

Background:

The Violation Risk Factors drafting team thanks all commenters who submitted comments on the third draft of the SAR for Violation Risk Factors. The SAR was posted for an initial public comment period from February 2, 2006 through March 6, 2006. The drafting team asked stakeholders to provide feedback on the standards through a special SAR Comment Form. There were 17 sets of comments.

Based on the comments received, the drafting team is recommending that this SAR move forward to standard drafting.

In this 'Consideration of Comments' document, stakeholder comments have been organized so that it is easier to see the summary of changes being requested on the SAR. All comments received on the first draft of the Violation Risk Factors SAR can be viewed in their original format at:

<http://www.nerc.com/~filez/standards/Violation-Risk-Factors.html>

If you feel that your comment has been overlooked, please let us know immediately. Our goal is to give every comment serious consideration in this process! If you feel there has been an error or omission, you can contact the Vice President and Director of Standards, Gerry Cauley at 609-452-8060 or at gerry.cauley@nerc.net. In addition, there is a NERC Reliability Standards Appeals Process¹.

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

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1. Do you agree there is a reliability need for specifying the relative risks of each NERC standard requirement?

Summary Consideration: Most commenters agreed that there is a reliability-related need to specify the relative risks of each NERC standard requirement.

Commenter	Yes	No	Comment
Southern Company Services, Inc. (1) Marc M. Butts Jim Busbin Raymond Vice Jim Viikinsalo		✓	There is only a reliability need if the result of assigning a violation risk factor to each of the requirements within a Standard, or to the Level of Non-Compliance section within the Standard as we recommend, is an incremental increase in reliability above that which would have already been attained prior to the assignment. The violation risk factor is only a measure of the non-compliance severity for any particular Standard which, in turn, determines certain aspects of how the penalty may be calculated. The burden of "reliability need" is carried in the Requirements section of the Standard and, further, in how the Requirements are measured (the Measures section of the Standard).
<p>Response: The risk factor is designed to look at the requirement and the potential impacts on the Bulk Electric System independent of the levels of non-compliance. Levels of non-compliance represent how badly a standard was violated, the rankings look at how much impact the requirements have on the Bulk Electric System. Further clarification can be found in the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf</p>			
Southern Generation (6) Roman Carter Lucius Burris Roger Green Terry Crawley – So. Nuclear (5) Wayne Moore Clifford Shepard		✓	<p><i>We believe the criticality of meeting a certain requirement within any given standard should be included in the compliance portion of each standard, particularly in the levels of non-compliance section. By incorporating the risk factor into the levels of non-compliance, the correct message will be sent to each entity responsible for fulfilling the requirements. A separate, additional risk factor rating for each requirement will only add confusion and complexity to the ERO enforcement system.</i></p> <p>Currently NERC has a Provide Missing Measures SAR out for public comment in which the emphasis of the proposed risk factor should be contained. For example, for a requirement that is considered High Risk, the level of non-compliance would go straight to a level 4 to show Industry that not meeting the requirement will have severe penalties. For Low Risk requirements, you would possibly not include a level 4 of non-compliance and only apply levels 1-2.</p>
<p>Response: There will not be separate documents. The intent is to develop one document that incorporates risk factors and levels of non-compliance on a going forward basis. In addition, as standards are reviewed during the 5 year review cycle, these risk factors will be moved into the standard. The risk factor is designed to look at the requirement and the potential impacts on the Bulk Electric System independent of the levels of non-compliance. Levels of non-compliance represent how badly a standard was violated, the rankings look at how much impact the requirements have on the Bulk Electric System. Further clarification can be found in the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf</p>			
CenterPoint Energy (1) Paul Rocha	✓		<i>CenterPoint Energy is concerned about the plethora of inconsequential minutia and requirements that do not materially</i>

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Commenter	Yes	No	Comment
			<p><i>affect bulk system reliability found in the NERC standards. Much of the compliance documentation and auditing process seems to be an inefficient paper-chase inundated with inconsequential requirements mixed in with some very substantive requirements. We believe that diluting the standards with trivia limits the effectiveness of the standards - instead of chasing and documenting hundreds of inconsequential requirements, it would be more effective to concentrate on the dozens of requirements that actually matter.</i></p> <p>This SAR is a step in the right direction in that there is a recognition that some NERC requirements actually have little or no impact on bulk system reliability. CenterPoint Energy would prefer that inconsequential requirements be dropped from the NERC standards and that the standards, at least from the standpoint of transmission facilities, be limited to bulk facilities that actually affect the bulk interstate network; i.e., 200 kV facilities and above. This has occurred in a piece-meal fashion in the vegetation management standard, for example, but not on a comprehensive basis. However, given the standards as they exist today, we support this SAR as a "second best" option to dropping the inconsequential requirements. If nothing else, it would provide a means to identify the inconsequential requirements.</p>
<p>Response: The team believes that the focus of the SAR is to identify those standards that have a higher risk to the Bulk Electric System. Dropping some or all of the low factors is outside the scope of the group, but it could be a result of further Standards action after this is complete.</p>			
<p>NERC Standards Evaluation Committee Bill Bojorquez – ERCOT</p>	<p>✓</p>		<p>The SES agrees that there should be some analysis and evaluation of the relative risks associated with each of the requirements of the various NERC Reliability Standards. The SES notes that in some ways, this is already being addressed in the determination of the various levels of non-compliance provided for within each standard. However the SES welcomes a more thorough review and analysis of the varying risks required by the contemplated by this SAR. See Comments in Question #6 below.</p>
<p>Response: We agree and will be giving the industry the opportunity to comment.</p>			
<p>IESO (2) Ron Falsetti</p>	<p>✓</p>		<p>The IESO is in full agreement a need exists to specifically categorize the relative risk to the interconnected bulk power system of each NERC requirement with which to develop appropriate penalties or sanctions for violations. To not do so would otherwise imply all standards have equivalent implication to the BPS even those administrative in nature and would carry similar sanctions, if violated, which is, in our view, indefensible.</p>
<p>Response: We agree and will be giving the industry the opportunity to comment.</p>			
<p>ISO New England (2) Kathleen Goodman</p>	<p>✓</p>		<p>ISO New England supports the proposal to specify the relative risk to the interconnected bulk power system of each NERC. To not do so would otherwise imply all standards have equivalent implication to the bulk power system, even those administrative in nature.</p>

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Commenter	Yes	No	Comment
Response: We agree and will be giving the industry the opportunity to comment.			
Manitoba Hydro (1, 3, 5, 6) Robert Coish	✓		If the relative risk of non-compliance is identified and backed up by industry consensus then compliance can be enforced by a fair system of penalties and sanctions. This will promote reliability.
Response: We agree.			
FRCC (2) Linda Campbell Steve McCoy – FRCC Eric Senkowitz – FRCC John Odom – FRCC Paul Elwing – City of Lakeland Clark Hawkins – Lee Cty. Elec. Coop Ben Sharma – Kissimmee Utilities Ron Donahey – Tampa Electric Co. Pedro Modia – FPL	✓		This identification is needed to help all industry participants understand the importance of the requirement with respect to the reliability of the bulk electric system.
Response: We agree.			
Northeast Utilities – Transmission Group (1) C. Dale Vines	✓		Otherwise, understanding importance of violation with respect to reliability could lead to inappropriate assignment of fines. This also helps organizations prioritize compliance action plans for achieving full compliance based on potential risk.
Response: We agree.			
New York ISO (2) Michael Calimano	✓		NYISO supports the proposal to specify the relative risk to the interconnected bulk power system of each NERC Standard. The absence of this rating system implies that all standards have equivalent implication to the bulk power system, even those administrative in nature.
Response: We agree.			
City of Tallahassee (5) Alan Gale	✓		This is at least a step in the right direction.
Salt River Project (1) Michael Pfeister	✓		
Allegheny Power (1) William J. Smith	✓		
Cinergy (1, 3, 6)	✓		

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Commenter	Yes	No	Comment
Jeffrey T. Baker			
We Energies (3, 4, 5) Howard Rulf	✓		
Entergy Services, Inc. (1) Ed Davis	✓		

2. Do you agree with the scope and applicability of the SAR?

Summary Consideration: Most of the commenters who indicated they did not agree with the scope and applicability of the SAR indicated that the scope needed clarification on the transition from existing standards which do not contain risk factors, to a point in the future where risk factors are added to all existing standards as well as standards under development. The intent is to get stakeholder consensus on a matrix of risk factors and then after posting those risk factors for comment to post the risk factors for ballot. Assuming the ballot is approved, the risk factors would then be added to the associated standards.

For standards already developed and approved – the Violations Risk drafting team will develop a matrix of risk factors for all approved standards. These risk factors will be posted for stakeholder comment and then will be balloted. Assuming an ‘affirmative’ ballot the risk factors will be added to the already approved standards.

For standards under development – the drafting team will assign risk factors and will collect stakeholder comments on the risk factors as the standard is developed.

Commenter	Yes	No	Comment
City of Tallahassee (5) Alan Gale		✓	<p>- The SAR is not clear on how the "gap" standards that are currently in revision/development or recently approved would be included into the matrix. While the work on the matrix could begin, this gap needs to be closed before the balloting of the final matrix.</p> <p>- The SAR does not address how the initial matrix will be approved, but the comment form only asks for input on the SAR and process, not the initial matrix. How will the initial matrix be approved?</p> <p>- What will be done with the ideas in the "Other Relevant Standards Activities" section? Is the inclusion here intended to make them inclusive to this SAR? My specific concerns are with some of the content of the referenced white paper and the moving of "some of the compliance elements" into a manual administered by the CCC. I am afraid this would either remove some of the openness of the current process or could inundate us with another flood of proposed changes on top of the ones being controlled by SAC. Why are compliance elements going to another place that I would have to go to? I need to be able to go to as few places as possible and get ALL the information associated with the REQUIREMENTS and their enforcement.</p>
<p>Response: The standards currently under development will have risk levels assigned to them by the standard drafting team and the risk factors will be posted for comment with their associated standards. Those standards that were recently approved will have a factor assigned to them and will be posted for industry comment.</p> <p>The drafting team will collect industry comments on the matrix.</p> <p>We are creating the separate document with the rankings because we are trying to ‘catch up’. In the future, violation risk factors will be developed during the standards development process.</p>			
IESO (2) Ron Falsetti		✓	<p>It is unclear from the SAR what exactly is being proposed. Is it a proposal to (a) develop the matrix (or review and revise the initial set of risk factors), or, (b) to insert the risk factors already assigned by the ESDS and CCMC (but hasn't gone through</p>

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Commenter	Yes	No	Comment
			public comment and balotting) to the standards already developed and to be developed over the next 5 years or both (a) and (b)? We see the need for industry consensus on the risk factors before they are inserted into the standards. Hence, we would support this SAR if the purpose is to cover at least (a), above.
<p>Response: For standards that currently exist, the intent is to develop the matrix and insert the risk factors, but only after the risk factors have been posted for comment and balloted. The standards currently under development should have risk levels assigned to them by the standard drafting team – and these risk factors would then be approved as part of the standard. Those standards that were recently approved will have a factor assigned to them and will be posted for industry comment.</p> <p>We agree on the need for industry consensus on the risk factors.</p>			
ISO New England (2) Kathleen Goodman		✓	It is unclear from the SAR what exactly is being proposed. Is it a proposal to (a) develop the matrix (or review and revise the initial set of risk factors), or, (b) to insert the risk factors already assigned by the ESDS and CCMC (but hasn't gone through public comment and balotting) to the standards already developed and to be developed over the next 5 years or both (a) and (b)? We believe there is a need for industry input on the risk factors before they are implemented and support this review as a first step in the process.
<p>Response: For standards that currently exist, the intent is to develop the matrix and insert the risk factors, but only after the risk factors have been posted for comment and balloted. The standards currently under development should have risk levels assigned to them by the standard drafting team – and these risk factors would then be approved as part of the standard. Those standards that were recently approved will have a factor assigned to them and will be posted for industry comment.</p> <p>We agree on the need for industry consensus on the risk factors.</p>			
New York ISO (2) Michael Calimano		✓	It is unclear from the SAR what exactly is being proposed. Is it a proposal to (a) develop the matrix (or review and revise the initial set of risk factors), or, (b) to insert the risk factors already assigned by the ESDS and CCMC (but hasn't gone through public comment and balotting) to the standards already developed and to be developed over the next 5 years or both (a) and (b)? We believe there is a need for industry input on the risk factors before they are implemented and support this review as a first step in the process.
<p>Response: For standards that currently exist, the intent is to develop the matrix and insert the risk factors, but only after the risk factors have been posted for comment and balloted. The standards currently under development should have risk levels assigned to them by the standard drafting team – and these risk factors would then be approved as part of the standard. Those standards that were recently approved will have a factor assigned to them and will be posted for industry comment.</p> <p>We agree on the need for industry consensus on the risk factors.</p>			
Manitoba Hydro (1, 3, 5, 6) Robert Coish		✓	(1) The SAR says Risk factors for new standards and requirements are proposed to be created by the standard drafting teams using criteria that will be proposed for the Reliability Standards Process Manual. From this statement it is not clear what criteria are being referred to and if they even exist or are yet to be created. Is the intention that the SAR or Standard drafting team will develop these criteria or will someone else?

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Commenter	Yes	No	Comment
			<p>Are the criteria the proposed definitions in the comment form? The MRO cannot agree to this unclear scope. (2) Will this standards drafting team be developing the risk factors for the standards currently in development? The SAR needs to clarify this. (3) The difference between the terminology used in the SAR and violation risk factor matrix and the terminology used in the Guidelines for Compliance Information in Support of Reliability Standards White Paper is confusing. For example, the white paper proposes the standard drafting team identify a type for each requirement (i.e. Technical, Performance, Preparedness and Organizational Certification), whereas neither the SAR nor Matrix refers to this. Also, the white paper refers to Risk Factor 1, Risk Factor 2 and Risk Factor 3 whereas the SAR refers to High, Medium and Lower and the definitions are different.</p>
<p>Response: We will make the sure that definitions of what constitutes 'high', 'medium', and 'lower', is clear.</p> <p>The group believes that NERC staff will have to assess what standards currently under development will need to have a risk factor assigned by the Violation Risk Factor drafting team, and which standards will be able to have risk factors determined by the individual drafting teams. This will be determined by where each standard is in the development process. In all cases, stakeholders will be given an opportunity to comment on the proposed assignment of risk factors to individual requirements.</p> <p>The drafting team agrees that the various reference documents use different terminology and will make an attempt to use more consistent terminology in future references.</p> <p>Risk Factors '1, 2, and 3' have been changed to 'Lower, Medium, and High' respectively. These changes were made to reduce the confusion that was occurring between the Risk Factors and the Levels of Non-Compliance. The definitions of the terms evolved during discussions of the ESDS and NERC staff regarding the White Paper and its transformation into the Violation Risk Factors SAR.</p> <p>The identification of the 'Type' of requirement has been translated into 'time frames' or 'temporal characterization.'</p>			
<p>Southern Company Services, Inc. (1) Marc M. Butts Jim Busbin Raymond Vice</p>	<p>✓</p>	<p>✓</p>	<p>We agree with the scope of the SAR in utilizing risk factors to address the severity equity issue in the Standards. Regarding the applicability of the SAR we do not agree. We feel the risk factor should be associated with the Level of Non-Compliance section of the Standard rather than an assignment of factors made for each individual requirement in the Requirements section of a Standard.</p>
<p>Response: The risk factor is designed to look at the requirement and the potential impacts on the Bulk Electric System independent of the levels of non-compliance. Levels of non-compliance represent how badly the requirements in a standard were violated, the risk factors look at how much impact the requirements have on the Bulk Electric System. Further clarification can be found in the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf</p>			
<p>Southern Generation (6) Roman Carter Lucius Burris Roger Green Terry Crawley – So. Nuclear (5)</p>	<p>✓</p>	<p>✓</p>	<p>We support the initiate to include the severity of not meeting requirements into standards. We do not agree with the approach. The risk factor should be considered in a standard under the levels of non-compliance section and not with a separate adder of risk.</p>

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Commenter	Yes	No	Comment
Wayne Moore Clifford Shepard			
<p>Response: The risk factors are attached to the requirements. The levels of non-compliance deal with how badly an entity fails to comply with one or more requirements in a standard (or those requirements that are applicable to the entity in the standard).</p>			
i (2) Linda Campbell Steve McCoy – FRCC Eric Senkowicz – FRCC John Odom – FRCC Paul Elwing – City of Lakeland Clark Hawkins – Lee Cty. Elec. Coop Ben Sharma – Kissimmee Utilities Ron Donahey – Tampa Electric Co. Pedro Modia – FPL	✓		<p>We do agree with an initial set of reliability risk factors existing as an addendum to the reliability standards until such time as they are revised. The SAR does not state however, how or if the industry will be able to comment on the initial assignments made by the ESDS. Is it the intent of the SAR that if it is accepted by the industry, the next step, i.e. standards drafting, will be the point where the matrix itself is posted for review and comment and the industry will vote on what the initial ratings should be? If so, the final SAR should be modified to include that as part of the process outlined.</p>
<p>Response: The SAR has been modified to include a description of how comments will be collected on proposed risk factors.</p>			
NERC Standards Evaluation Committee Bill Bojorquez – ERCOT	✓		<p>The SAR states that Risk factors for new standards and requirements are proposed to be created by the various SDTs using criteria that will be proposed for the Reliability Standards Process Manual. The SES is unclear as to what criteria are being referred to, if they even exist; or are yet to be created. Is the intention that this SAR or SDT will develop these criteria or will someone else?</p> <p>The SES also questions whether this current SDT will be tasked with developing the risk factors for the standards currently in development? The SAR should clarify this.</p> <p>The difference between the terminology used in this SAR, the violation risk factor matrix, and in the Guidelines for Compliance Information in Support of Reliability Standards White Paper is confusing. For example, the white paper proposes the standard drafting team identify a type for each requirement (i.e. Technical, Performance, Preparedness and Organizational Certification), whereas neither the SAR nor Matrix refers to this. Also, the white paper refers to Risk Factor 1, Risk Factor 2 and Risk Factor 3; whereas, this SAR refers to High, Medium and Lower and the definitions are different. The SES desires additional clarification in the use of these terms.</p>
<p>Response: The definitions of high, medium, and lower are intended to serve as the ‘criteria’. The technical expertise of the drafting team and the definitions of the risk levels in the standards drafting manual should be taken into account when assigning the level of risk to a requirement.</p> <p>The group believes that NERC staff will have to assess what standards currently under development will</p>			

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Committer	Yes	No	Comment
			<p>need to have a risk factor assigned by the Violation Risk Factor drafting team, and which standards will be able to have risk factors determined by the individual drafting teams. This will be determined by where each standard is in the development process.</p> <p>We will make the sure that definitions of what constitutes 'high', 'medium', and 'lower', is clear and used consistently throughout the supporting documents in the future.</p>
Salt River Project (1) Michael Pfeister	✓		
Allegheny Power (1) William J. Smith	✓		
Cinergy (1, 3, 6) Jeffrey T. Baker	✓		
Northeast Utilities – Transmission Group (1) C. Dale Vines	✓		
We Energies (3, 4, 5) Howard Rulf	✓		
Entergy Services, Inc. (1) Ed Davis	✓		

3. Do you agree with the definition proposed for “High”?

Summary Consideration: Most commenters seemed to support the proposed definition for ‘High’. Some commenters indicated the proposed definition may be too broad and may not be applicable for all planning requirements. The drafting team plans to post the matrix of proposed risk factors for approved requirements using the existing definition of ‘high’ and the modified definitions of ‘medium’ and ‘lower’ for stakeholder comments. The drafting team acknowledges that the definitions of ‘high, medium, and lower risk’ may need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements. The assignment of a specific risk ‘high, medium or lower’ to each approved requirement, may also need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements.

Commenter	Yes	No	Comment
NERC Standards Evaluation Committee Bill Bojorquez – ERCOT		✓	<p>In general, SES views the proposed definitions as too broad and as a result, may be difficult to use as criteria to assign risk factors. The SES wonders how, without benefit of extensive studies, how does one judge if a violation is going to lead to an unacceptable risk of instability, separation, or cascading failures.</p> <p>The SES is unclear as to Part “b” of the definition. For example, consider TPL-001-0: System Performance Under Normal Conditions, Requirement R1 mandates an assessment of steady state operation. The SES is unable to grasp how one would determine this a "high" priority (as proposed in the matrix) given the proposed definition in this SAR of “if violated, could under emergency, abnormal or restorative conditions anticipated by the preparations, directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.”</p> <p>While it is crystal clear to the SES that failure to comply with a number of operating Reliability Standards should be viewed as a "high" or "medium" risk; the SES believes additional discussion and debate is required before identifying the majority of the planning related standards as either "high" or "medium" risk due to the longer-term nature of the planning function.</p>
<p>Response: These are relative assessments, based on the expertise of the people that performed the initial assessment of risk. What is being done now is an attempt to get agreement from the industry on the rankings assigned by those experts.</p>			
Manitoba Hydro (1, 3, 5, 6) Robert Coish		✓	<p>In general the definitions are too broad and may be difficult to use as criteria to assign risk factors. Therefore judgement will be required in assigning risk factors. Therefore it will be necessary to ballot the violation risk factors. The b. part is too narrow. Violating a planning time frame requirement could lead to system reliability problems also under normal conditions.</p>
<p>Response: We agree they need to be balloted.</p>			

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Commenter	Yes	No	Comment
Entergy Services, Inc. (1) Ed Davis		✓	We suggest that one of the first activities of the standard development team be to develop coordinated and equivalent definitions of High, Medium and Low, and the definitions of Risk Factors 1, 2, and 3. We agree more with the definitions including some aspects of planning but we are also concerned about too high a priority being placed on planning issues that will not impact reliability until real-time operations.
<p>Response: The expertise of the drafting team and the definitions of the risk levels in the standards drafting manual should be taken into account when assigning the level of risk.</p> <p>The definitions may need to be adjusted based on stakeholder feedback on the first posting of the risk factors for existing requirements.</p>			
Southern Generation (6) Roman Carter Lucius Burris Roger Green Terry Crawley – So. Nuclear (5) Wayne Moore Clifford Shepard	✓	✓	We are uncomfortable with the subjective nature of phrases such as-could cause, could place, could affect. These terms leave TOO much flexibility to each individual for interpreting what is considered high risk. We recommend better quantifying what is high risk.
<p>Response: The definitions may need to be adjusted based on stakeholder feedback on the first posting of the risk factors for existing requirements.</p>			
FRCC (2) Linda Campbell Steve McCoy – FRCC Eric Senkowicz – FRCC John Odom – FRCC Paul Elwing – City of Lakeland Clark Hawkins – Lee Cty. Elec. Coop Ben Sharma – Kissimmee Utilities Ron Donahey – Tampa Electric Co. Pedro Modia – FPL	✓	✓	We agree with the definition in part a. Part b however, is very confusing in the way it is worded. We would suggest removing part b from all three definitions (H,M,L) and including the following wording that would apply to all three: Because preparedness requirements, such as providing a valid restoration plan, are essential for reliability, but may be used infrequently, risk factors for these preparedness requirements should be based on the potential impacts during an emergency, abnormal or restorative condition that is anticipated by the requirement.
<p>Response: The results of the first posting of the risk factors for existing requirements will give the drafting team insight into whether some planning requirements need to be designated with a 'high' risk factor.</p>			
City of Tallahassee (5) Alan Gale	✓	✓	While I cannot offer a proposed alternative, I am concerned with who would make the determination of an "unacceptable risk" and how it would be made. What is acceptable to our operations may not be acceptable to another entity.

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Commenter	Yes	No	Comment
<p>Response: What is acceptable and unacceptable is a subjective term, but this is why the drafting team will be posting the proposed risk factors for comment and then balloting. The risk factors will be determined by stakeholder consensus.</p>			
<p>IESO (2) Ron Falsetti</p>	✓		<p>Given this definition, the risk levels assigned to some of the standard requirements appear to be questionable. Hence, we strongly suggest that the industry be provided the opportunity to review and revise as necessary the risk factor matrix.</p> <p>Moreover, it remains unclear how long-term planning standards, specifically those related with assessments beyond one year if violated, could IN REAL-TIME, under emergency, abnormal or restorative conditions anticipated by the preparations, directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition. These would need to be addressed with-in the short-term or operation planning time frames.</p>
<p>Response: We are giving stakeholders the opportunity to comment on the proposed risk factors. The results of the first posting of the risk factors for existing requirements will give the drafting team insight into whether some planning requirements need to be designated with a 'high' risk factor. The assignment of a specific risk 'high, medium or lower' to each approved requirement, may also need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements.</p>			
<p>ISO New England (2) Kathleen Goodman</p>	✓		<p>Although we support this definition, it appears that some of the High risk levels assigned by the ESDS and CCMC to the standard requirements do not meet the this definition. We strongly suggest that the industry be provided the opportunity to review and comment as necessary on the risk factor matrix.</p>
<p>Response: We are giving stakeholders the opportunity to comment on the risk factors.</p>			
<p>Southern Company Services, Inc. (1) Marc M. Butts Jim Busbin Raymond Vice</p>	✓		<p>We are generally uncomfortable with subjective phrasing such as, "could cause", "could place" and "could affect." These terms leave very much to interpretation; however, we also understand the desire to address severity equity and move on. We will support the present definition until the term "High" can be better quantified.</p>
<p>Response: We agree. The definitions may need to be adjusted based on stakeholder feedback on the first posting of the risk factors for existing requirements.</p>			
<p>Northeast Utilities – Transmission Group (1) C. Dale Vines</p>	✓		<p>However, suggest that industry be polled with regard to current proposed risk level assignments. We use voting pad technology to determine impact for risk management to assure that proper input has been evaluated from all knowledgeable sources and stakeholders.</p>
<p>Response: We are giving stakeholders the opportunity to comment on the risk factors assigned to each</p>			

Proposed Violation Risk Factor SAR – Comment Report

Committer	Yes	No	Comment
requirement.			
New York ISO (2) Michael Calimano	✓		Although we support this definition, it appears that some of the High risk levels assigned by the ESDS and CCMC to the standard requirements do not meet the this definition. We strongly suggest that the industry be provided the opportunity to review and comment as necessary on the risk factor matrix.
Response: We are giving stakeholders the opportunity to comment on the risk factors assigned to each requirement. The definitions may need to be adjusted based on stakeholder feedback on the first posting of the risk factors for existing requirements.			
Allegheny Power (1) William J. Smith	✓		
Cinergy (1, 3, 6) Jeffrey T. Baker	✓		
We Energies (3, 4, 5) Howard Rulf	✓		

4. Do you agree with the definition proposed for “Medium”?

Summary Consideration: While most commenters seemed to agree with the proposed definition for ‘medium’, several commenters expressed concern with the definition and the drafting team added the phrase, ‘and adversely’ to both part a and part b of the definition as shown below:

Medium Risk Requirement

- a. A requirement that, if violated, could directly and adversely affect the electrical state or the capability of the bulk electric system, or the ability to effectively monitor and control the bulk electric system. However, violation of a medium risk requirement is unlikely to lead to bulk electric system instability, separation, or cascading failures; or
- b. A requirement in a planning time frame that, if violated, could, under emergency, abnormal or restorative conditions anticipated by the preparations, directly and adversely affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor, control, or restore the bulk electric system. However, violation of a medium risk requirement is unlikely, under emergency, abnormal or restoration conditions anticipated by the preparations, to lead to bulk electric system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.

The drafting team plans to post the matrix of proposed risk factors for approved requirements using the existing definition of ‘high’ and the modified definitions of ‘medium’ and ‘lower’ for stakeholder comments. The drafting team acknowledges that the definitions of ‘high, medium, and lower risk’ may need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements. The assignment of a specific risk ‘high, medium or lower’ to each approved requirement, may also need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements.

Commenter	Yes	No	Comment
City of Tallahassee (5) Alan Gale		✓	While I cannot offer an alternative, what is the "electrical state or the capability of the BES"? Is this the loss of a single generator or a single line or something more significant? How much more significant? This does not appear to be "clear and unambiguous".
<p>Response: The phrase, ‘affecting the electrical state or the capability of the BES’ means that the risk could result in an adverse change in frequency, voltage, line flows, etc but is not likely to cause the BES to collapse under most conditions. This is the distinguishing factor between high and medium.</p>			
NERC Standards Evaluation Committee Bill Bojorquez – ERCOT		✓	The definition is unclear/confusing. For example "could directly affect the electrical state" is vague. The Medium part “b” definition says that loss of control and monitoring of the system would not likely cause the cascading failure of the system. Yet, wasn’t the lack of system awareness a primary cause of the blackout?
<p>Response: The phrase, ‘affecting the electrical state or the capability of the BES’ means that the risk could result in an adverse change in frequency, voltage, line flows, etc but is not likely to cause the BES to collapse under most conditions.</p> <p>The drafting team acknowledges that the definitions of ‘high, medium, and lower risk’ may need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements.</p>			
Manitoba Hydro (1, 3, 5, 6) Robert Coish		✓	Part of the definition is unclear. For example "could directly affect the electrical state" is vague. Also, same comment on b part of the definition as in the response to Question 4.
<p>Response: The phrase, ‘affecting the electrical state or the capability of the BES’ means that the risk could result in an adverse change in frequency, voltage, line flows, etc but is not likely to cause the BES</p>			

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Commenter	Yes	No	Comment
<p>to collapse under most conditions. Please see the response to your comment on Question 4.</p>			
<p>Entergy Services, Inc. (1) Ed Davis</p>		✓	<p>We suggest that one of the first activities of the standard development team be to develop coordinated and equivalent definitions of High, Medium and Low, and the definitions of Risk Factors 1, 2, and 3. We agree more with the definitions including some aspects of planning but we are also concerned about too high a priority being placed on planning issues that will not impact reliability until real-time operations.</p>
<p>Response: The definitions may need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements. Some of the planning requirements need to be addressed several years in advance in order to prevent problems from contributing or causing cascading several years down the road (consider the time needed to plan and construct/upgrade facilities)</p>			
<p>FRCC (2) Linda Campbell Steve McCoy – FRCC Eric Senkowicz – FRCC John Odom – FRCC Paul Elwing – City of Lakeland Clark Hawkins – Lee Cty. Elec. Coop Ben Sharma – Kissimmee Utilities Ron Donahey – Tampa Electric Co. Pedro Modia – FPL</p>	✓	✓	<p>We agree with the definition in part a. Part b however, is very confusing in the way it is worded. We would suggest removing part b from all three definitions (H,M,L) and including the following wording that would apply to all three:</p> <p>Because preparedness requirements, such as providing a valid restoration plan, are essential for reliability, but may be used infrequently, risk factors for these preparedness requirements should be based on the potential impacts during an emergency, abnormal or restorative condition that is anticipated by the requirement.</p>
<p>Response: Stakeholder comments will give us insight into if some planning standards need to be designated high or not.</p>			
<p>Southern Generation (6) Roman Carter Lucius Burris Roger Green Terry Crawley – So. Nuclear (5) Wayne Moore Clifford Shepard</p>	✓	✓	<p>Our concern is the same as in question 3.</p>
<p>Response: Please see the drafting team’s response to your comments on question 3.</p>			
<p>Northeast Utilities – Transmission Group (1)</p>	✓		<p>See above for “High.”</p>

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Commenter	Yes	No	Comment
C. Dale Vines			
Response: Please see the drafting team's response to your comment on 'high'.			
IESO (2) Ron Falsetti	✓		Again, the industry needs a wholesale review of the risk factor matrix to agree on the risk level assigned to each and every standard requirement.
Response: We agree and will seek stakeholder comments.			
ISO New England (2) Kathleen Goodman	✓		Again, the industry needs a wholesale review of the risk factor matrix to reach consensus on the risk level assigned to each and every standard requirement.
Response: We agree and will seek stakeholder comments.			
Southern Company Services, Inc. (1) Marc M. Butts Jim Busbin Raymond Vice	✓		Our comment is very similar to our response to Question 3. We are generally uncomfortable with subjective phrasing such as, "could cause", "could place" and "could affect." These terms leave very much to interpretation however we also understand the desire to address severity equity and move on. We will support the present definition until the term "Medium" can be better quantified.
Response: We agree. The definitions could be affected by stakeholder comments.			
New York ISO (2) Michael Calimano	✓		
Allegheny Power (1) William J. Smith	✓		
Cinergy (1, 3, 6) Jeffrey T. Baker	✓		
We Energies (3, 4, 5) Howard Rulf	✓		

5. Do you agree with the definition proposed for “Lower”?

Summary Consideration:

While most commenters seemed to agree with the proposed definition for ‘lower’, several commenters expressed concern with the definition and the drafting team added the word, ‘adversely’ to both part a and part b of the definition as shown below:

Lower Risk Requirement

- a. A requirement that, if violated, would not be expected to adversely affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor and control the bulk electric system. A requirement that is administrative in nature; or
- b. A requirement in a planning time frame that, if violated, would not, under the emergency, abnormal or restorative conditions anticipated by the preparations, be expected to adversely affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor, control, or restore the bulk electric system. A planning requirement that is administrative in nature.

The drafting team plans to post the matrix of proposed risk factors for approved requirements using the existing definition of ‘high’ and the modified definitions of ‘medium’ and ‘lower’ for stakeholder comments. The drafting team acknowledges that the definitions of ‘high, medium, and lower risk’ may need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements. The assignment of a specific risk ‘high, medium or lower’ to each approved requirement, may also need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements.

Commenter	Yes	No	Comment
City of Tallahassee (5) Alan Gale		✓	While I cannot offer an alternative, what is the "electrical state or the capability of the BES"? Is this the loss of a single generator or a single line or something more significant? How much more significant? This does not appear to be "clear and unambiguous". Is the omission of an Emergency Plan an "administrative failure" and therefore of lower significance? Is the loss of records to prove we have operated reliably "lower", as long as our neighbors have not complained? If it is not expected to impact the BES, does it need to be a requirement? I thought the requirements are supposed to be MINIMUM requirements to ensure no instability, uncontrolled separation or cascading outages"?
<p>Response: The phrase, ‘affecting the electrical state or the capability of the BES’ means that the risk could result in an adverse change in frequency, voltage, line flows, etc but is not likely to cause the BES to collapse under most conditions. This is the distinguishing factor between ‘medium’ and ‘lower’. Lower risk requirements are mostly administrative in nature.</p> <p>We are not saying it is not important if you don’t do these items, but that relative to other requirements, it does not have a major impact on the reliability of the BES.</p> <p>Based on the results of the stakeholder comments, further action may be taken to reassess some requirements and/or to revise the definitions for ‘high, medium, and lower’.</p>			
NERC Standards Evaluation Committee		✓	The proposed definition does not identify the nature of risk.

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Commenter	Yes	No	Comment
Bill Bojorquez – ERCOT			
<p>Response: We disagree. These are supposed to be mostly administrative in nature with little to no effect on operational reliability.</p>			
Southern Generation (6) Roman Carter Lucius Burris Roger Green Terry Crawley – So. Nuclear (5) Wayne Moore Clifford Shepard	✓	✓	Again, our concern here is similar to what we explained in question 3.
<p>Response: Please see the drafting team’s response to your comments on question 3.</p>			
FRCC (2) Linda Campbell Steve McCoy – FRCC Eric Senkowicz – FRCC John Odom – FRCC Paul Elwing – City of Lakeland Clark Hawkins – Lee Cty. Elec. Coop Ben Sharma – Kissimmee Utilities Ron Donahey – Tampa Electric Co. Pedro Modia – FPL	✓	✓	<p>We agree with the definition in part a. Part b however, is very confusing in the way it is worded. We would suggest removing part b from all three definitions (H,M,L) and including the following wording that would apply to all three:</p> <p>Because preparedness requirements, such as providing a valid restoration plan, are essential for reliability, but may be used infrequently, risk factors for these preparedness requirements should be based on the potential impacts during an emergency, abnormal or restorative condition that is anticipated by the requirement.</p>
<p>Response: Stakeholder comments will give us insight into whether some planning requirements need to be designated lower or not.</p>			
Manitoba Hydro (1, 3, 5, 6) Robert Coish		✓	Definition does not identify nature of risk. If there is no risk then should not be a requirement. It should be recognized, however, that there can be an indirect reliability in the case of some "administrative" violations occur, for example, where timeliness of submitting model data may negatively impact the model building process.
<p>Response: We are not saying it is not important if you don’t do these items, but that relative to other requirements, it does not have a major impact on the reliability of the BES. These are supposed to be mostly administrative in nature with little to no effect on operational reliability.</p>			
Entergy Services, Inc. (1)		✓	We suggest that one of the first activities of the standard development team be to develop coordinated and equivalent definitions of High, Medium and Low, and the definitions of Risk

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Commenter	Yes	No	Comment
Ed Davis			Factors 1, 2, and 3. We agree more with the definitions including some aspects of planning but we are also concerned about too high a priority being placed on planning issues that will not impact reliability until real-time operations.
<p>Response: The criteria are the definitions of high, medium, and lower. The expertise of the drafting team and the definitions of the risk levels in the standards drafting manual should take into account when assigning the level of risk.</p> <p>Some of the planning requirements need to be addressed several years in advance in order to prevent problems from contributing or causing cascading several years down the road (consider the time needed to plan and construct/upgrade facilities)</p>			
Northeast Utilities – Transmission Group (1) C. Dale Vines	✓		See above for "Medium."
<p>Response: Please see the drafting team's response to your comments on the definition for 'medium'.</p>			
Southern Company Services, Inc. (1) Marc M. Butts Jim Busbin Raymond Vice	✓		The term "lower" conveys a meaning other than what is described in the definition. The definition describes "low" risk or no risk ("none") - administrative in nature. We will, however, support the present definition until the term "Lower" can be better defined or the term replaced with "Low" or "None."
<p>Response: We agree. The definitions could be affected by stakeholder comments.</p>			
IESO (2) Ron Falsetti	✓		Same as Q4 above.
<p>Response: Please see the drafting team's response to your comments on question 4.</p>			
ISO New England (2) Kathleen Goodman	✓		Same as Q4 above.
<p>Response: Please see the drafting team's response to your comments on question 4.</p>			
New York ISO (2) Michael Calimano	✓		
Allegheny Power (1) William J. Smith	✓		
Cinergy (1, 3, 6) Jeffrey T. Baker	✓		
We Energies (3, 4, 5) Howard Rulf	✓		

6. Do you agree rating each requirement and basing the enforcement action in part on this weighting would result in clear and unambiguous signals to each responsible entity regarding the relative impact of non-compliance?

Summary Consideration: Most commenters seemed to support this and indicated that this is a goal to strive for although achieving 'clear and unambiguous signals' may be a high hurdle to achieve.

The drafting team plans to post the matrix of proposed risk factors for approved requirements using the existing definition of 'high' and the modified definitions of 'medium' and 'lower' for stakeholder comments. The drafting team acknowledges that the definitions of 'high, medium, and lower risk' may need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements. The assignment of a specific risk 'high, medium or lower' to each approved requirement, may also need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements.

Commenter	Yes	No	Comment
City of Tallahassee (5) Alan Gale		✓	-I agree that the H, M or L risk level assignment are a better indicator of the importance of a reliability standard requirement than the current levels of non-compliance in the existing standards today. -I also agree with the concept of compliance enforcement being based on the importance to reliability. -However, as far as a "clear and unambiguous signal" to the relative impact of non-compliance goes, I believe we can either make additional strides or at least not tie the hands of the compliance committees. While a larger entity may have a significant impact on the BES by any number of violations, many smaller entities could fall off the face of the earth and the BES would never know it occurred. Some flexibility must remain with the Compliance enforcement folks.
<p>Response: There are numerous other factors that can affect the sanction for a violation. Further clarification can be found in the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf</p>			
Southern Company Services, Inc. (1) Marc M. Butts Jim Busbin Raymond Vice		✓	It is not each entity's ability to fulfill each individual requirement of a given Standard that should be weighed. Rather, it is the end-result of that ability - Compliant or Non-Compliant - which should be assessed. We agree, subject to our responses to Questions 3 - 5, that rating each Level of Non-Compliance section within a given Standard, and basing the enforcement action in part in on this weighting should result in clear and unambiguous signals to each responsible entity regarding the relative impact of non-compliance.
<p>Response: Most commenters seemed to support using 'risk factors' applied to each requirement rather than to the levels of non-compliance.</p>			
Southern Generation (6) Roman Carter Lucius Burris Roger Green Terry Crawley – So.		✓	Rating each requirement as High, Medium, or Low risk should be dropped. A better solution for emphasizing the severity of not meeting the requirements of a standard would be to include risk in the levels of non-compliance.

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Commenter	Yes	No	Comment
Nuclear (5) Wayne Moore Clifford Shepard			
Response: Most commenters seemed to support using 'risk factors' applied to each requirement rather than to the levels of non-compliance.			
FRCC (2) Linda Campbell Steve McCoy – FRCC Eric Senkowicz – FRCC John Odom – FRCC Paul Elwing – City of Lakeland Clark Hawkins – Lee Cty. Elec. Coop Ben Sharma – Kissimmee Utilities Ron Donahey – Tampa Electric Co. Pedro Modia – FPL	✓	✓	We agree that the H, M or L risk level assignment are a better indicator of the importance of a reliability standard requirement than the current levels of non-compliance in the existing standards today. We also agree with the concept of compliance enforcement being based on the importance to reliability. However, as far as a "clear and unambiguous signal" to the impact of non-compliance goes, if penalty assessment is based on a number of factors in addition to this, the penalty impact is still relies on a high degree of subjectivity.
Response: The last comment pertains to the ERO Sanction Guidelines, not the Violation Risk Factors. The sanction determination is a two-part system. One part is a formula based on numbers, the other part deals with a violation on a case by case basis. Further clarification can be found in the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf			
Salt River Project (1) Michael Pfeister	✓		There may be a tendency for some entities to choose not to meet some requirements if the impact to the interconnection and penalties are low. Is this a desired or acceptable result?
Response: There are numerous other factors that can affect the sanction for a violation. Further clarification can be found in the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf			
Cinergy (1, 3, 6) Jeffrey T. Baker	✓		Will the weighting be consistent with each standard based on risk?
Response: That is for the industry to say based on the comments it submits during the posting of the proposed risk factors for approved requirements. .			
NERC Standards Evaluation Committee Bill Bojorquez – ERCOT	✓		The SES questions if one can realistically identify a single risk factor for each specific requirement. There are many instances in the present standards and associated compliance matrix where, under certain circumstances, a risk factor for a particular standard can be classified as low, but with time exposure, the risk factor would tend to escalate. The scope of the SAR doesn't seem to address this adequately. The SES understands that some method/process of addressing enforceable sanctions must be developed with as a result of NERC's effort to become certified as the ERO;

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Commenter	Yes	No	Comment
			however, in the development of such sanctions some overhaul of the compliance matrix process within all of the NERC standards may have to take place before any risk factor assignment process can be fully realized. The SES has found that it is very difficult to manage compliance to the current NERC Reliability Standards (adopted) as many gaps exist. The SES believes that levels of non-compliance in existing standards may not line up appropriately with the proposed violation risk factors. As a result, the SES asks if the intent of this SAR is that each standard will need to be evaluated and if necessary revised with the new risk factors and then be re-balloted?
<p>Response: Broader changes to the compliance elements are addressed in the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf</p> <p>The drafting team acknowledges that the definitions of 'high, medium, and lower risk' may need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements. The assignment of a specific risk 'high, medium or lower' to each approved requirement, may also need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements.</p>			
IESO (2) Ron Falsetti	✓		Provided the final ratings are accepted by the industry through due process and are meaningful.
<p>Response: The industry will be given the opportunity to provide an assessment of the rankings during one or more public posting and comment periods.</p>			
ISO New England (2) Kathleen Goodman	✓		Provided the final ratings are accepted by the industry through due process and are meaningful.
<p>Response: The industry will be given the opportunity to provide an assessment of the rankings during one or more public posting and comment periods.</p>			
Manitoba Hydro (1, 3, 5, 6) Robert Coish	✓		Assigning relative risk factors will still be based on subjective judgment. However, getting industry consensus on the risk factors will go a long way to achieving the goal of sending clear and unambiguous signals regarding the relative impact.
<p>Response: We agree.</p>			
Northeast Utilities – Transmission Group (1) C. Dale Vines	✓		However, I also believe that there are mitigating factors in addition to potential risk that should be considered.
<p>Response: There are mitigating factors that are addressed in the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf</p>			
New York ISO (2) Michael Calimano	✓		Provided the final ratings are accepted by the industry through due process on a case by case basis.
<p>Response: We agree.</p>			
Allegheny Power (1)	✓		

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Commenter	Yes	No	Comment
William J. Smith			
CenterPoint Energy (1) Paul Rocha	✓		
We Energies (3, 4, 5) Howard Rulf	✓		
Entergy Services, Inc. (1) Ed Davis	✓		

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7. Do you agree rating each NERC standard requirement and basing the enforcement action in part on this weighting would result in a fair basis for determining the base enforcement action?

Summary Consideration: Most commenters seemed to agree that having greater consistency should result in a fair basis for determining the base enforcement action.

Commenter	Yes	No	Comment
City of Tallahassee (5) Alan Gale		✓	I agree that this should be a part of the solution, but it is not the entire solution. The rating alone will not result in a COMPLETELY fair basis for all entities.
Response: We agree and other components used to determine sanctions are addressed in the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf .			
Southern Generation (6) Roman Carter Lucius Burris Roger Green Terry Crawley – So. Nuclear (5) Wayne Moore Clifford Shepard		✓	Rating each requirement of each standard with a High, Medium, or Low risk factor is not the best solution for emphasizing the importance for meeting each requirement. By placing the emphasis of being compliant to NERC standards in the Levels of Non-Compliance section will be clear, direct, and unambiguous to the entity responsible for meeting requirements.
Response: Most commenters seemed to support using 'risk factors' applied to each requirement rather than to the levels of non-compliance.			
Southern Company Services, Inc. (1) Marc M. Butts Jim Busbin Raymond Vice		✓	Again, we support the provision of a severity measurement for each of the Standards. We differ, however, in where the factor should be applied within the Standard. We agree, subject to our responses to Questions 3 - 5, that rating each Level of Non-Compliance section within a given Standard, and basing the enforcement action in part in on this weighting should result in a fair basis for determining the base enforcement action.
Response: Most commenters seemed to support using 'risk factors' applied to each requirement rather than to the levels of non-compliance.			
New York ISO (2) Michael Calimano		✓	This would only be one of the elements for establishing a fair basis for determining the base enforcement action. Other factors such as the immanency, frequency and scale of potential impact of a violation should also be considered.
Response: We agree that other factors should be considered.			
IESO (2) Ron Falsetti		✓	This would only be one of the elements for establishing a fair basis for determining the base enforcement action. Other factors such as the immanency, frequency and scale of potential impact of a violation would also need to be considered. This may require the development of sub-levels within each of the high, medium and low risk level.

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Commenter	Yes	No	Comment
<p>Response: We agree that other factors should be considered. The drafting team acknowledges that the definitions of 'high, medium, and lower risk' may need to be adjusted based on stakeholder feedback on the specific risk factors proposed for existing requirements.</p>			
ISO New England (2) Kathleen Goodman		✓	This would only be one of the elements for establishing a fair basis for determining the base enforcement action. Other factors such as the immanency, frequency and scale of potential impact of a violation should also be considered.
<p>Response: We agree that other factors should be considered.</p>			
Manitoba Hydro (1, 3, 5, 6) Robert Coish	✓		Same comment as Question 6.
<p>Response: Please see the drafting team's response to your comment on Question 6.</p>			
NERC Standards Evaluation Committee Bill Bojorquez – ERCOT	✓		See Comments to #6 above.
<p>Response: Please see the drafting team's response to your comment on Question 6.</p>			
FRCC (2) Linda Campbell Steve McCoy – FRCC Eric Senkowicz – FRCC John Odom – FRCC Paul Elwing – City of Lakeland Clark Hawkins – Lee Cty. Elec. Coop Ben Sharma – Kissimmee Utilities Ron Donahey – Tampa Electric Co. Pedro Modia – FPL	✓		If all requirements are "rated" by the same definition, it will result in a more fair and consistent understanding of the importance to reliability. This in turn should result in a more fair and consistent application of the compliance enforcement program.
<p>Response: If we use the same definitions consistently, everyone should be treated fairly.</p>			
Northeast Utilities – Transmission Group (1) C. Dale Vines	✓		Again, see comment above for mitigating factors.
<p>Response: Please see the response to your comment on mitigating factors.</p>			
Northeast Utilities – Transmission Group (1) C. Dale Vines	✓		However, I also believe that there are mitigating factors in addition to potential risk that should be considered.
<p>Response: We agree, for more information, see the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf.</p>			

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Commenter	Yes	No	Comment
We Energies (3, 4, 5) Howard Rulf	✓		
Entergy Services, Inc. (1) Ed Davis	✓		
Salt River Project (1) Michael Pfeister	✓		
Allegheny Power (1) William J. Smith	✓		
Cinergy (1, 3, 6) Jeffrey T. Baker	✓		
CenterPoint Energy (1) Paul Rocha	✓		

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8. Do you have any additional comments regarding the SAR that you believe should be addressed?

Commenter	Yes	No	Comment
Cinergy (1, 3, 6) Jeffrey T. Baker	✓		Ample time needs to be allowed for comments after the standards drafting team has reviewed industry comments and refined the initial violation risk factors list.
<p>Response: We agree, as per the Standards Process. We anticipate at least two postings for comment, one in April and the other in July.</p>			
NERC Standards Evaluation Committee Bill Bojorquez – ERCOT	✓		<p>The SES commends the SAR drafting team for their efforts and appreciates the opportunity to provide these comments. While the SES supports the general approach proposed in this SAR, we remained somewhat concerned that the potential exists that industry may begin to experience an lengthening of time for standard development and approval due to the nature of the expected debate over particularly requirements which may be deemed high risk. This is due to the fact that by its nature, risk identification and determination can be highly subjective to differing parties. By including the risk matrix with each Reliability Standard, NERC will be contemplating standards which have both a technical component (where we expect most stakeholders to agree) and a value component (where significant debate may occur). The SES believes in the long run, these value debates may be very important and useful to future SDTs in refining proposed standards into more improved standards.</p>
<p>Response: We agree that ‘value’ debates will become part of the standards process itself and should be important and useful to future SDTs in refining proposed standards into more improved standards.</p>			
Manitoba Hydro (1, 3, 5, 6) Robert Coish	✓		<p>I have a concern that balloting all the risk factors as one package will result in some bad or poor results for some standards. The industry should no longer be accepting poor standards for the sake of getting a large number of standards dealt with at the same time as happened with Version 0. The standard drafting team should seek a process which will effectively weed out poor results (or those that are difficult to deal with) identified by stakeholders comments. This may require splitting up the results into several different sets for balloting, for example. Also, once consensus is reached on the risk factors for a given standard, that standard should be revised to include the risk factors - and not leave the risk factor matrix as a stand alone part of the standards for several years. Let’s aim to get good quality stand alone standards.</p>
<p>Response: We agree that it is important to develop high quality standards. In addition, risk factors will be moved into the drafting process, which will allow for increased debate as the standards are developed.</p> <p>The drafting team has not yet developed its detailed implementation plan and does not know how it will ballot these standards. We will consider your comment suggestion a subdivision of the standards into multiple ballots, when we draft the implementation plan.</p>			

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Commenter	Yes	No	Comment
<p>Adding the risk factors to the approved standards is more of a 'format' issue than a technical issue. The drafting team will forward your suggestion to the VP and Director of Standards for consideration.</p>			
<p>Southern Company Services, Inc. (1) Marc M. Butts Jim Busbin Raymond Vice</p>	<p>✓</p>		<p>There are presently something on the order of 858 Standard requirements, each with a proposed risk factor assigned. Our question for the drafting team concerns the decision to assign a risk factor to a requirement within a Standard instead of assigning it to the overall Level of Non-Compliance section [but not individual Levels (1, 2, 3 & 4)] of the Standard. As an example, consider Standard BAL-002-0 (Disturbance Control Performance). There are 20 requirements in this Standard that enter into an entity's ability to be compliant with the Standard - or not. Compliance, or not, is the end result and that which will cause the entity to be penalized should it not be compliant. In the Standard we reference above, BAL-002-0; it is the question, "did the entity maintain/secure sufficient Contingency Reserve to balance resources and demand and return Interconnection Frequency within defined limits following a Reportable Disturbance, or not?" which determines whether compliance was, or was not, met. By assigning risk factors to the individual requirements we can only assume the intent of the team is to investigate the cause of the non-compliant event and identify which requirements contributed to non-compliance. [In this same vein, it will be interesting to see how these risk factors are utilized when determining penalties for multiple requirement deficiencies, with different risk types assigned, which result in a non-compliance event. This, however, is outside the scope of this SAR.] We would like to hear the drafting team's argument for assigning risk factors to individual requirements in the Requirements section of the Standard instead of the Level of Non-Compliance section.</p> <p>To continue our DCS non-compliance example to its penalty phase, we will expand it into two scenarios - one where Requirement R1 (Risk Factor = High) was not met and resulted in non-compliance, and the other where Requirement R1.1 (Risk Factor = Lower) was not met and resulted in non-compliance. We will assume: a "Level 3" Level of Non-Compliance, use of the Base Sanction Table found on page 5 of the ERO Sanction Guidelines (Draft 8), utilize no aggravating or mitigating adjustment factors and a general adjustment factor = 1. Non-Compliance due to a deficient R1 requirement results in a penalty of \$80,000 while a non-compliant event due to a deficient R1.1 requirement results in a \$10,000 penalty - both result in the same impact to reliability.</p> <p>In the absence of the drafting team's argument for assigning risk factors to the Requirements section of the Standard, as opposed to the Level of Non-Compliance section of the Standard, we recommend the assignment of violation risk factors to the Level of Non-Compliance section of the Standard only. We find that the assignment of violation risk factors to the requirements of a Standard result in an overly</p>

Proposed Violation Risk Factor SAR – Comment Report

Commenter	Yes	No	Comment
			complicated process. Generally, we can support the addition of Violation Risk Factors to the Standards; however, our preference is to see the factors utilized as we have described in our response.
Response: Most commenters seemed to support using 'risk factors' applied to each requirement rather than to the levels of non-compliance.			
FRCC (2) Linda Campbell Steve McCoy – FRCC Eric Senkowicz – FRCC John Odom – FRCC Paul Elwing – City of Lakeland Clark Hawkins – Lee Cty. Elec. Coop Ben Sharma – Kissimmee Utilities Ron Donahey – Tampa Electric Co. Pedro Modia – FPL	✓		What is the plan to place risk factor assignments on the requirements that have been recently approved by the NERC BOT? Many standards are under development now that will also fall in a "gap" between the matrix ESDS has developed with this SAR, and when the process is modified to have standards drafting teams begin to incorporate assignment of risk factors in the development process?
Response: The group believes that NERC staff will have to assess which of the standards recently approved or currently under development will need to have a risk factor assigned by the Violation Risk Factor drafting team, and which standards will be able to have risk factors determined by the individual drafting teams. This will be determined by where the standard is in the development process			
Northeast Utilities – Transmission Group (1) C. Dale Vines	✓		Very good start, but potential impact must be weighed against a variety of mitigating probabilities to accurately assess violation severity and penalties.
Response: We agree, and this is addressed in the ERO Sanction Guidelines posted on the NERC web site: ftp://www.nerc.com/pub/sys/all_updl/ero/application/Appendix-4-ERO-Sanction-Guidelines.pdf .			
City of Tallahassee (5) Alan Gale		✓	I have placed all my comments above.
Response: Thank you			
Southern Generation (6) Roman Carter Lucius Burris Roger Green Terry Crawley – So. Nuclear (5) Wayne Moore Clifford Shepard		✓	
New York ISO (2)		✓	

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Commenter	Yes	No	Comment
Michael Calimano			
We Energies (3, 4, 5) Howard Rulf		✓	
Entergy Services, Inc. (1) Ed Davis		✓	
IESO (2) Ron Falsetti		✓	
ISO New England (2) Kathleen Goodman		✓	
Salt River Project (1) Michael Pfeister		✓	
Allegheny Power (1) William J. Smith		✓	