

## Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards

**Summary Consideration:** The VSL DT appreciates the industry's comments received during the initial ballot of the proposed FAC and MOD Violation Severity Levels (VSLs). 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:

FAC-002-0 — Coordination of Plans for New Generation, Transmission, and End-User

- Requirement 2

FAC-003-1 — Vegetation Management Program

- Requirement R1.2.2.2
- Requirement 1.3
- Requirement 2
- Requirement 3
- Requirement 3.3

FAC-008-1 — Facility Ratings Methodology

- Requirement 1.2.2

MOD-006-0 — Procedures for the use of Capacity Benefit Margin Values

- Requirement 1
- Requirement 1.1

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

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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 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 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. 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 logically group standards 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” (i.e. Violation Risk Factors). The VSL is a separate compliance element that does not take reliability-related risk into account. 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 Criteria document.

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**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 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.

**FOR SPECIFIC VSL COMMENTS:** The VSL DT thanks those that provided specific suggestions for improving a VSL. These comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process.

| Company  | Segment | Ballot   | Comments  |
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| AEP Service Corp. --<br>Transmission System<br>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</p> |

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|         |         |        | <p>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>VSL wording under FAC-009-0 R1 is too vague. Need to define the use of the words "minor" and "significant". Expectation that Facility Ratings have been developed for "all" circuits, while considering "all" elements on those circuits, and having done that fully consistent with the associated Facility Rating Methodology, is unrealistic (not practical).</p> <p>MOD-010-0 and MOD-012-0, If an entity does not provide 25% of its equipment characteristics, system data, etc., the resulting models would be completely useless. That would also be the case even if that entity failed to provide a much smaller percentage of their characteristics and data. A user of that information would be adversely impacted, since proper other entities models are also needed to properly study other system.</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 VSL 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 VRFs and VSLs 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 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

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| <p>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>Regarding MOD-010 and 012, the VSL DT reviewed the VSLs based on your comments. While we understand your position, there was no other stakeholder feedback to suggest a departure from the existing VSLs.</p>   |         |          |  |
| Ameren Services Company  | 1       | Negative | <p>(1)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> <p>(2)FAC-008:<br/>                     (a) R1.2.2: The wording in the VSL should state "emergency ratings if applicable." Most equipment in a generation facility does not have an emergency rating. Similar wording is in the VSL above for R1.2.1<br/>                     (b) R1.3.5: What if there are no "other assumptions" necessary to consider in order to adequately rate facilities? Again, should be "if applicable" added.</p>  |
| <p><b>Response:</b> 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>  |         |          |  |
| <p>Regarding FAC-008-R1.2.2 and R1.3.5, it is beyond the scope of the VSL DT to modify the language of the Requirement.</p>  |         |          |  |
| American Transmission Company, LLC   | 1       | Negative | <p>Our comment will be sent in a separate email to the SPM. summary comment<br/>                     The FAC negative vote is based on the suggested changes for FAC-002-1 Requirement R1. The existing VSL calls for a Severe VSL to be assigned if four or five subrequirements are missing from an interconnection assessment. With this approach, if a TO fails to perform an assessment for only one interconnection that has no significant impact on the bulk electric system, then a Severe VSL could be assigned for missing the five subrequirements would be associated with the missing interconnection assessment. ATC (and possibly others) may perform assessments for 30 or more interconnections per year with a wide range of significance to the bulk electric system. So, it would make sense for the VSLs to take into account the number and significance of any missing interconnection assessments, instead of missing subrequirements only.</p> |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. The VSL DT has reviewed the VSLs based on your comments. The focus of the VSL is to assess the degree to which an entity failed to meet a requirement. If an entity fails to perform an interconnection assessment, the entity obviously omitted all of the sub-requirements.<br/>                     Please see the excel spreadsheet appended to this report for responses to the specific suggestions for modifications to the language in some VSLs.</p> |         |          |  |

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| Baltimore Gas & Electric Company   | 1       | Negative | <p>The proposed VSLs appear rather subjective and opened to several interpretations in a number of respects.</p> <p>First, several requirements and their associated sub-requirements have been assigned separate VSLs with insufficient clarity around determination of overall violation severity in the event that one or more of the sub-requirements and/or main requirement is violated.</p> <p>Second, the words "minor" and "significant" are used to differentiate between levels of severity, such as in the case of R1 of FAC-009-1. BGE recommendation is that this be further defined to facilitate interpretation and ensure consistency in application.</p> <p>Third, some requirements, such as "Other Assumptions" in R1.3.5 of FAC-008-1, lack enough clarity on expectations to demonstrate compliance yet they have been assigned a VSL. BGE recommendation is that assigned VSL be removed.</p> |
| <p><b>Response:</b> 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 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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements.</p> <p>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>As noted above, the VSL DT was required by FERC to assign at least one VSL to each requirement and sub-requiremen that currently has a violation risk factor (VRF).</p> |         |          |  |
| City of Tallahassee  | 1       | Negative | <p>should have separated the FAC standards and the MOD standards to be voted on separately.</p> <p>For the most part, I fail to see how documentation standards (FACs) can have a significant impact on BES reliability; these should not be more than a modest VSL level.</p> <p>In the MODs, some could have an impact if data is withheld or incorrect data provided, but again it appears that some of the severe VSLs in this set should not be.</p>  |

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|  |          |                 | <p>can't seem to see the consistency between severe VSL here and one for the violation of an operations standard that would in fact directly impact the BES.</p>  |
| <p><b>Response:</b> 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> <p>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>  |          |                 |   |
| <p>Consolidated Edison Co. of New York</p>   | <p>1</p> | <p>Negative</p> | <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: FAC-001-R1, R2, FAC-002-R1, R1.2, FAC-003-R3, R3.4, FAC-008-R1, R1.2, R1.3, FAC-013-R2, MOD-006-R1, MOD-007-R2, MOD-016-R1, R2, R3, MOD-017-R1, MOD-018-R1. The drafting team may also consider assigning VSL's to the Requirement, and eliminate the Sub-Requirement VSL. In addition, Sub-Requirement FAC-003-R1.1 has been assigned VSL's higher than the Requirement.</p> |
| <p><b>Response:</b> 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 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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p> |          |                 |   |
| <p>Dominion Virginia Power</p>   | <p>1</p> | <p>Negative</p> | <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>  |

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| <p><b>Response:</b> 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) FAC-003-1<br/>                     i) R1.3 "Moderate" VSL - Typo : 25% should be 35%.</p> <p>ii) R2 has only a "Severe" VSL and it is disproportionate since any deficiency in the plan whatsoever results in a "Severe" VSL. The "Severe" VSL should be reserved for multiple deficiencies. "High", "Moderate" and "Lower" VSLs should be developed using subsets of the identified deficiencies.</p> <p>iii) R3 VSLs "percentages of outages" reporting is confusing and unbalanced, since multiple outages in one quarter should be rare. We propose the following alternative.<br/>                     FAC-003-1 R3 Text of Requirement: The Transmission Owner shall report quarterly to its RRO, or the RRO's designee, sustained transmission line outages determined by the Transmission Owner have been caused by vegetation.</p> <p style="padding-left: 40px;">LOWER VSL: The Transmission Operator did not submit a quarterly report to its RRO for a single quarter, and had no outages to report.</p> <p style="padding-left: 40px;">MODERATE VSL: The Transmission Operator did not submit a quarterly report to its RRO for two or more consecutive quarters, and had no outages to report</p> <p style="padding-left: 40px;">HIGH VSL: The Transmission Operator failed to report an outage specified as reportable in R3 in its quarterly report to its RRO.</p> <p style="padding-left: 40px;">SEVERE VSL: The Transmission Operator failed to report two or more outages specified as reportable in R3 in its quarterly report to its RRO.</p> <p>iv) R3.1 is "explanatory text" and should not have a VSL.</p> <p>v) R3.2 is "explanatory text" and should not have a VSL.</p> <p>vi) R3.3 typo - "Severe" VSL should say "more than three" instead of "three or more", since the "High" VSL includes "three".</p> |
| <p><b>Response:</b> The VSL DT Thanks you for your comments.</p> <p>R1.3: Moderate VSL language has been corrected.</p> <p>(ii) R2: the VSLs have been modified so that there are several "High" VSLs.</p> <p>(iii) R3: The VSLs have been modified to eliminate the use of percentages.</p> <p>(iv) and (v) Per FERC order, the VSL DT was required to assign at least one VSL to each requirement and sub-requirement that currently</p> |         |             |  |

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| <p>has a violation risk factor (VRF).<br/>                     (vi) Severe VSL language for R3.3 has been corrected to state, "four or more" which supports then intent of your suggestion.</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. 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><b>Response:</b> 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>   |         |             |  |
| Kansas City Power & Light Co.   | 1       | Negative    | <p>FAC-001 R3-Failure to provide facility connection standards more than 30 days after a request does not warrant a Severe VSL-this should be Moderate at most. Some requirements have Severe VSL's even though the subrequirements of the main requirement have a Lower VSL (Ex FAC-002 R1)-all 5 sub-requirements are rated as a Lower VSL but the main requirement is Severe VSL</p>  |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. The VSL DT has reviewed FAC-001 R3 and does not consider it appropriate to change the VSLs. Regarding VSL assignment to subrequirements, he VSL DT was required by FERC to assign at least one VSL to each requirement and sub-requirement that currently has a violation risk factor (VRF). Such "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 VRFs and VSLs 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 VSLs for FAC-009-1 (R1).</p> <p>- The VSL Development Guidelines Criteria Criteria does not explain how penalties are assigned when a requirement and its sub requirements have a full range of VSLs. Is it possible to be penalized twice for the same violation? The application of penalties in these situations must be clarified. Refer to FAC-001-0 (R1 - R1.3), MOD -006-0 (R1-R1.3), and MOD-007-0 (R2-R2.3 as examples.</p>  |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. 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>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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will also require stakeholder participation.</p> |         |          |  |
| Minnesota Power, Inc.   | 1       | Negative | Need to clarify what are minor details in MOD-007.   |
| <p><b>Response:</b> The VSL DT thanks you for your comments. 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>   |         |          |  |
| National Grid   | 1       | Negative | <p>Due to a lack of clarity with regard to the implementation of various Violation Severity Levels (VSLs) associated with some of the requirements, National Grid must vote "no" at this time. Specifically, it is unclear how requirements with sub-requirements will be treated when a sub-requirement is assigned a "low" to "severe" Violation Severity Level and the "parent" requirement specifies a numeric or percentage amount of violations to the sub-requirements resulting in a "low " to "severe" Violation Severity Level assigned to the overall requirement. If an entity violates only one sub-requirement (out of four), and does so in a "severe" manner as indicated by the sub-requirement VSL, does the VSL get "lowered" to a "low" VSL because only one sub-requirement was violated? If this is the case, then the assignment of more than just "low" to the sub-requirements is not necessary and causes confusion. If the intent of the "severe" VSL on the sub-</p> |

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|  |         |          | <p>requirements is to override the "low", "moderate" and "high" in the "parent" requirement, then there is no need to assign a number value to the "parent" requirement. Additionally, in order to ensure no "double jeopardy" sanctions occurring, it is of the understanding of National Grid that the assignment of a VSL on a sub-requirement cannot be assigned with an additional assignment of a VSL on the "parent" requirement, it has to be one or the other. This situation applies to: FAC-001 R1 MOD-006 R1 MOD-007 R2</p> |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. Your comment appears to center around the "parent-child", double jeopardy issue, This 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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p> |         |          |   |
| New York Power Authority   | 1       | Negative | Roll up from children to parent doesn't work appropriately  |
| <p><b>Response:</b> 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 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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p>   |         |          |   |
| Potomac Electric Power Co.   | 1       | Negative | There are verb tense errors in MOD-006-0, R1 and R1.1 in the Severe VSL. Typos?   |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. The language in MOD-006, R1 and R1.1 in the Severe VSL has been revised.</p>  |         |          |   |
| Sacramento Municipal Utility District  | 1       | Negative | MOD-012-0 R2 Providing data should not result in a Lower VSL, since that action is compliant based on the text for this requirement.  |
| <p><b>Response:</b> We have reviewed the VSLs for this requirement and deem them to be appropriate as written. Please keep in mind that the VSL is only applied after a violation of the requirement is found.</p>   |         |          |   |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company   | Segment | Ballot   | Comments  |
|---|---------|----------|---|
| 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.</p> <p>The VSLs do not mention the requirement to publish facility connection requirements. If the Compliance Enforcement Authority (CEA) finds the Reliability Entity non-compliant based on not adequately publishing the facility connection requirements, there is no VSL that addresses that requirement. All elements in the requirement need to be addressed in the VSLs in order to provide consistent application of penalties and sanctions.</p>  |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. Your future comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process. The VSL DT has assigned VSLs based on the language of existing requirements.</p>   |         |          |   |
| Sierra Pacific Power Co.  | 1       | Negative | <p>I disagree with a number of the VSL's in FAC-003 and FAC-008.</p> <p>FAC-003: In R1.3, the adequacy of a vegetation management program does not depend entirely upon the qualifications of all of the "involved" personnel. In reality, the program should be prepared, reviewed and implemented under the direction of an appropriately trained and qualified person, but there should not be any penalty if some of the "involved" personnel do not have this same level of qualification.</p> <p>R3.3 addresses the elements to be included in an outage report, such as time, date, circuit description, etc. There is no harm done to the reliable operation of the Interconnection if one or more of these elements is omitted, nor would a reporting entity have any motivation to omit one. VSL should be low.</p> <p>R3.4.1,2,3 are only a list of outage categories and should carry no VSL.</p> <p>FAC-008: R1.3.5 "other assumptions" merely states that there may be other assumptions in ones rating methodology; therefore is optional to include. The absence of "other assumptions" must not have a VSL associated with it.</p> |
| <p><b>Response:</b> The VSL DT Thanks you for your comments.</p> <p>Regarding FAC-003, R1.3, it is beyond the scope of the VSL DT to address the language of existing requirements. These comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process.</p> <p>Regarding R3.3, 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> |         |          |   |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company  | Segment | Ballot      | Comments   |
|--|---------|-------------|--|
| <p>Regarding R3.4.1,2 and 3, and FAC-008, R1.3.5, the VSL DT was required by FERC to assign at least one VSL to all requirements and sub-requirements that currently have a violation risk factor (VRF). These comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process.</p> |         |             |  |
| Midwest ISO, Inc.  | 2       | Affirmative | Please see our other comments for the BAL standards.   |
| <p><b>Response:</b> <a href="#">The VSL DT Thanks you for your comments. Please see our response to BAL comments.</a></p>  |         |             |  |
| American Electric Power  | 3       | Negative    | <p>General comments: 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</p> |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company   | Segment | Ballot | Comments   |
|---|---------|--------|--|
|   |         |        | <p>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>Specific comments: VSL wording under FAC-009-0 R1 is too vague. Need to define the use of the words "minor" and "significant". Expectation that Facility Ratings have been developed for "all" circuits, while considering "all" elements on those circuits, and having done that fully consistent with the associated Facility Rating Methodology, is unrealistic (not practical).</p> <p>MOD-010-0 and MOD-012-0, If an entity does not provide 25% of its equipment characteristics, system data, etc., the resulting models would be completely useless. That would also be the case even if that entity failed to provide a much smaller percentage of their characteristics and data. A user of that information would be adversely impacted, since proper other entities models are also needed to properly study other system.</p> |
| <p><b>Response:</b> 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 VSL 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 VRFs and VSLs 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</p> |         |        |  |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company  | Segment | Ballot   | Comments   |
|--|---------|----------|--|
| <p>development process</p> <p>Regarding MOD-010 and 012, the VSL DT reviewed the VSLs based on your comments. While we understand your position, there was no other stakeholder feedback to suggest a departure from the existing VSLs.</p>  |         |          |  |
|  |         |          | <p>I believe it still would be prudent to break the standards up and post each for a vote. We are getting lost in the trees and forgot what our main goal is which is for reliability of the BES.</p> <p>FAC-003-1, R1.2.2.1 &amp; R1.2.2.2 – The standard only requires the reference to be utilized if “transmission system transient overvoltage factors are not known”. The VSL requires the IEEE reference to be used all the time.</p> <p>FAC-003-1, R2 – VSL is documentation based instead of results based. Seems to be opposite of what is needed.</p> <p>FAC-003-1, R3.1 – Where is the impact to the BES?</p> <p>FAC-003-1, R3.2 – Once again the penalty is for over reporting. The VSL also changes the requirement from “not required to report” to “shall not report” or penalty. What about when in doubt due to the subjectivity of “considered reportable”? If in doubt, we should be able to report it and not be penalized since letting NERC know is what it is all about. Isn’t it?</p> |
| City of Tallahassee  | 3       | Negative | MOD-006-0, R2 – Lower VSL is subjective (deficient with minor details).  |
| <p><b>Response:</b> 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> <p>Regarding FAC-003-1, R3.1, the VSL DT has reviewed the VSLs based on your comments and does not believe it would be appropriate to modify the VSLs.</p> <p>The VSL DT did modify R1.2.2.1, R1.2.2.2, and R2. The modifications for R1.2.2.1 and R1.2.2.2 include the “conditions” under which the responsible entity is required to use the IEEE standard referenced.</p> <p>FAC-003-1 R2 - The VSL DT cannot change the requirements – so if the requirements look for documentation, then the VSLs must also address documentation.</p> <p>Regarding FAC-003-1, R3.2, the VSL is required by FERC to assign a VSL to all requirements and sub-requirements that currently have a violation risk factor (VRF). VSLs are only applied after an entity is found non-compliant with a requirement. 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</p> |         |          |  |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company   | Segment | Ballot   | Comments   |
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| <p>83 regulatory approved standards that have a VRF assigned.</p> <p>Regarding MOD-006-0, R2, 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>  |         |          |  |
| Consolidated Edison Co. of New York   | 3       | Negative | <p>FAC-003 R3.2, Lower: I think it is unnecessary to penalize an Entity for incorrectly reporting an outage that is not reportable per the Standard. The only outcome of over-reporting is that the RRO must do some additional review work to clear the incorrect report. I suggest that no VSL should be applicable to this requirement. 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: FAC-001-R1, R2, FAC-002-R1, R1.2, FAC-003-R3, R3.4, FAC-008-R1, R1.2, R1.3, FAC-013-R2, MOD-006-R1, MOD-007-R2, MOD-016-R1, R2, R3, MOD-017-R1, MOD-018-R1. In addition, Sub-Requirement FAC-003-R1.1 has been assigned VSL's higher than the Requirement. The drafting team may also consider assigning VSL's to the Requirement, and eliminate the Sub-Requirement VSL.</p> |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. Regarding FAC-003, R3.2, the VSL is required by FERC to assign a VSL to all requirements and sub-requirements that currently have a violation risk factor (VRF). VSLs are only applied after an entity is found non-compliant with a requirement.</p> <p>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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p> |         |          |  |
| Consumers Energy Co.  | 3       | Negative | <p>FAC-003 R1.2.2.1 The VSL for this requirement does not reflect the allowance for determining clearances based on known transmission transient overvoltage factors, even though use of these factors is encouraged by the requirement. The VSL would find the TO in severe violation if known transmission transient overvoltage factors are used which are not derived from IEEE 51602003. Table 5</p> <p>FAC-003 R 1.2.2.2 -The VSL for this requirement should reflect the adjustment factors referenced in the requirement. I would suggest appending, "applying the adjustment factors indicated in R1.2.2.2" to the end of this VSL.</p> <p>FAC-008 R1.1 - The violation level should be lower than severe as documentation does not have direct impact on the operation of the BES FAC-009 R1 - The proposed violation</p>  |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company   | Segment | Ballot      | Comments   |
|---|---------|-------------|--|
|   |         |             | criteria is too subjective - "Minor" and "Significant" need to be well defined   |
| <p><b>Response:</b> The VSL DT Thanks you for your comments.<br/>           FAC-003 R1.2.2.1 specifically applies where transmission transient overvoltage factors are not known.</p> <p>The VSL for FAC-003 R 1.2.2.2 has been modified per your comment.</p> <p>Regarding FAC-008 R1.1, 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. Regarding FAC-009 R1, 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> |         |             |  |
| 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. 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> |

## Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards

| Company  | Segment | Ballot   | Comments  |
|--|---------|----------|---|
| <p><b>Response:</b> The VSL DT Thanks you for your comments. It is beyond the scope of the VSL DT to address the language of existing standards. 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   | 3       | Negative | <p>Manitoba Hydro objects to the use of ambiguous language (minor, significant) in VSLs for FAC-009-1 (R1).</p> <p>The VSL Development Guidelines Criteria Criteria does not explain how penalties are assigned when a requirement and its sub requirements have a full range of VSLs. Is it possible to be penalized twice for the same violation? The application of penalties in these situations must be clarified. Refer to FAC-001-0 (R1 - R1.3), MOD -006-0 (R1-R1.3), and MOD-007-0 (R2-R2.3 as examples.</p> |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. 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>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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p> |         |          |   |
| MidAmerican Energy Co.   | 3       | Negative | <p>For FAC-001, FAC-003, and others the time frame provided to find, implement, and get approval for changes is far too short. The 1 month time frames are too short to allow and entity to make, review, and submit and get changes for internal approvals. Greater 6 months should be allowed for low VSL.</p>  |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. It is beyond the scope of the VSL DT to address the language of existing standards.</p>   |         |          |   |
| New York Power Authority   | 3       | Negative | <p>Roll-up from “children” to “parents” doesn't seem to work appropriately/properly?</p>  |
| <p><b>Response:</b> 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 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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p>   |         |          |   |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company  | Segment | Ballot   | Comments  |
|--|---------|----------|---|
| Niagara Mohawk<br>(National Grid<br>Company)   | 3       | Negative | <p>Due to a lack of clarity with regard to the implementation of various Violation Severity Levels (VSLs) associated with some of the requirements, National Grid must vote "no" at this time. Specifically, it is unclear how requirements with sub-requirements will be treated when a sub-requirement is assigned a "low" to "severe" Violation Severity Level and the "parent" requirement specifies a numeric or percentage amount of violations to the sub-requirements resulting in a "low" to "severe" Violation Severity Level assigned to the overall requirement. If an entity violates only one sub-requirement (out of four), and does so in a "severe" manner as indicated by the sub-requirement VSL, does the VSL get "lowered" to a "low" VSL because only one sub-requirement was violated? If this is the case, then the assignment of more than just "low" to the sub-requirements is not necessary and causes confusion. If the intent of the "severe" VSL on the sub-requirements is to override the "low", "moderate" and "high" in the "parent" requirement, then there is no need to assign a number value to the "parent" requirement. Additionally, in order to ensure no "double jeopardy" sanctions occurring, it is of the understanding of National Grid that the assignment of a VSL on a sub-requirement cannot be assigned with an additional assignment of a VSL on the "parent" requirement, it has to be one or the other.</p> |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. Your comment appears to center around the "parent-child", double jeopardy issue, This 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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p> |         |          |   |
| North Carolina<br>Municipal Power Agency<br>#1   | 3       | Negative | <p>For FAC-002-0, R2, the High level of severity should say "... more than 60 calendar days, but not more than 120 ..."</p> <p>For MOD-018-0, how can violating any one of the sub-requirements under R1 be a Lower Severity Level, but under the R1 header requirement, failing to report one item is a Moderate Severity Level?</p> <p>For many standards, it is still not clear how having severity levels for requirements and also for their sub-requirements will be used to assess penalties.</p>  |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. The VSL for FAC-002-0, R2 has been modified per your comment.</p> <p>Regarding MOD-018-0, 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 "double jeopardy" concerns. It is expected that through on-going standards development projects and future projects, the application of VRFs and VSLs will be limited to the primary requirement and will</p>  |         |          |   |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company   | Segment | Ballot   | Comments   |
|---|---------|----------|--|
| not be assigned to subrequirements. This will require stakeholder participation.  |         |          |  |
| Salt River Project  | 3       | Negative | <p>The VSLs do not mention the requirement to publish facility connection requirements. If the Compliance Enforcement Authority (CEA) finds the Reliability Entity non-compliant based on not adequately publishing the facility connection requirements, there is no VSL that addresses that requirement. All elements in the requirement need to be addressed in the VSLs in order to provide consistent application of penalties and sanctions. 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><b>Response:</b> The VSL DT Thanks you for your comments. Your future comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process. The VSL DT has assigned VSLs based on the language of existing requirements.</p> |         |          |  |
| South Carolina Electric & Gas Co.   | 3       | Negative | <p>General comments: SCE&amp;G believes 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>FAC-001-0 R1 states that failure to address "requirements" for one of the "subrequirements: is a Moderate VSL but R1.1, R1.2, and R1.3 state that that not having each subrequirement is a Severe VSL. This would result in a double violation, both for R1 and R1.1, R1.2, or R1.3 with different VSL's. R2 &amp; R2.1 – R2.16 redundant penalties.</p> <p>FAC-002-0 R1 &amp; R1.1 – R1.5 redundant penalties.</p> <p>FAC-003-1 R3.2 states that "The Transmission Owner made reports for outages not considered reportable based on the categories listed in this requirement" is a Lower VSL. Since we are being encouraged to report non-compliances, we should not be penalized for reporting what we think is a non-compliance but which turns out not to be compliant.</p> <p>R3.4.1 states that "The outage was not classified in the correct category" is a Lower VSL. There should be a VSL only if the outage was misclassified in a lower, not a higher category.</p> <p>FAC-008-1 R1.2.2 states "The Transmission Owner or Generator Owner's equipment Ratings methodology ... normal and ratings for its BES equipment" under Moderate VSL. This sentence is not grammatically correct. Suggest that the word "and" be deleted.</p> |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company | Segment | Ballot | Comments   |
|---------|---------|--------|--|
|         |         |        | <p>FAC-009-1 No comments.</p> <p>FAC-013-1 No comments.</p> <p>MOD-006-0 R1 &amp; R1.1 - R1.3 redundant penalties.</p> <p>MOD-007-0 R2.1 assigns VSL's according to the lateness of posting "Circumstances". Since "Circumstances" may be posted up to 15 days after the use of CBM for an "Energy Emergency", it is not clear why lateness in posting "Circumstances" has a progressively negative impact on the reliability of the BES.</p> <p>R2.2 - "Duration". Same comments as for R2.1.</p> <p>R2.3 - "Amount of CBM used". Same comments as for R2.1.</p> <p>MOD-010-0 No comments.</p> <p>MOD-012-0 No comments.</p> <p>MOD-016-1 No comments.</p> <p>MOD-017-0 R1 &amp; R1.1 - R1.4 Redundant penalties.</p> <p>MOD-018-0 R1 states that failure to address "requirements" for one of the "subrequirements: is a Moderate VSL but R1.1, R1.2, and R1.3 state that that not having each subrequirement is a Lower VSL. This would result in a double violation, both for R1 and R1.1, R1.2, or R1.3 with different VSL's.</p> <p>R2. No comments.</p> <p>MOD-019-0 No comments.</p> <p>MOD-020-0 No comments.</p> <p>MOD-021-0 R1. No comments.</p> <p>R2. Shouldn't there be degrees of VSL's as in R1?</p> <p>R3. No comments.</p>  |
|         |         |        | <p><b>Response:</b> The VSL DT Thanks you for your comments. The VSL is a separate compliance element that does not take risk such as impact on the BES 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> <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 VRFs and VSLs will be limited to the primary requirement and will not be</p> |

## Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards

| Company   | Segment | Ballot      | Comments  |
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| <p>assigned to subrequirements. This will require stakeholder participation.</p> <p>It is beyond the scope of the VSL DT to address the language of existing requirements.<br/>Regarding FAC-003-1, R3.2, the VSL is required by FERC to assign a VSL to all requirements and sub-requirements that currently have a violation risk factor (VRF). VSLs are only applied after an entity is found non-compliant with a requirement.</p> <p>The moderate VSL for FAC-008-1 R1.2.2 has been modified per your comment.</p> <p>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 Public Service Corp.  | 3       | Affirmative | <p>FAC-003-1 R2 Severe: Replace the word "tine" with "time".</p> <p>FAC-003-1 R3: Region requires monthly reporting and quarterly reporting to NERC?</p> <p>MOD-006-0 R1 Lower, Moderate, &amp; High: "R.3" should be replaced with "R1.3". Typo</p>  |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. The Severe VSL for FAC-003-1 R2, and the Lower, Moderate, &amp; High VSLs for MOD-006-0 R1 have been modified per your comment.</p> <p>Regarding FAC-003-1 R3, it is beyond the scope of the VSL DT to address the language of existing requirements.</p>  |         |             |   |
| Consumers Energy Co.  | 4       | Negative    | <p>FAC-003 R1.2.2.1 - The VSL for this requirement does not reflect the allowance for determining clearances based on known transmission transient overvoltage factors, even though use of these factors is encouraged by the requirement. The VSL would find the TO in severe violation if known transmission transient overvoltage factors are used which are not derived from IEEE 516-2003. Table 5.</p> <p>FAC-003 R 1.2.2.2 - The VSL for this requirement should reflect the adjustment factors referenced in the requirement. I would suggest appending, "applying the adjustment factors indicated in R1.2.2.2" to the end of this VSL.</p> <p>FAC-008 R1.1 - The violation level should be lower than severe as documentation does not have direct impact on the operation of the BES</p> <p>FAC-009 R1 - The proposed violation criteria is too subjective - "Minor" and "Significant" need to be well defined</p> <p>MOD-024 R3 - Violation Criteria is not defined.</p> <p>MOD-025 R3 - Violation Criteria is not defined.</p> |

## Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards

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| <p><b>Response:</b> The VSL DT Thanks you for your comments. FAC-003 R1.2.2.1 specifically applies where transmission transient overvoltage factors are not known.</p> <p>The VSL for FAC-003 R 1.2.2.2 has been modified per your comment.</p> <p>Regarding FAC-008 R1.1, 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> <p>Regarding FAC-009 R1, 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>MOD-024 and 025 are not included in the scope of the VSL DT.</p> |         |             |   |
| Madison Gas and Electric Co.  | 4       | Affirmative | <p>MG&amp;E request that the wording “minor details” be removed and replaced with a more specific measurable element in the following proposed VSL:FAC-009-1, R1, MOD-006-0, R2, MOD-007-0, R2.</p> <p>The NERC Sanction Guide states; VSL’s 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><b>Response:</b> The VSL DT Thanks you for your comments. 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>   |         |             |   |
| Old Dominion Electric Coop.   | 4       | Negative    | <p>FAC-009-1 R1: What does 'significant number of its Facilities' mean in the High VSL? The same goes for the other VSL for this requirement. Suggestion: Change to percentage or use specific numbers.</p>   |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. 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>   |         |             |   |
| Seminole Electric Cooperative, Inc.   | 4       | Negative    | <p>The VSL's should have been posted for comment / revision prior to balloting. The VSL's for FAC-003-1, R1.2.2.1 &amp; R1.2.2.2 seem to change requirements.</p>   |

## Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards

| Company  | Segment | Ballot   | Comments  |
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| <p><b>Response:</b> The VSL DT Thanks you for your comments. The VSL's were posted for a 30 day pre-ballot review without another comment period because NERC is required to file the VSLs with FERC by March 1, 2008.</p> <p>The VSL DT did modify R1.2.2.1, R1.2.2.2, and R2. The modifications for R1.2.2.1 and R1.2.2.2 include the "conditions" under which the responsible entity is required to use the IEEE standard referenced.</p> |         |          |   |
| Wisconsin Energy Corp.   | 4       | Negative | <p>The FAC negative vote is based on the suggested changes for FAC-002-1 Requirement R1. The existing VSL calls for a Severe VSL to be assigned if four or five subrequirements are missing from an interconnection assessment. With this approach, if a TO fails to perform an assessment for only one interconnection that has no significant impact on the bulk electric system, then a Severe VSL could be assigned for missing the five subrequirements would be associated with the missing interconnection assessment. Transmission Owners may perform assessments for 30 or more interconnections per year with a wide range of significance to the bulk electric system. So, it would make sense for the VSLs to take into account the number and significance of any missing interconnection assessments, instead of missing subrequirements only.</p>  |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. The VSL DT has reviewed the VSLs based on your comments. The focus of the VSL is to assess the degree to which an entity failed to meet a requirement. If an entity fails to perform an interconnection assessment, the entity obviously omitted all of the sub-requirements.</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. 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> |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company   | Segment | Ballot | Comments  |
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|   |         |        | <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>VSL wording under FAC-009-0 R1 is too vague. Need to define the use of the words "minor" and "significant". Expectation that Facility Ratings have been developed for "all" circuits, while considering "all" elements on those circuits, and having done that fully consistent with the associated Facility Rating Methodology, is unrealistic (not practical).</p> <p>MOD-010-0 and MOD-012-0, If an entity does not provide 25% of its equipment characteristics, system data, etc., the resulting models would be completely useless. That would also be the case even if that entity failed to provide a much smaller percentage of their characteristics and data. A user of that information would be adversely impacted, since proper other entities models are also needed to properly study other system.</p> |
| <p><b>Response:</b> 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 VSL 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 VRFs and VSLs 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</p> |         |        |   |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company   | Segment | Ballot   | Comments  |
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| <p>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> <p>Regarding MOD-010 and 012, the VSL DT reviewed the VSLs based on your comments. While we understand your position, there was no other stakeholder feedback to suggest a departure from the existing VSLs.</p> |         |          |   |
| City of Tallahassee   | 5       | Negative | <p>FAC-003-1, R1.2.2.1 &amp; R1.2.2.2 – The VSL changes the requirement. The standard only requires the reference to be utilized if "transmission system transient overvoltage factors are not known". The VSL requires the IEEE reference to be use all the time.</p> <p>FAC-003-1, R2 – VSL is documentation based instead of results based. Such a high VSL for the admin of the UVM process seems backwards.</p> <p>FAC-003-1, R3.1 – This is a penalty for over reporting. Where is the impact to the BES?</p> <p>FAC-003-1, R3.2 – Once again the penalty is for over reporting. The VSL also changes the requirement from "not required to report" to "shall not report" or penalty. What about when in doubt due to the subjectivity of "considered reportable"? If in doubt, we should be able to report it and not be penalized since letting NERC know is what it is all about. Isn't it?</p> <p>MOD-006-0, R2 – Lower VSL is subjective (deficient with minor details).</p> |
| <p><b>Response:</b> The VSL DT Thanks you for your comments.</p> <p>The VSL DT did modify R1.2.2.1, R1.2.2.2, and R2. The modifications for R1.2.2.1 and R1.2.2.2 include the "conditions" under which the responsible entity is required to use the IEEE standard referenced.</p> <p>Regarding FAC-003-1, R3.2, the VSL DT is required by FERC to assign a VSL to all requirements and sub-requirements that currently have a violation risk factor (VRF). VSLs are only applied after an entity is found non-compliant with a requirement.</p> <p>Many of the commenters had concerns with terms such as "minor" or "significant" and the subjectivity that these terms create in application of</p>  |         |          |   |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company  | Segment | Ballot      | Comments   |
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| <p>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>   |         |             |  |
| 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><b>Response:</b> The VSL DT Thanks you for your comments. It is beyond the scope of the VSL DT to address the language of existing standards. 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 VSLs for FAC-009-1 (R1).</p> <p>* The VSL Development Guidelines Criteria Criteria does not explain how penalties are assigned when a requirement and its sub requirements have a full range of VSLs. Is it possible to be penalized twice for the same violation? The application of penalties in these situations must be clarified. Refer to FAC-001-0 (R1 - R1.3), MOD -006-0 (R1-R1.3), and MOD-007-0 (R2-R2.3 as examples.</p>  |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. 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</p> |         |             |  |

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| <p>further refined to provide specific VSL language. This will require stakeholder participation in the standard 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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will also require stakeholder participation.</p> |         |          |  |
| Ontario Power Generation Inc.  | 5       | Negative | <p>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>   |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. It is expected that through on-going standards development projects and future projects, the application of VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p>  |         |          |  |
| Salt River Project   | 5       | 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.</p> <p>The VSLs do not mention the requirement to publish facility connection requirements. If the Compliance Enforcement Authority (CEA) finds the Reliability Entity non-compliant based on not adequately publishing the facility connection requirements, there is no VSL that addresses that requirement. All elements in the requirement need to be addressed in the VSLs in order to provide consistent application of penalties and sanctions.</p> |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. Your future comments will be made available to future drafting teams to use in developing VSLs in the on-going standards development process. The VSL DT has assigned VSLs based on the language of existing requirements.</p>  |         |          |  |
| AEP Service Corp.  | 6       | Negative | <p>VSLs for Facilities and Modeling VSL wording under FAC-009-0 R1 is too vague. Need to define the use of the words "minor" and "significant". Expectation that Facility Ratings have been developed for "all" circuits, while considering "all" elements on those circuits, and having done that fully consistent with the associated Facility Rating Methodology, is unrealistic (not practical).</p> <p>MOD-010-0 and MOD-012-0, If an entity does not provide 25% of its equipment characteristics, system data, etc., the resulting models would be completely useless. That would also be the case even if that entity failed to provide a much smaller percentage of their characteristics and data. A user of that information would be</p>   |

## Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards

| Company  | Segment | Ballot   | Comments   |
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|  |         |          | adversely impacted, since proper other entities models are also needed to properly study other system.   |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. 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>Regarding MOD-010 and 012, the VSL DT reviewed the VSLs based on your comments. While we understand your position, there was no other stakeholder feedback to suggest a departure from the existing VSLs.</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: FAC-001-R1, R2, FAC-002-R1, R1.2, FAC-003-R3, R3.4, FAC-008-R1, R1.2, R1.3, FAC-013-R2, MOD-006-R1, MOD-007-R2, MOD-016-R1, R2, R3, MOD-017-R1, MOD-018-R1. In addition, Sub-Requirement FAC-003-R1.1 has been assigned VSL's higher than the Requirement. The drafting team may also consider assigning VSL's to the Requirement, and eliminate the Sub-Requirement VSL</p> |
| <p><b>Response:</b> 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 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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p> |         |          |  |
| Manitoba Hydro   | 6       | Negative | <p>Manitoba Hydro objects to the use of ambiguous language (minor, significant) in VSLs for FAC-009-1 (R1).</p> <p>The VSL Development Guidelines Criteria Criteria does not explain how penalties are assigned when a requirement and its sub requirements have a full range of VSLs. Is it possible to be penalized twice for the same violation? The application of penalties in these situations must be clarified. Refer to FAC-001-0 (R1 - R1.3), MOD -006-0 (R1-R1.3), and MOD-007-0 (R2-R2.3 as examples.</p>  |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. 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</p>   |         |          |  |

**Consideration of Comments on Initial Ballot of VSLs for Facilities and Modeling Standards**

| Company   | Segment | Ballot      | Comments   |
|---|---------|-------------|--|
| <p>further refined to provide specific VSL language. This will require stakeholder participation in the standard 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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will also require stakeholder participation.</p>   |         |             |  |
| Wyoming Public Service Commission   | 9       | Affirmative | Subsequent changes to these VSLs may require us to change our vote.  |
| <p><b>Response:</b> Your affirmative ballot is very much appreciated.</p>   |         |             |  |
| 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. 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. The issue of “double jeopardy” exists in FAC-001-1, R1 and its sub-requirements.</p> <p>FAC-003 R3.2 - We think it is unnecessary to penalize an entity for incorrectly reporting an outage that is not reportable per the Standard. The only outcome of over-reporting is that the RRO must do some additional review work to clear the incorrect report. We suggest that no VSL should be applicable to this requirement.</p> |
| <p><b>Response:</b> The VSL DT Thanks you for your comments. It is beyond the scope of the VSL DT to address the language of existing requirements. The double jeopardy issue is also 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 VRFs and VSLs will be limited to the primary requirement and will not be assigned to subrequirements. This will require stakeholder participation.</p> <p>Regarding FAC-003-1, R3.2, the VSL is required by FERC to assign a VSL to all requirements and sub-requirements that currently have a violation risk factor (VRF). VSLs are only applied after an entity is found non-compliant with a requirement.</p> |         |             |  |