improvements are needed. Any additional VSL improvements are best made in concurrence with revising the language of the requirements. The VSL DT concludes that many of the comments received were related to the clarity of the requirement or the lack of clear measures within the standard, and not the VSL itself. It is important to note that the VSLs are only intended to replace the Levels of Non-compliance and are to be used in determining sanctions for violation of requirements. The VSL DT cannot make revisions to requirements within the scope of this project. Therefore we would expect that additional improvements to the VSLs will occur as on-going and future standard drafting teams make revisions to the standards, including requirements, measures and compliance elements. All NERC Standards are slated for review in the course of the Standards Development Work Plan established by NERC. We encourage all stakeholders to participate in the standard development process.</p> <p>Many commenters observed that there is inconsistency in the assignment of VSLs for binary requirements. The VSL DT and the industry could not reach consensus on how best to address this issue. At this point in the process, and with consideration that this group of standards received an affirmative vote in the initial ballot, the VSL DT has decided not to make revisions to the proposed binary VSLs. It is expected that through on-going standards development projects and future projects, this issue will be addressed. This will require stakeholder participation in</p>			

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Company	Segment	Ballot	Comment
<p>the standard development process. The VSL DT received several comments regarding the ballot make up. The ballot groupings were selected by the VSL DT to maximize the opportunity for stakeholder input while ensuring that a quorum would be achieved in each of the ballots.</p>			
New Brunswick System Operator	2	Negative	<p>(1) The lower VSLs appear to provide an interpretation on the requirements. For example BAL-005 R9.1, the VLS highlights a need to "model" the HVDC in the ACE equation. By treating the HVDC as a generator or load within the BA allows the HVDC tie not to be included in the ACE equation.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT has reviewed your concern and found the proposed VSL to be appropriate as it uses the same language as the Requirement R9.1.</p>			
American Electric Power	3	Negative	<p>AEP does not support the proposed VSL in there current form, due to a number of overarching issues that should be addressed. AEP, in previous comments suggested that the Standard Drafting Team adhere to and develop the Violation Severity Levels using a similar approach as FERCs guidance on Violation Risk Factors. Where, per FERC’s response in their consideration of the Violation Risk Factor, FERC stated that in determining Violation Risk Factor there should be; consistency within a Reliability Standard, i.e., among sub- and main Requirements of the same Reliability Standard, consistency among Reliability Standards with similar Requirements, consistency with NERC’s proposed definition of the Violation Risk Factor level, and assignment of a Violation Risk Factor level to those Requirements in certain Reliability Standards that co-mingle a higher risk reliability objective and a lesser risk reliability objective. It is not clear, based on this draft of the VSLs, how the Standard Drafting Team consistently addresses the VSLs on each of the requirements and sub-requirements.</p> <p>Additionally, we cannot find any information that states that an entity will not be subject to double jeopardy for the same violation. For example, if an entity is non-compliant with respect to R1.3 of a standard and R1.3 is a sub-requirement of R1, can the entity be in violation of the parent requirement as well? If not what will determine which requirement has been violated and what VRF and VSL will be applied in the penalty matrix? Depending upon the VSL and the VRF, it is possible the financial penalties will be different. This was discussed during the Standard Drafting Team led conference call, but there was not a clear answer to the situation. There are examples whereby a violation can fit into multiple VSL for a given requirements.</p> <p>Finally, there is no consistency in the application of the VSL between related standards in particular the MOD and PRC standards. The Standard Drafting Team has developed the Violation Severity Level Development Guidelines, but it is our understanding that guidelines will not be balloted any time soon and are subject to change. This appears to be putting the cart before the horse and if the guidelines are needed they should be included in the balloting. There is ambiguity regarding some of the VSL that are proposed. The drafting team has removed many instances of "minor" and other vague terms, but there are still many requirements that have VSL that are not clear. Similarly, it appears that some VSL provide additional details than what is written into the requirements or measures. Obviously, establishing fair, effective and consistent VSLs is a daunting task and we are confident that the Standard Drafting Team worked diligently to produce what could be done to meet the schedule. However, we feel that more time is needed</p>

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Company	Segment	Ballot	Comment
			and we should keep to the Standard Development process that has been developed.
<p>Response: The VSL DT thanks you for your comments. As described in the VSL Development Guidelines Criteria document, the VRFs and VSLs are distinctly different compliance elements and are therefore developed differently. The VSL DT attempted to achieve consistency with the assignment of VSLs within the guidelines. Some requirements do not fit neatly into one of the criteria “buckets” and have to be dealt with on a case by case basis. The VSLs will be refined through the on-going standards development process.</p> <p>The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL to each requirement and sub-requirement that currently has a violation risk factor (VRF). These “parent-child” requirements are at the heart of the double jeopardy concerns. It is expected that through on-going standards development projects and future projects, the application of VSLs and VRFs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p> <p>The VSL Development Guidelines Criteria document was developed to provide guidance to the VSL DT in the assignment of VSLs per the FERC order and to help ensure consistency in the process. We are providing this document for other teams to use as a guideline for them to consider in development of VSLs. This document was posted twice for comment by the industry and appropriate revisions were made based on that feedback. The guidelines document is not a NERC standard or a part of a standard, and therefore does not require balloting. The VSL criteria will be provided to FERC for informational purposes; NERC will not ask for FERC approval of the VSL Development Guidelines Criteria document.</p> <p>The VSL DT appreciates the commenters’ concerns around using generic language in the VSL. Many of the commenters had concerns with terms such as “minor” or “significant” and the subjectivity that these terms create in application of the VSL. Throughout the VSL development process, the VSL DT attempted to limit the use of the generic language in the VSLs. However, in some instances the existing requirements do not lend themselves to specific VSL language. It is expected that through on-going standards development projects and future projects, the use of generic language will be further refined to provide specific VSL language. This will require stakeholder participation in the standard development process</p>			
City of Tallahassee	3	Negative	I have many comments on the following BAL standards! BAL-001-0 R4, BAL-002-0 R1 & R1.1, BAL-002 R4.2, BAL-003-0 R1, BAL-003-0 R1.2, BAL-003-0 R2, BAL-003 R3, BAL-003 R5 & R5.1, Bal-003 R6, BAL-004 R1, BAL-004 R2, Bal-005 R2, BAL-005 R6, BAL-005 R7, BAL-005 R8.1 & BAL-005 R15! Including everything under a single BAL vote really complicates the issue! I believe the whole process is getting hung up on outlining penalties and forgetting what’s the main function, which is to provide a reliable electric system for the customer. Remember the Rome Empire went this way where everything was priced and ruled on and over a short time period it sank into nothing! " But they do say history repeats itself "
<p>Response: The VSL DT thanks you for your comments. The VSL DT received several comments regarding the ballot make up. The ballot groupings were selected by the VSL DT to maximize the opportunity for stakeholder input while ensuring that a quorum would be achieved in each of the ballots.</p>			

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Consolidated Edison Co. of New York	3	Negative	<p>Con Edison would like to thank the drafting team for their effort in reviewing the standard requirements and developing VSL's. Our thoughts on this process are as follows: When a Requirement has Sub-requirements, only one or the other can have VSL's. This eliminates any potential "double jeopardy" issues. The following Requirements have Sub-Requirements with VSL's assigned. Therefore, the following list of Requirements should be assigned "NA" VSL's. They are BAL-002-R2, R3, R4, BAL-003 - R1, R2, R4, R5, BAL-004-R3, R4, BAL-005-R1.1, R8, R9, R12, BAL-006-R6. The drafting team may also consider assigning VSL's to the Requirement, and eliminate the Sub-Requirement VSL.</p>
<p>Response: The VSL DT thanks you for your comment. The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL to each requirement and sub-requirement that currently has a violation risk factor (VRF). These "parent-child" requirements are at the heart of the double jeopardy concerns. It is expected that through on-going standards development projects and future projects, the application of VSLs and VRFs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p>			
FirstEnergy Solutions	3	Affirmative	<p>GENERAL VSL COMMENTS EXPLANATORY TEXT: We commend the VSL SDT for removing references to the "Explanatory Text" VSL category described in its VSL guideline document. FE believes doing so is an improvement in the guidance being provided to future standard drafting teams.</p> <p>However, FE believes there are cases in the standards where a Violation Risk Factor (VRF) was inadvertently assigned to an explanatory type "requirement" and that steps should be taken at this point to remove the VRF which would negate the need for a VSL. As an example, in FAC-002, R3.1 states "Multiple sustained outages on an individual line, if caused by the same vegetation, shall be reported as one outage regardless of the actual number of outages within a 24-hour period" This is clearly explanatory to the parent (R3) requirement which requires quarterly reporting of vegetation management outages by a Transmission Owner to its Regional Reliability Organization.</p> <p>Requirement R3.1 now has a "Lower VSL" assigned to it which reads "The Transmission Owner failed to report, as a single outage, multiple sustained outages within a 24-hour period on an individual line, if caused by the same vegetation". It does not seem appropriate to penalize someone for reporting too much information and one must ask what the reliability risk the Bulk Electric System was exposed to by doing so. Clearly, the standards require improvement. FE supports the "explanatory requirement" VSL as the best approach for the interim based on the existing state of the standards with the understanding that the standards will be refined through the standards development process. To assist the SDT and NERC in identifying all the explanatory text in existence today that have a VRF assigned to them, FE will send a complete spreadsheet to the chair of the VSL SDT in a separate correspondence.</p>

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<p>Response: The VSL DT thanks you for your comment. Removing or revising VRFs is outside the scope of this project. These comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process.</p>			
Hydro One Networks, Inc.	3	Negative	<p>BAL-006-1 Requirement 1 assigns a “Lower VSL” for failure to calculate and record hourly Inadvertent Interchange yet Requirement 2 assigns a High and Severe VSLs for failing to include all AC tie lines to adjacent BAs and/or interchange served by jointly owned generators. Why is failure to calculate and record hourly Inadvertent Interchange a lower VSL than at least making an attempt to calculate and be missing some interchange from AC ties and jointly owned gens? It seems that a High or Severe should have been the VSL for failing to calculate and record and a Lower or Medium VSL for having some missing information in those calculations.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT attempted to assign VSLs in a consistent fashion. Without specific examples, it is impossible to address your concerns regarding consistency. We are bound by FERC’s Order on Compliance Filing dated June 7, 2007 (Docket #RR06-1-007) that directed NERC to assign VSLs to all requirements and subrequirements in the 83 regulatory approved standards that have a VRF assigned. We disagree that BAL-006-1 R1 should have a more severe VSL than BAL-006 R2 because failure to calculate the inadvertent interchange will be known whereas the BA could assume that their inadvertent interchange is correct because they may not realize they have not included all the inputs which leads to greater confusion and more difficulty in resolving the balances.</p>			
Manitoba Hydro	3	Negative	<p>Comments: Manitoba Hydro objects to the use of ambiguous language (minor, significant) in the VSLs for BAL-003-0 R1.2.</p> <p>In BAL-002-0 R1.1, the severe VSL is not clear and needs revision. The VSL should require that a contractual agreement exists between Balancing Authorities and the Reserve Sharing Group outlining responsibilities and obligations of all parties as required by BAL-002-0.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT appreciates the commenters concerns around using generic language in the VSL. Many of the commenters had concerns with terms such as “minor” or “significant” and the subjectivity that these terms create in application of the VSL. Throughout the VSL development process, the VSL DT attempted both after the initial comment period and during the initial ballot comments, to limit the use of the generic language in the VSLs. However, in some instances the existing requirements do not lend themselves to specific VSL language. It is expected that through on-going standards development projects and future projects, the use of generic language will be further refined to provide specific VSL language. This will require stakeholder participation in the standard development process.</p> <p>For BAL-002, the VSL can not impose any additional requirements other than what is in the standard. The VSL is based on the language in the requirement.</p>			
Salt River Project	3	Negative	<p>Moderate VSL assumes there is a change in the setting. Reliability Entities may use a setting that does not result in an annual change of the Frequency Bias Settings. SRP has identified issues with the proposed VSLs. Our comments are included. We were unable to provide comments on all VSLs based on the short time frame available to us. However, we believe that there are other proposed VSLs that require modification. We will plan to comment on these in the second ballot.</p>
<p>Response: The VSL DT thanks you for your comment, however we can not respond without more information.</p>			

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South Carolina Electric & Gas Co.	3	Negative	<p>General comments: I believe that violations that do not negatively impact the reliability of the BES should be assigned a rating of "Lower VSL. The higher levels of VSL's should be reserved for those violations that do negatively impact the reliability of the BES.</p>
<p>Response: The VSL DT thanks you for your comments. Some comments received included discussion of risk. The VSL is a separate compliance element that does not take risk into account. The VSL DT has made a concerted effort to eliminate all risk indicators from the VSLs. The VSLs are determined with no consideration of the risk associated with the requirement. More detailed information is available in the VSL Guideline document.</p>			
Wisconsin Electric Power Marketing	3	Negative	<p>BAL-001-0 R3 High and Severe VSL If a BA evaluated R1 and R2 using combined ACE and did not evaluate R1 and R2 using combined Frequency Bias then the BA is at the High VSL level. If a BA did not evaluate R1 and R2 using combined Frequency Bias then it failed to evaluate R1 and R2 using combined Frequency Bias so the BA has also met the Severe VSL level. There is no difference between High VSL and Severe VSL.</p> <p>BAL-001-0 R4 Severe VSL: This should be N/A or apply to NERC and the Regions. This requirement says the receiving BA shall not have its control performance evaluated. This means that NERC or the Regions shall not evaluate control performance for the receiving BA. It is impossible for a receiving BA to violate this requirement. If NERC or a Region evaluated a receiving BA's control performance, then NERC or the Region would be violating this requirement.</p> <p>BAL-001-01 does not exist.</p> <p>BAL-002-0 R1.1 Severe VSL What does it mean if a Reserve Sharing Group has not provided responsibilities? How does a Reserve Sharing Group provide obligations?</p> <p>BAL-002-0 R2.5 Lower VSL R2 requires specifying policy, not providing guidance.</p> <p>BAL-002-0 R2.6 Lower VSL R2 states that policy must be specified. This VSL is evaluating something that is not in the standard.</p> <p>BAL-003-0 R1.2 Lower VSL How is this possible? There are only two things to do. Report Bias and report method. There are no minor details. If all significant elements are satisfied, this Lower VSL will never apply. Moderate VSL How is this possible? There are only two things to do. Report Bias and report method. If required information is reported (bias and method) there is nothing left to do. There are no other significant elements. This Moderate VSL will never apply. High VSL How is this possible? There are only two things to do. Report Bias and report method. If required information is reported (bias and method) there is nothing left to do. There are no other significant elements. This High VSL will never apply.</p>

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			<p>BAL-003-0 R6 Moderate VSL Overlap Regulation Service and Supplemental Regulation Service are two different things. What if a BA is only providing Supplemental Regulation Service. If it changes its Frequency Bias Setting while performing that Supplemental Regulation Service, this VSL does not apply. Severe VSL What if a BA is only providing Overlap Regulation Service but failed to increase its Frequency Bias Setting to match the frequency response of the entire area being controlled. The "and changed its Frequency Bias Setting while performing Supplemental Regulation Service" would never occur and this VSL would not apply.</p> <p>BAL-004-0 R3.1 All VSLs A BA is not obligated to identify a [preferred] method of time error correction participation. Confusing sentence wording and grammar. How are the "and" phrases supposed to be grouped/interpreted?</p> <p>BAL-004-0 R3.2 All VSLs A BA is not obligated to identify a [preferred] method of time error correction participation. What is a "net interchange schedule frequency schedule"?</p> <p>BAL-004-0 R4 Lower VSL This phrase is a new requirement/measure. It is beyond what is in the requirement.</p> <p>BAL-005-0 R1.1, R1.2, R1.3 Severe VSL A GO/TOP/LSE does not have metered boundaries. Change wording to "within the metered boundaries"</p> <p>BAL-005-0 R3 Moderate VSL The BA providing Regulation Service needs to ensure that adequate metering, communications and control equipment are employed. It does not necessarily need to provide them.</p> <p>BAL-005-0 R6 Severe VSL The requirement does not mention approval. The requirement's "but not limited to" phrase allows a single asynchronous BA to use a method not mentioned in this requirement.</p> <p>BAL-005-0 R10 Lower VSL Should be "failed to include all Dynamic Schedules".</p> <p>BAL-006-1 R4 Moderate VSL The first half of this VSL, before the OR does not make sense.</p> <p>BAL-006-1 R4.3 Lower VSL The wording says that if a BA did not (failed to) reflect changes or corrections based on non-reliability considerations in their inadvertent, the VSL would apply. This is opposite of what the requirement states.</p>

Response: The VSL DT appreciates your comments. We are unsure why indicate that BAL-001-01 does not exist.

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			<p>For BAL-002-0 R1.1, a RSG will be evaluated for compliance just like it is a BA.</p> <p>For BAL-002-0 R2.5, the VSL DT agrees and has modified the VSL.</p> <p>For BAL-002-0 R2.6, the VSL DT disagrees.</p> <p>For BAL-003-0 R1.2, the generic language has been replaced with specific language to the requirement.</p> <p>For BAL-003 R6, we agree and have removed the severe VSL.</p> <p>For BAL-004-0 R3.1 and R3.2, the VSL DT agrees and has simplified the wording of the VSL.</p> <p>For BAL-004-0 R4, the VSL DT disagrees. We also note the VSLs are only used after the compliance auditor has identified a non-compliance so they don't add anything to the requirements.</p> <p>For BAL-005-0 R1.1, R1.2 and R1.3, the VSL DT agrees and has modified the VSLs.</p> <p>For BAL-005-0 R3, the VSL DT agrees and modified the VSL.</p> <p>For BAL-005-0 R6, we received multiple suggested changes and have made modifications to the Severe VSL.</p> <p>For BAL-005-0 R10, the VSL DT agrees and has corrected the VSL.</p> <p>For BAL-006-1 R4, the VSL DT agrees and has modified the VSL.</p> <p>For BAL-006-1 R4.3, the VSL DT agrees and has correct the VSL.</p>
Madison Gas and Electric Co.	4	Affirmative	<p>MG&E request that the wording "minor details" be removed and replaced with a more specific measurable element in the following proposed VSL: BAL-003-0, R1.2. The NERC Sanction Guide states; VSLs are defined measurements of the degree to which a violator violated a requirement of a reliability standard. The word "minor" is open to interpretation.</p> <p>Response: The VSL DT agrees with your comments and has made the VSLs for BAL-003-0 R1.2 more specific.</p>
Old Dominion Electric Coop.	4	Affirmative	<p>This team did a better job in keeping out the exact # and using percentages to capture the size differences amongst BAs.</p> <p>Response: The VSL DT appreciates your support.</p>
Seminole Electric Cooperative, Inc.	4	Negative	<p>These VSL's should have been posted with solicitation of comments prior to balloting. Generally, the VSL severity is too high, particularly for administrative items and for performance associated with subjective judgement (as in adverse impact). New requirements are also implied by the VSL's, as in BAL-001-0, R4.</p> <p>Response: The VSL DT thanks you for your comment. The drafting team did not have time to post the revised VSLs for another comment period before proceeding to ballot – the team is working under a FERC-imposed deadline to complete the replacement of Levels of non-compliance with VSLs by March 1, 2008. VSLs do not set requirements because they are only used once the auditor has determined there is a violation.</p>

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Company	Segment	Ballot	Comment
Wisconsin Energy Corp.	4	Negative	<p>BAL-001-0 R3 High and Severe VSL If a BA evaluated R1 and R2 using combined ACE and did not evaluate R1 and R2 using combined Frequency Bias then the BA is at the High VSL level. If a BA did not evaluate R1 and R2 using combined Frequency Bias then it failed to evaluate R1 and R2 using combined Frequency Bias so the BA has also met the Severe VSL level. There is no difference between High VSL and Severe VSL.</p> <p>BAL-001-0 R4 Severe VSL: This should be N/A or apply to NERC and the Regions. This requirement says the receiving BA shall not have its control performance evaluated. This means that NERC or the Regions shall not evaluate control performance for the receiving BA. It is impossible for a receiving BA to violate this requirement. If NERC or a Region evaluated a receiving BA's control performance, then NERC or the Region would be violating this requirement.</p> <p>BAL-001-01 does not exist.</p> <p>BAL-002-0 R1.1 Severe VSL What does it mean if a Reserve Sharing Group has not provided responsibilities? How does a Reserve Sharing Group provide obligations?</p> <p>BAL-002-0 R2.5 Lower VSL R2 requires specifying policy, not providing guidance.</p> <p>BAL-002-0 R2.6 Lower VSL R2 states that policy must be specified. This VSL is evaluating something that is not in the standard.</p> <p>BAL-003-0 R1.2 Lower VSL How is this possible? There are only two things to do. Report Bias and report method. There are no minor details. If all significant elements are satisfied, this Lower VSL will never apply. Moderate VSL How is this possible? There are only two things to do. Report Bias and report method. If required information is reported (bias and method) there is nothing left to do. There are no other significant elements. This Moderate VSL will never apply. High VSL How is this possible? There are only two things to do. Report Bias and report method. If required information is reported (bias and method) there is nothing left to do. There are no other significant elements. This High VSL will never apply.</p> <p>BAL-003-0 R6 Moderate VSL Overlap Regulation Service and Supplemental Regulation Service are two different things. What if a BA is only providing Supplemental Regulation Service. If it changes its Frequency Bias Setting while performing that Supplemental Regulation Service, this VSL does not apply. Severe VSL What if a BA is only providing Overlap Regulation Service but failed to increase its Frequency Bias Setting to match the frequency response of the entire area being controlled. The "and changed its Frequency Bias Setting while performing Supplemental Regulation Service" would never occur and this VSL would not apply.</p>

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Company	Segment	Ballot	Comment
			<p>BAL-004-0 R3.1 All VSLs A BA is not obligated to identify a [preferred] method of time error correction participation. Confusing sentence wording and grammar. How are the "and" phrases supposed to be grouped/interpreted?</p> <p>BAL-004-0 R3.2 All VSLs A BA is not obligated to identify a [preferred] method of time error correction participation. What is a "net interchange schedule frequency schedule"?</p> <p>BAL-004-0 R4 Lower VSL This phrase is a new requirement/measure. It is beyond what is in the requirement.</p> <p>BAL-005-0 R1.1, R1.2, R1.3 Severe VSL A GO/TOP/LSE does not have metered boundaries. Change wording to "within the metered boundaries"</p> <p>BAL-005-0 R3 Moderate VSL The BA providing Regulation Service needs to ensure that adequate metering, communications and control equipment are employed. It does not necessarily need to provide them.</p> <p>BAL-005-0 R6 Severe VSL The requirement does not mention approval. The requirement's "but not limited to" phrase allows a single asynchronous BA to use a method not mentioned in this requirement.</p> <p>BAL-005-0 R10 Lower VSL Should be "failed to include all Dynamic Schedules".</p> <p>BAL-006-1 R4 Moderate VSL The first half of this VSL, before the OR does not make sense.</p> <p>BAL-006-1 R4.3 Lower VSL The wording says that if a BA did not (failed to) reflect changes or corrections based on non-reliability considerations in their inadvertent, the VSL would apply. This is opposite of what the requirement states.</p>

Response: The VSL DT appreciates your comments.

We are unsure why the balloter indicated that BAL-001-01 does not exist.

For BAL-002-0 R1.1, a RSG will be evaluated for compliance just like it is a BA.

For BAL-002-0 R2.5, the VSL DT agrees and has modified the VSL.

For BAL-002-0 R2.6, the VSL DT disagrees.

For BAL-003-0 R1.2, the generic language has been replaced with specific language to the requirement.

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Company	Segment	Ballot	Comment
<p>For BAL-003 R6, we agree and have removed the severe VSL.</p> <p>For BAL-004-0 R3.1 and R3.2, the VSL DT agrees and has simplified the wording of the VSLs.</p> <p>For BAL-004-0 R4, the VSL DT disagrees. We also note the VSLs are only used after the compliance auditor has identified a non-compliance so they don't add anything to the requirements.</p> <p>For BAL-005-0 R1.1, R1.2 and R1.3, the VSL DT agrees and has modified the VSLs.</p> <p>For BAL-005-0 R3, the VSL DT agrees and modified the VSL.</p> <p>For BAL-005-0 R6, we received multiple suggested changes and have made modifications to the Severe VSL.</p> <p>For BAL-005-0 R10, the VSL DT agrees and has corrected the VSL.</p> <p>For BAL-006-1 R4, the VSL DT agrees and has modified the VSL.</p> <p>For BAL-006-1 R4.3, the VSL DT agrees and has corrected the VSL.</p>			
AEP Service Corp.	5	Negative	<p>AEP does not support the proposed VSL in there current form, due to a number of overarching issues that should be addressed. AEP, in previous comments suggested that the Standard Drafting Team adhere to and develop the Violation Severity Levels using a similar approach as FERCs guidance on Violation Risk Factors. Where, per FERC's response in their consideration of the Violation Risk Factor, FERC stated that in determining Violation Risk Factor there should be; consistency within a Reliability Standard, i.e., among sub- and main Requirements of the same Reliability Standard, consistency among Reliability Standards with similar Requirements, consistency with NERC's proposed definition of the Violation Risk Factor level, and assignment of a Violation Risk Factor level to those Requirements in certain Reliability Standards that co-mingle a higher risk reliability objective and a lesser risk reliability objective.</p> <p>It is not clear, based on this draft of the VSLs, how the Standard Drafting Team consistently addresses the VSLs on each of the requirements and sub-requirements. Additionally, we cannot find any information that states that an entity will not be subject to double jeopardy for the same violation. For example, if an entity is non-compliant with respect to R1.3 of a standard and R1.3 is a sub-requirement of R1, can the entity be in violation of the parent requirement as well? If not what will determine which requirement has been violated and what VRF and VSL will be applied in the penalty matrix? Depending upon the VSL and the VRF, it is possible the financial penalties will be different. This was discussed during the Standard Drafting Team led conference call, but there was not a clear answer to the situation. There are examples whereby a violation can fit into multiple VSL for a given requirements.</p> <p>Finally, there is no consistency in the application of the VSL between related standards in particular</p>

Consideration of Comments on Initial Ballot of VSLs for Balancing Resources and Demand Standards

Company	Segment	Ballot	Comment
			<p>the MOD and PRC standards. The Standard Drafting Team has developed the Violation Severity Level Development Guidelines, but it is our understanding that guidelines will not be balloted any time soon and are subject to change. This appears to be putting the cart before the horse and if the guidelines are needed they should be included in the balloting. There is ambiguity regarding some of the VSL that are proposed. The drafting team has removed many instances of "minor" and other vague terms, but there are still many requirements that have VSL that are not clear. Similarly, it appears that some VSL provide additional details than what is written into the requirements or measures. Obviously, establishing fair, effective and consistent VSLs is a daunting task and we are confident that the Standard Drafting Team worked diligently to produce what could be done to meet the schedule. However, we feel that more time is needed and we should keep to the Standard Development process that has been developed.</p>

Response: The VSL DT thanks you for your comments. As described in the VSL Development Guidelines Criteria document, the VRF and VSL are distinctly different compliance elements and are therefore developed differently. The VSL DT attempted to achieve consistency with the assignment of VSLs within the guidelines. Some requirements do not fit neatly into one of the criteria "buckets" and have to be dealt with on a case by case basis. The VSLs will be refined through the on-going standards development process.

The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL to each requirement and sub-requirement that currently has a violation risk factor (VRF). These "parent-child" requirements are at the heart of the double jeopardy concerns. It is expected that through on-going standards development projects and future projects, the application of VSL and VRF will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.

The VSL Development Guidelines Criteria document was developed to provide guidance to the VSL DT in the assignment of VSLs per the FERC order and to help ensure consistency in the process. We are providing this document for other teams to use as a guideline for them to consider in development of VSLs. This document was posted twice for comment by the industry and appropriate revisions were made based on that feedback. The guidelines document is not a NERC standard or a part of a standard, and therefore does not require balloting. The VSL criteria will be provided to FERC for informational purposes; NERC will not ask for FERC approval of the VSL Development Guidelines Criteria document.

The VSL DT appreciates the commenter's concerns around using generic language in the VSL. Many of the commenters had concerns with terms such as "minor" or "significant" and the subjectivity that these terms create in application of the VSL. Throughout the VSL development process, the VSL DT attempted to limit the use of the generic language in the VSLs. However, in some instances the existing requirements do not lend themselves to specific VSL language. It is expected that through on-going standards development projects and future projects, the use of generic language will be further refined to provide specific VSL language. This will require stakeholder participation in the standard development process.

Consideration of Comments on Initial Ballot of VSLs for Balancing Resources and Demand Standards

Company	Segment	Ballot	Comment
City of Tallahassee	5	Negative	<p>BAL-001-0, R4 – The VSL creates a new standard by requiring the entity receiving overlap regulation to ensure it is being properly calculated by the providing entity. That requirement is captured in R3.</p> <p>BAL-002-0, R1 & R1.1 – Severe VSL for an administrative function is too harsh. The actual failure to respond to disturbances is only a Lower VSL per R4.1.</p> <p>BAL-002, R4.2 – No VSL provided. Changing the Recovery Period from 15 minutes without NERC approval should be addressed. If we change it to 30 minutes and do not get approval there is no penalty since there is no VSL specified?</p> <p>BAL-003-0, R1 – Failure to perform the calculations contradicts R5, which states it has to be at least 1% of peak load.</p> <p>BAL-003-0, R1.2 – “Minor” and “significant” elements are subjective terms.</p> <p>BAL-003, R2 – The VSL changes the requirement. The requirement gives the latitude to get “as close as practical”, if you can’t get close, go greater than. The VSL says you have to go greater than only. As “close as practical” could be just a little short.</p> <p>BAL-003, R3 – This is the harshest penalty for second guessing the performance of the System Operator. It is subjective to determine if AGC operation would have been “adverse to the system or Interconnection Reliability.” If it was off and nothing happened, it must not have been adverse. So why is it all or nothing? Why is there no link to the performance of the system? Why is it a Lower VSL in BAL-005, R7 (which is essentially the same requirement)?</p> <p>BAL-003, R5 & 5.1 – These should not be all or nothing. The impact of being 0.95% vs. 0.75% of load or generation would be a significant difference.</p> <p>BAL-003, R6 – There must be some latitude for making adjustments for changes that occur mid-year. Examples would be commissioning a new large generator or picking up a new large industrial customer. If this change occurred during the year, the entity providing overlap will be non-compliant, because it changed it to match response, or because it didn’t match response.</p> <p>BAL-004, R1 – Why is their any VSL listed? The NERC OC is the responsible entity and they can’t be held accountable to the standards.</p> <p>BAL-004, R2 – How does violating a business practice impact the reliability of the BES? Recommend no VSL.</p> <p>BAL-005, R6 – VSL changes the requirement. A call to the RC is not required until 30 minutes. The VSL requires the call to be made prior to the 30-minute mark. VSLs should be staggered</p>

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Company	Segment	Ballot	Comment
			<p>(call made within {Lower} 45-60 minutes, {Moderate} 60-120 minutes, or {High} not at all).</p> <p>BAL-005, R7 – Similar to BAL-003, R3. Who gets to make the subjective call on “adverse impact”?</p> <p>BAL-005, R8.1 – Why is this a high VSL? PERFORMANCE will be captured in other BAL standards. No consideration given to momentary interruptions?</p> <p>BAL-005, R15 – No leeway for the entity that has provided the backups, tested and maintained them, but still had a failure. That would be a Severe VSL by the verbiage.</p>
<p>Response: The VSL DT appreciated your comments. The VSL DT notes the VSLs are used only after a compliance violation has occurred and therefore cannot create new requirements. The language used for the VSL for BAL-001-0 R4 is the same language as in Requirement R4.</p> <p>For BAL-002-0 R1 and R1.1, the VSL DT disagrees. VSLs are not a measure of “importance” – they measure how badly an entity missed achieving full compliance with the requirement.</p> <p>For BAL-002 R4.2, there is no VRF thus a VSL should not be assigned.</p> <p>For BAL-003 R1, the VSL DT reviewed the requirements independently.</p> <p>For BAL-003-0 R1.2, we agree and have clarified those VSLs.</p> <p>For BAL-003 R3, the compliance auditor would first have to determine there is a violation before applying this VSL.</p> <p>For BAL-003-0 R5 and R5.1, we disagree.</p> <p>For BAL-003-0 R6, you appear to want the VSL DT to interpret the standard. The NERC Reliability Standards Development Procedure governs interpretations.</p> <p>For BAL-004 R1 and R2, FERC is requiring NERC to develop VSLs for each requirement and subrequirement in the 83 regulatory approved standards that have a VRF.</p> <p>For BAL-005 R6, the VSL DT disagrees. The VSL uses the same language as the associated requirement.</p> <p>For BAL-005 R7, compliance is administered by NERC through the Regional Entities. They ultimately determine if you have a compliance violation and which VSL from the requirement applies.</p> <p>For BAL-005 R8.1, the VSL DT modified the VSLs to include the following phrase, “such that the minimum availability was less than 99.95%.”</p> <p>For BAL-005 R15, the VSL DT encourages you to familiarize yourself with NERC’s Sanctions Guidelines.</p>			

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FirstEnergy Solutions	5	Affirmative	<p>GENERAL VSL COMMENTS EXPLANATORY TEXT: We commend the VSL SDT for removing references to the "Explanatory Text" VSL category described in its VSL guideline document. FE believes doing so is an improvement in the guidance being provided to future standard drafting teams. However, FE believes there are cases in the standards where a Violation Risk Factor (VRF) was inadvertently assigned to an explanatory type "requirement" and that steps should be taken at this point to remove the VRF which would negate the need for a VSL. As an example, in FAC-002, R3.1 states "Multiple sustained outages on an individual line, if caused by the same vegetation, shall be reported as one outage regardless of the actual number of outages within a 24-hour period" This is clearly explanatory to the parent (R3) requirement which requires quarterly reporting of vegetation management outages by a Transmission Owner to its Regional Reliability Organization. Requirement R3.1 now has a "Lower VSL" assigned to it which reads "The Transmission Owner failed to report, as a single outage, multiple sustained outages within a 24-hour period on an individual line, if caused by the same vegetation". It does not seem appropriate to penalize someone for reporting too much information and one must ask what the reliability risk the Bulk Electric System was exposed to by doing so. Clearly, the standards require improvement. FE supports the "explanatory requirement" VSL as the best approach for the interim based on the existing state of the standards with the understanding that the standards will be refined through the standards development process. To assist the SDT and NERC in identifying all the explanatory text in existence today that have a VRF assigned to them, FE will send a complete spreadsheet to the chair of the VSL SDT in a separate correspondence.</p> <p>Response: The VSL DT thanks you for your comment. Removing or revising VRFs is outside the scope of this project. These comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process.</p>
Manitoba Hydro	5	Negative	<p>Manitoba Hydro objects to the use of ambiguous language (minor, significant) in the VSLs for BAL-003-0 R1.2. -</p> <p>In BAL-002-0 R1.1, the severe VSL is not clear and needs revision. The VSL should require that a contractual agreement exists between Balancing Authorities and the Reserve Sharing Group outlining responsibilities and obligations of all parties as required by BAL-002-0.</p> <p>Response: The VSL DT thanks you for your comment. The VSL DT appreciates the commenters concerns around using generic language in the VSL. Many of the commenters had concerns with terms such as "minor" or "significant" and the subjectivity that these terms create in application of the VSL. Throughout the VSL development process, the VSL DT attempted to limit the use of the generic language in the VSLs. However, in some instances the existing requirements do not lend themselves to specific VSL language. It is expected that through on-going standards development projects and future projects, the use of generic language will be further refined to provide specific VSL language. This will require stakeholder participation in the standard development process.</p> <p>For BAL-003-0 R1.2, the VSL DT agrees and has made the language more specific.</p> <p>For BAL-002, the VSL can not impose any additional requirements other than what is in the standard. The VSL is based on the language in the requirement.</p>

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Company	Segment	Ballot	Comment
Ontario Power Generation Inc.	5	Negative	Internal inconsistencies exist between the VSL ratings associated with main requirements versus those associated with corresponding sub-requirements. This is a serious structural problem that occurs throughout the VSL documents and will lead to ambiguity regarding determination of the appropriate level of non-compliance, or potentially multiple penalties, for a given breach.
<p>Response: The VSL DT thanks you for your comments. The proposed set of VSLs represent a reasonable and consistent approach to classifying severity for a non-compliant condition. The VSL DT also recognizes that, as demonstrated by comments received, additional improvements are needed. Any additional VSL improvements are best made in concurrence with revising the language of the requirements. The VSL DT concludes that many of the comments received were related to the clarity of the requirement or the lack of clear measures within the standard, and not the VSL itself. It is important to note that the VSLs are only intended to replace the Levels of Non-compliance and are to be used in determining sanctions for violation of requirements. The VSL DT cannot make revisions to requirements within the scope of this project. Therefore we would expect that additional improvements to the VSLs will occur as on-going and future standard drafting teams make revisions to the standards, including requirements, measures and compliance elements. All NERC Standards are slated for review in the course of the Standards Development Work Plan established by NERC. We encourage all stakeholders to participate in the standard development process.</p>			
Salt River Project	5	Negative	SRP has identified issues with the proposed VSLs listed below. Our comments are included. We were unable to provide comments on all VSLs based on the short time frame available to us. However, we believe that there are other proposed VSLs that require modification. We will plan to comment on these in the second ballot. Moderate VSL assumes there is a change in the setting. Reliability Entities may use a setting that does not result in an annual change of the Frequency Bias Settings.
<p>Response: The VSL DT thanks you for your comment, however, we can not respond without more information.</p>			
Wisconsin Electric Power Co.	5	Negative	<p>BAL-001-0 R3 High and Severe VSL If a BA evaluated R1 and R2 using combined ACE and did not evaluate R1 and R2 using combined Frequency Bias then the BA is at the High VSL level. If a BA did not evaluate R1 and R2 using combined Frequency Bias then it failed to evaluate R1 and R2 using combined Frequency Bias so the BA has also met the Severe VSL level. There is no difference between High VSL and Severe VSL.</p> <p>BAL-001-0 R4 Severe VSL: This should be N/A or apply to NERC and the Regions. This requirement says the receiving BA shall not have its control performance evaluated. This means that NERC or the Regions shall not evaluate control performance for the receiving BA. It is impossible for a receiving BA to violate this requirement. If NERC or a Region evaluated a receiving BA's control performance, then NERC or the Region would be violating this requirement.</p> <p>BAL-001-01 does not exist.</p> <p>BAL-002-0 R1.1 Severe VSL What does it mean if a Reserve Sharing Group has not provided responsibilities? How does a Reserve Sharing Group provide obligations?</p>

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			<p>BAL-002-0 R2.5 Lower VSL R2 requires specifying policy, not providing guidance.</p> <p>BAL-002-0 R2.6 Lower VSL R2 states that policy must be specified. This VSL is evaluating something that is not in the standard.</p> <p>BAL-003-0 R1.2 Lower VSL How is this possible? There are only two things to do. Report Bias and report method. There are no minor details. If all significant elements are satisfied, this Lower VSL will never apply. Moderate VSL How is this possible? There are only two things to do. Report Bias and report method. If required information is reported (bias and method) there is nothing left to do. There are no other significant elements. This Moderate VSL will never apply. High VSL How is this possible? There are only two things to do. Report Bias and report method. If required information is reported (bias and method) there is nothing left to do. There are no other significant elements. This High VSL will never apply.</p> <p>BAL-003-0 R6 Moderate VSL Overlap Regulation Service and Supplemental Regulation Service are two different things. What if a BA is only providing Supplemental Regulation Service. If it changes its Frequency Bias Setting while performing that Supplemental Regulation Service, this VSL does not apply. Severe VSL What if a BA is only providing Overlap Regulation Service but failed to increase its Frequency Bias Setting to match the frequency response of the entire area being controlled. The "and changed its Frequency Bias Setting while performing Supplemental Regulation Service" would never occur and this VSL would not apply.</p> <p>BAL-004-0 R3.1 All VSLs A BA is not obligated to identify a [preferred] method of time error correction participation. Confusing sentence wording and grammar. How are the "and" phrases supposed to be grouped/interpreted?</p> <p>BAL-004-0 R3.2 All VSLs A BA is not obligated to identify a [preferred] method of time error correction participation. What is a "net interchange schedule frequency schedule"?</p> <p>BAL-004-0 R4 Lower VSL This phrase is a new requirement/measure. It is beyond what is in the requirement.</p> <p>BAL-005-0 R1.1, R1.2, R1.3 Severe VSL A GO/TOP/LSE does not have metered boundaries. Change wording to "within the metered boundaries"</p> <p>BAL-005-0 R3 Moderate VSL The BA providing Regulation Service needs to ensure that adequate metering, communications and control equipment are employed. It does not necessarily need to</p>

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			<p>provide them.</p> <p>BAL-005-0 R6 Severe VSL The requirement does not mention approval. The requirement's "but not limited to" phrase allows a single asynchronous BA to use a method not mentioned in this requirement.</p> <p>BAL-005-0 R10 Lower VSL Should be "failed to include all Dynamic Schedules".</p> <p>BAL-006-1 R4 Moderate VSL The first half of this VSL, before the OR does not make sense.</p> <p>BAL-006-1 R4.3 Lower VSL The wording says that if a BA did not (failed to) reflect changes or corrections based on non-reliability considerations in their inadvertent, the VSL would apply. This is opposite of what the requirement states.</p>

Response: The VSL DT appreciates your comments.

We are unsure why the balloter indicates that BAL-001-01 does not exist.

For BAL-002-0 R1.1, a RSG will be evaluated for compliance just like it is a BA.

For BAL-002-0 R2.5, the VSL DT agrees and has modified the VSL.

For BAL-002-0 R2.6, the VSL DT disagrees.

For BAL-003-0 R1.2, the generic language has been replaced with specific language to the requirement.

For BAL-003 R6, we agree and have removed the severe VSL.

For BAL-004-0 R3.1 and R3.2, the VSL DT agrees and has simplified the wording of the VSL.

For BAL-004-0 R4, the VSL DT disagrees. We also note the VSL are only used after the compliance auditor has identified a non-compliance so they don't add anything to the requirements.

For BAL-005-0 R1.1, R1.2 and R1.3, the VSL DT agrees and has modified the VSLs.

For BAL-005-0 R3, the VSL DT agrees and modified the VSL.

For BAL-005-0 R6, we received multiple suggested changes and have made modifications to the Severe VSL.

For BAL-005-0 R10, the VSL DT agrees and has corrected the VSL.

For BAL-006-1 R4, the VSL DT agrees and has modified the VSL.

For BAL-006-1 R4.3, the VSL DT agrees and has corrected the VSL.

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Company	Segment	Ballot	Comment
AEP Service Corp.	6	Negative	<p>AEP does not support the proposed VSL in there current form, due to a number of overarching issues that should be addressed. AEP, in previous comments suggested that the Standard Drafting Team adhere to and develop the Violation Severity Levels using a similar approach as FERCs guidance on Violation Risk Factors. Where, per FERC’s response in their consideration of the Violation Risk Factor, FERC stated that in determining Violation Risk Factor there should be; consistency within a Reliability Standard, i.e., among sub- and main Requirements of the same Reliability Standard, consistency among Reliability Standards with similar Requirements, consistency with NERC’s proposed definition of the Violation Risk Factor level, and assignment of a Violation Risk Factor level to those Requirements in certain Reliability Standards that co-mingle a higher risk reliability objective and a lesser risk reliability objective.</p> <p>It is not clear, based on this draft of the VSLs, how the Standard Drafting Team consistently addresses the VSLs on each of the requirements and sub-requirements. Additionally, we cannot find any information that states that an entity will not be subject to double jeopardy for the same violation. For example, if an entity is non-compliant with respect to R1.3 of a standard and R1.3 is a sub-requirement of R1, can the entity be in violation of the parent requirement as well? If not what will determine which requirement has been violated and what VRF and VSL will be applied in the penalty matrix? Depending upon the VSL and the VRF, it is possible the financial penalties will be different. This was discussed during the Standard Drafting Team led conference call, but there was not a clear answer to the situation. There are examples whereby a violation can fit into multiple VSL for a given requirements.</p> <p>Finally, there is no consistency in the application of the VSL between related standards in particular the MOD and PRC standards. The Standard Drafting Team has developed the Violation Severity Level Development Guidelines, but it is our understanding that guidelines will not be balloted any time soon and are subject to change. This appears to be putting the cart before the horse and if the guidelines are needed they should be included in the balloting. There is ambiguity regarding some of the VSL that are proposed. The drafting team has removed many instances of "minor" and other vague terms, but there are still many requirements that have VSL that are not clear. Similarly, it appears that some VSL provide additional details than what is written into the requirements or measures. Obviously, establishing fair, effective and consistent VSLs is a daunting task and we are confident that the Standard Drafting Team worked diligently to produce what could be done to meet the schedule. However, we feel that more time is needed and we should keep to the Standard Development process that has been developed.</p>
			<p>Response: The VSL DT thanks you for your comments. As described in the VSL Development Guidelines Criteria document, the VRFs and VSLs are distinctly different compliance elements and are therefore developed differently. The VSL DT attempted to achieve consistency with the assignment of VSLs within the guidelines. Some requirements do not fit neatly into one of the criteria “buckets” and have to be dealt with on a case by case basis. The VSLs will be refined through the on-going standards development process.</p> <p>The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding</p>

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Company	Segment	Ballot	Comment
<p>the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL to each requirement and sub-requirement that currently has a violation risk factor (VRF). These "parent-child" requirements are at the heart of the double jeopardy concerns. It is expected that through on-going standards development projects and future projects, the application of VSLs and VRFs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p>			
<p>The VSL Development Guidelines Criteria document was developed to provide guidance to the VSL DT in the assignment of VSLs per the FERC order and to help ensure consistency in the process. We are providing this document for other teams to use as a guideline for them to consider in development of VSLs. This document was posted twice for comment by the industry and appropriate revisions were made based on that feedback. The guidelines document is not a NERC standard or a part of a standard, and therefore does not require balloting. The VSL criteria will be provided to FERC for informational purposes; NERC will not ask for FERC approval of the VSL Development Guidelines Criteria document. The VSL DT appreciates the commenters' concerns around using generic language in the VSL. Many of the commenters had concerns with terms such as "minor" or "significant" and the subjectivity that these terms create in application of the VSLs. Throughout the VSL development process, the VSL DT attempted to limit the use of the generic language in the VSLs. However, in some instances the existing requirements do not lend themselves to specific VSL language. It is expected that through on-going standards development projects and future projects, the use of generic language will be further refined to provide specific VSL language. This will require stakeholder participation in the standard development process</p>			
Consolidated Edison Co. of New York	6	Negative	<p>Con Edison would like to thank the drafting team for their effort in reviewing the standard requirements and developing VSL's. Our thoughts on this process is as follows: When a Requirement has Sub-requirements, only one or the other can have VSL's. This eliminates any potential "double jeopardy" issues. The following Requirements have Sub-Requirements with VSL's assigned. Therefore, the following list of Requirements should be assigned "NA" VSL's. They are BAL-002-R2, R3, R4, BAL-003 - R1, R2, R4, R5, BAL-004-R3, R4, BAL-005-R1.1, R8, R9, R12, BAL-006-R6. The drafting team may also consider assigning VSL's to the Requirement, and eliminate the Sub-Requirement VSL.</p>
<p>Response: The VSL DT appreciates your comments. The VSL DT was bound by FERC's Order on Compliance Filing dated June 7, 2007 (Docket #RR06-1-007) that directed NERC to assign VSLs to all of the requirements with a VRF assigned in the 83 regulatory approved standards. The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL to each requirement and sub-requirement that currently has a violation risk factor (VRF). These "parent-child" requirements are at the heart of the double jeopardy concerns. It is expected that through on-going standards development projects and future projects, the application of VSL and VRF will be limited to the primary requirement level. This will require stakeholder participation.</p>			
Entergy Services, Inc.	6	Negative	Comments regarding these VSLs are as submitted previously during the comment period.
<p>Response: The VSL DT appreciates your participation in the ballot. The drafting team made many changes to the VSLs based on stakeholder</p>			

Consideration of Comments on Initial Ballot of VSLs for Balancing Resources and Demand Standards

Company	Segment	Ballot	Comment
<p>comments submitted during the last public posting period.</p>			
Manitoba Hydro	6	Negative	<p>Comments: Manitoba Hydro objects to the use of ambiguous language (minor, significant) in the VSLs for BAL-003-0 R1.2.</p> <p>In BAL-002-0 R1.1, the severe VSL is not clear and needs revision. The VSL should require that a contractual agreement exists between Balancing Authorities and the Reserve Sharing Group outlining responsibilities and obligations of all parties as required by BAL-002-0.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT appreciates the commenters concerns around using generic language in the VSLs. Many of the commenters had concerns with terms such as “minor” or “significant” and the subjectivity that these terms create in application of the VSL. Throughout the VSL development process, the VSL DT attempted to limit the use of the generic language in the VSLs. However, in some instances the existing requirements do not lend themselves to specific VSL language. It is expected that through on-going standards development projects and future projects, the use of generic language will be further refined to provide specific VSL language. This will require stakeholder participation in the standard development process.</p> <p>For BAL-002, the VSL can not impose any additional requirements other than what is in the standard. The VSL is based on the language in the requirement.</p>			
JDRJC Associates	8	Abstain	<p>Too many of the requirements have four stages of VSL. Most requirements should be either pass/fail (CPS1, CPS2, DCD), i.e. Severe VSL only.</p>
<p>Response: The VSL DT appreciates your comments. We disagree with your observation that CPS1, CPS2 and DCS should be just pass or fail. Since these requirements have numerical measures, we believe a non-compliance should have different levels of VSLs assessed. Recovering 90% of lost generation is certainly better than recovering 10% of the lost generation for a DCS event.</p>			
Commonwealth of Massachusetts Department of Public Utilities	9	Negative	<p>BAL-005 Many binary requirements (e.g. R2 to R5, R8) are assigned a low VSL. Suspect the SDT has got mixed up between VEFs and VSLs.</p> <p>Incorrect VSL assignments to R6 of rather high impact. VSLs for each of R(to R12 should be progressive but it is assigned a Low only. BAL-006 Similar to BAL-005, many binary requirements are assigned a Low VSL.</p>
<p>Response: The VSL DT appreciates your comments. Some comments received included discussion of risk. The VSL is a separate compliance element that does not take risk into account. The VSL DT has made a concerted effort to eliminate all risk indicators from the VSLs. The VSLs are determined with no consideration of the risk associated with the requirement. More detailed information is available in the VSL Development Guidelines Criteria document.</p>			
Wyoming Public Service Commission	9	Affirmative	<p>Our technical analysts term this "a very good job." Consequently, subsequent changes to these VSLs may cause us to change our vote.</p>
<p>Response: The VSL DT appreciates your support.</p>			

Consideration of Comments on Initial Ballot of VSLs for Balancing Resources and Demand Standards

Company	Segment	Ballot	Comment
New York State Reliability Council	10	Negative	<p>During our review we noted inconsistencies in the assignment and determinations of the levels as well as what constituted certain levels.</p> <p>Also, some of the requirements that are in the standards are not really requirements. It was also noted that anything appearing in the standards that had a VRF assigned to it had to also have a VSL developed for it, irrespective of whether it was an actual requirement or not.</p> <p>BAL-006-1 Requirement 1 assigns a “Lower VSL” for failure to calculate and record hourly Inadvertent Interchange yet Requirement 2 assigns a High and Severe VSLs for failing to include all AC tie lines to adjacent BAs and/or interchange served by jointly owned generators. Why is failure to calculate and record hourly Inadvertent Interchange a lower VSL than at least making an attempt to calculate and be missing some interchange from AC ties and jointly owned gens? It seems that a High or Severe should have been the VSL for failing to calculate and record and a Lower or Medium VSL for having some missing information in those calculations.</p> <p>BAL-005-0 - VSL seems to be missing with no explanation why. This is important and should be a High or Severe VSL as a parent. It should be noted however that the sub-requirements or “children” do address the parent requirement.</p>
<p>Response: The VSL DT thanks you for your comment. The VSL DT attempted to assign VSLs in a consistent fashion. Without specific examples, it is impossible to address your concerns regarding consistency. We are bound by FERC’s Order on Compliance Filing dated June 7, 2007 (Docket #RR06-1-007) that directed NERC to assign VSLs to all requirements and subrequirements in the 83 regulatory approved standards that have a VRF assigned.</p> <p>We disagree that BAL-006-1 R1 should have a more severe VSL than BAL-006 R2 because failure to calculate the inadvertent interchange will be known whereas the BA could assume that their inadvertent interchange is correct because they may not realize they have not included all the inputs which leads to greater confusion and more difficulty in resolving the balances.</p> <p>BAL-005-0 R1 does not have a VSL assigned because the requirement is explanatory text and does not have an associated VRF.</p>			
Northeast Power Coordinating Council, Inc.	10	Affirmative	<p>NPCC is concerned that the assignment of separate VSLs to requirements and sub-requirements within a standard may establish new obligations not previously in a standard and can create a potential for double jeopardy.</p>
<p>Response: The VSL DT thanks you for your comment. The double jeopardy issue is outside the scope of the VSL DT. This is a compliance issue and we refer you to section 3.10 of the NERC Sanctions Guidelines for information on this issue. However, many of the stakeholders have asked the VSL DT for more information regarding the application of the VSLs in real-time and the potential for being exposed to double jeopardy, or multiple sanctions for a single violation. Per the FERC order, the VSL DT was required to assign at least one VSL to each requirement and sub-requirement that currently has a violation risk factor (VRF). These “parent-child” requirements are at the heart of the double jeopardy concerns. It is expected that through on-going standards development projects and future projects, the application of VSLs and VRFs will be limited to the primary requirement level and will not be assigned to subrequirements. This will require stakeholder participation. Additionally, the VSLs are only used once the compliance auditors have determined a compliance violation. They do not create new</p>			

Consideration of Comments on Initial Ballot of VSLs for Balancing Resources and Demand Standards

Company	Segment	Ballot	Comment
requirements.			
Southwest Power Pool	10	Negative	<p>BAL-005: R6 VSL is excessively high, R9 thru R12 should have progressively higher VSLs, not just Low.</p> <p>BAL-005 & 006: Many binary (yes/no) requirements are assigned only Low, should be High if answer is "no".</p>
<p>Response: The VSL DT thanks you for your comment. We agree with your observation that BAL-005 R6 is excessively high and have modified the VSLs.</p> <p>We do not agree with your comment that BAL-005 R9-R12 should have progressively higher VSLs. Many commenters observed that there is inconsistency in the assignment of VSL level for binary requirements. The VSL DT and the industry could not reach consensus on how best to address this issue. At this point in the process, and with consideration that this group of standards received an affirmative vote in the initial ballot, the VSL DT has decided not to make revisions to the proposed binary VSLs. It is expected that through on-going standards development projects and future projects, this issue will be addressed. This will require stakeholder participation in the standard development process.</p>			
Western Electricity Coordinating Council	10	Negative	<p>WECC recognizes and commends the drafting team for the effort in developing these VSLs and generally supports the majority of the VSLs in this group. However, because the VSLs are not balloted individually, WECC is voting NO for this group for the following reason.</p> <p>The moderate VSL for BAL-003-0 R1 assumes there is a need to change the setting based on the entities review of its Frequency Bias Setting. The Moderate VSL, as defined, could apply to an entity that reviewed its Frequency Bias Setting and determined that no adjustments were necessary.</p>
<p>Response: The VSL DT thanks you for your comment. No moderate VSL was assigned to BAL-003-0 R1.</p>			