MEMORANDUM OF UNDERSTANDING
REGARDING TO and TOP COMPLIANCE OBLIGATIONS

This Memorandum of Understanding ("Memorandum" or "MOU) is between **[Entity]**, **and** the (Regional Entity) ("RE") as delegate of the North American Electric Reliability Corporation ("NERC") in the registration and compliance monitoring and enforcement processes**.** **[Entity]** and RE are referred to herein as "Party" or "Parties" as the case may be. NERC is not a party to this MOU, but the Parties enter into this MOU with the understanding that NERC is aware of the Parties' intent to execute this MOU and have its terms apply to **[Entity]'s** and RE's activities associated with Reliability Standards and the Compliance Monitoring and Enforcement Program.

This MOU sets forth Reliability Standards that will be applied to **[Entity]** associated with its registration as a Transmission Owner ("TO") and/or Transmission Operator ("TOP") as well as the Reliability Standards which will be applicable to [Entity] until either of the Parties terminate this MOU as provided for herein.

RECITALS

WHEREAS, the Energy Policy Act of 2005 was signed into law in August 2005, which added a new Section 215 to the Federal Power Act giving the Federal Energy Regulatory Commission ("FERC") authority over developing and enforcing reliability standards for the Bulk Power System;

WHEREAS, in Docket RR06-1-000, 116 FERC ¶ 61,062 FERC certified NERC as the Electric Reliability Organization ("ERO");

WHEREAS, in Docket RM06-16-000, 118 FERC ¶ 61,218 ("Order No. 693") and in Docket RM06-22-000, 122 FERC ¶ 61,040 ("Order No. 706"), and in other orders, FERC has approved various Reliability Standards applicable to users, owners and operators of the Bulk Power System developed by NERC, and FERC intends to approve additional Reliability Standards;

WHEREAS, NERC, through the RE Delegation Agreement, as amended from time to time, has delegated authority to RE for the purposes of proposing Reliability Standards to the ERO and enforcing Reliability Standards within the RE's footprint;

WHEREAS, TOs and TOPs are required to register with NERC in accordance with the NERC Statement of Compliance Registry Criteria and to comply with specified Reliability Standards applicable to them;

WHEREAS, **[Entity]** is a user, owner, or operator of the bulk power system and is or could be registered by NERC as a [TO and/or TOP] on the NERC Compliance Registry;

WHEREAS, the application of various TO and TOP applicable Reliability Standards to entities such as [Entity] is a matter currently being reviewed and subject to change, see NERC Project 2010-07 Generator Requirements at the Transmission Interface, and, in the interim, as part of the registration and compliance monitoring and enforcement processes, the Parties wish to specifically identify the NERC and RE reliability standards and requirements for which **[Entity]** will be subject to compliance monitoring and enforcement processes, pending completion of any Reliability Standards modifications that may result from the above referenced or similar Projects or until this MOU is terminated by a Party as provided herein;

UNDERSTANDINGS

NOW THEREFORE, in view of the recitals set forth above, which the Parties acknowledge and agree are accurate representations of the facts and are hereby incorporated by reference, the Parties mutually acknowledge the following understandings.

1. DEFINITIONS.

Unless otherwise defined herein, all capitalized terms shall have the meaning set forth in the FERC-approved NERC Glossary of Terms, the NERC Functional Model, the RE/NERC Delegation Agreement, the Compliance Monitoring and Enforcement Program ("CMEP"), and the NERC Rules of Procedure.

"Minimum Applicable Reliability Standard" means a Reliability Standard for which **[Entity]**, in its capacity as a [TO and/or TOP], is or will be subject to the compliance monitoring and enforcement activities specified in the CMEP. **[Entity]**'s Minimum Applicable Reliability Standards are identified at Appendix 1 of this MOU.

"Reliability Standard" means a mandatory Reliability Standard approved by FERC under Section 215 of the Federal Power Act to provide for reliable operation of the Bulk Power System. This definition includes NERC and RE Regional Reliability Standards which have been approved by FERC.

2. SCOPE OF THIS MEMORANDUM

This MOU is applicable to **[Entity]'s** registration as a **[TO and/or TOP]**. To the extent that **[Entity]** may also be registered for other functions, this MOU is not applicable to those functions.

3. RELIABILITY STANDARDS

The Minimum Applicable Reliability Standards are set forth in Appendix 1 to this MOU. RE will update Appendix 1 on an annual basis to reflect FERC approved modifications, deletions and additions to the Minimum Applicable Reliability Standards. RE, in its sole discretion, may include a Reliability Standard to the Appendix 1 list of Minimum Applicable Reliability Standards if the Reliability Standard for any reason becomes applicable to the TO or TOP function subsequent to execution of this MOU.

[Entity's] compliance with any Minimum Applicable Reliability Standard set forth in Appendix 1, or to be included in an Appendix 1 at a future date, shall occur within the time period or on the date arising from FERC approval of such Reliability Standard. If any such time period or date has passed as of the date of execution of this MOU or [Entity] is unable to comply with any Minimum Applicable Reliability Standard within the time period or on the date applicable to a Minimum Applicable Reliability Standard, the processes set forth in the CMEP are applicable to any **[Entity]** non-compliance with such Applicable Reliability Standard.

4. THIRD PARTY PERFORMANCE OF TASKS ASSOCIATED WITH RELIABILITY STANDARD REQUIREMENTS

It is understood that an **[Entity]** may enter into agreements to use qualified third party contractors or agents to meet its obligations under Reliability Standards. Although an entity may enter into such agreements, the ultimate responsibility for ensuring compliance with Reliability Standard requirements remains with the registered entity.

5. CHANGE IN COMPLIANCE RESPONSIBILITY OR REGISTRATION STATUS OF ENTITY

[Entity]'s compliance responsibilities and obligations treated in this MOU may be assigned to another Registered Entity only with written RE approval and under applicable law. Should the status of **[Entity]** as a **[TO and/or TOP]** change for any reason, including but not limited to acquisition, transfer, sale or other transaction involving **[Entity]** or its facilities, **[Entity]** will promptly notify RE.

6. AUDITS AND ENFORCEMENT

[Entity] understands that its compliance with Minimum Applicable Reliability Standards is subject to audit, enforcement and possible mitigation, penalties or sanctions pursuant to Section 215 of the Federal Power Act and related regulations, orders and policies of FERC, NERC and RE. RE may monitor, assess, and enforce compliance with applicable Reliability Standards using any and all available monitoring, assessment and enforcement activities allowed by NERC and FERC.

7. GENERAL TERMS AND CONDITIONS

7.1 Dispute Resolution. Any dispute regarding an enforcement action asserting non-compliance with any Minimum Applicable Reliability Standard will be resolved in accordance with Section 5.0 of the CMEP.

7.2 Liability. Except for corrective action, penalties and sanctions assessed pursuant to applicable law, no Party to this MOU will be liable to any other party for any indirect, special, incidental or consequential losses, damages, claims, liabilities, costs or expenses (including attorneys fees and court costs) arising from the performance or non-performance of its obligations explicitly arising under the operation of this MOU.

7.3 Confidentiality. RE acknowledges that for the purposes of this MOU and in its activities monitoring and enforcing Minimum Applicable Reliability Standards, it may receive information from **[Entity]** that has been marked "Confidential" in accordance with Section 1500 of the NERC Rules of Procedure. Where so marked, RE will protect such information from disclosure in accordance with the procedures set forth at Section 1500 of the NERC Rules of Procedure ("ROP") and Section 9.0 of the CMEP. However, nothing contained in the body of this MOU is intended to constitute Confidential Information as defined in NERC ROP 1501. This MOU will not be treated as confidential; RE may release this MOU to third parties upon request, with written notification of said release to **[Entity]**.

7.4 No Contract or Third Party Beneficiaries. This MOU is intended to document the Parties' mutual understandings. This MOU is not intended to and does not create rights, remedies, or benefits of any character whatsoever in favor of any persons, corporations, associations, or entities including the Parties or any Third Party.

7.5 Multiple Counterparts. This MOU may be executed in two or more counterparts, each of which is deemed an original but all constitute one and the same instrument.

7.6 No Partnership. This MOU will not be interpreted or construed to create an association, joint venture, agency relationship, or partnership between the Parties or to impose any partnership obligation or partnership liability upon any Party. No Party will have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, another Party.

7.7 Governing Law. The interpretation of this MOU will be governed by the law of [**to be determined**], excluding its conflicts of law rules, except if a federal party is involved, in which case federal law will apply as if performed within the state of [to be determined].

7.8 Notices.
Any written notice provided in this MOU will be transmitted via electronic mail to the persons identified in herein followed with a hard copy delivered in person, sent by overnight mail or United States certified mail within three (3) days of the electronic mail transmission. Electronic mail notice will be deemed effective upon transmission unless the Party sending the electronic mail learns that delivery was unsuccessful, in which case notice is deemed effective upon service of the hard copy. Any Party may at any time, by at least fifteen (15) days notice to the other Party, change the designation or address of a person specified herein. Such a change will not constitute an amendment to this MOU. Notices under this section pertain only to this MOU and do not affect or alter any notification requirements or timelines specified in the NERC ROP or the CMEP.

Notices shall be sent to: XXXXXX

8.0 TERMINATION

RE or **[Entity]** may terminate this MOU at any time by providing written notice within XXXX days. Violations of applicable Reliability Standards as of the termination date survive this termination provision. In addition, violations committed prior the termination date but discovered after the termination date also survive termination of the agreement. Finally, termination does not affect registration as a TO/TOP.

IN WITNESS WHEREOF, the Parties have executed this MOU and it is effective as of date of the last signature below.

Dated: RE

By _____

Dated: **[Entity]**

By _____

APPENDIX 1

APPLICABLE RELIABILITY STANDARDS