



Constellation Energy

Control and Dispatch, LLC

A Member of Constellation Energy
500 Dallas Street, Houston, Texas 77002

January 28, 2008

Via Email and Certified Mail

SERC Reliability Corporation
Thomas J. Galloway
Compliance Director
2815 Coliseum Centre Drive, #500
Charlotte, NC 28217

Re: Response to Notice of Alleged Violation and Proposed Penalty or Sanction
NERC Violation Tracking ID Number: SERC200700040
SERC Issue Tracking Number: 2007-201

Constellation Energy Control and Dispatch (CECD), as the Balancing Authority service provider, for the Batesville Balancing Authority (BBA), received a Notice of Alleged Violation and Proposed Penalty or Sanction on December 28, 2007. As described in Section III of the Notice, SERC must be notified in writing by January 28, 2008, of BBA's decision to: (Option 1) not contest the Alleged Violation or the recommended penalty or sanction, (Option 2) not contest the Alleged Violation yet contest the recommended penalty or sanction, or (Option 3) contest both the Alleged Violation and the recommended penalty or sanction.

BBA has authorized CECD to submit the following on its behalf:

"BBA agrees with the Alleged Violation of PER-002-0, R3.1 and the proposed penalty or sanction of zero dollars (\$0.00)."

Therefore, in addition to this written response, BBA is submitting a Mitigation Plan that requires CECD to modify documented training objectives reflected in the Balancing Authority training program.

Please also find attached comments relating to the Alleged Violation which BBA would like to have posted with the final report of the Balancing Authority's Violation of PER-002-0 R3.1.

Please direct any questions to JT Thompson, Vice President CECD at (713) 332-2901.

Respectfully submitted,

JT Thompson,
Vice President CECD

Cc: Gary Cunningham, Goldman, Sachs & Co.

Comments on Notice of Alleged Violations of NERC Reliability Standard PER-002, R.3.1 (SERC Tracking Number(s): 2007-206, 2007-204,, 2007-202, 2007-223, 2007-205, 2007-203, 2007-201)

Date: January 28, 2008

Statement of Facts

Constellation Energy Control and Dispatch, LLC, (CECD) is the Balancing Authority service provider for ten (10) Balancing Authorities ("Indicated Balancing Authorities") located in both the SERC Reliability Corporation (SERC) and the Western Electric Coordinating Council (WECC) footprint.¹ Nine (9) of the Balancing Authorities were scheduled to undergo compliance audits in 2007.² The compliance audit started October 23, 2007, with an introduction, a description of the audit process, and an overview of the Balancing Authorities. The audit concluded on October 26, 2007, with a summary of the audit team's findings, reflecting full compliance by the Balancing Authorities with each of the standards reviewed except one.³ The exception was noted on NERC Reliability Standard PER-002-0, Requirement 3.1, and the audit team expressed their opinion that a Possible Violation existed. The audit team indicated that the required elements were present in the training program; however the documentation did not

¹ SERC: City of North Little Rock (DENL), City of Ruston (DERS), Union Power Partners (PUPP), City of Conway (CNWY), City of West Memphis (WMUC), Batesville Generating Facility unit 1 and 2 (BBA), City of Benton (BUBA)

² The City of Benton (BUBA) started operating as a Balancing Authority in April 2007, and was not included in the compliance audit.

³ BAL 001-003 and 006; CIP 001; COM 001-002; EOP 001-003, 005, and 008; IRO 001, 004, 005, 006; PER 001 and 003, TOP 001, 003, and 005

adequately capture the requisite objectives. On December 29, 2007, SERC issued Notices of Alleged Violation via email⁴ and certified mail. The “Facts and Evidence of Alleged Violation” presented in Table A of the notice state the “Entity is in violation of PER-002-0. R3.1 for failure to have a set of training program objectives referencing the knowledge and competencies needed to apply standards, procedures, and requirements to normal, emergency, and restoration conditions.”

Issues Presented

Whether the Indicated Balancing Authorities’ training program contains a set of training objectives that are based on NERC and Regional Reliability Organization standards, entity operating procedures, and applicable regulatory requirements? Do the objectives reference the knowledge and competencies needed to apply those standards, procedures, and requirements to normal, emergency and restoration conditions for the Balancing Authority operating positions?

Brief Answer

Yes, the Indicated Balancing Authorities’ training program objectives are defined, they are based on NERC and Regional standards, entity operating procedures and applicable regulatory requirements, and they include references to the knowledge and competencies needed to apply these elements under normal, emergency and restoration conditions for the Balancing Authority as appropriate.

Discussion

The Personnel Performance, Training and Qualification standards have been a topic of discussion for many years. In fact, well before FERC began to review standards

⁴ Email from Cindy Rankin to JT Thompson on December 28, 2007, at 04:19 PM. Attachment “Constellation Energy Control PKG (7) 12-28-07” contains the “Notice of Alleged Violation and Proposed Penalty or Sanction” for each of the SERC Balancing Authorities.

in preparation for Order 693 there was a proposal, a Standards Authorization Request (SAR), submitted for industry consideration by the NERC Personnel Subcommittee dealing with training system operators.⁵ This post-August 2003 Blackout SAR stated that “[a] training standard is required to set the minimum acceptable requirements for the development, implementation and maintenance of initial and continuing System Personnel Training Programs.” The subsequent revisions to the SAR further clarified the need for, and purpose of, a new training standard, leading to the drafting phase of the process.⁶ NERC Reliability Standard PER-005-0 was initially posted for comment near the end of 2006 with a requirement for a Balancing Authority to document [in its training program], for each activity [identified in a job task analysis], the objectives and assessments that duplicate [mirror] the criteria for successful performance of a defined activity and mastery of the knowledge and skills needed to perform the related task.⁷ The latest draft of the proposed standard establishes the mandate to develop a systematic approach to training (SAT), including a company-specific list of task performed by the operators and an obligation to verify the operator’s ability to perform the tasks listed.⁸ Furthermore, measures in this draft require a Balancing Authority to have available for inspection evidence of an SAT-developed BES System Operator training program with evidence of the following SAT-related outcomes in addition to the task list: (M1.2)

⁵ Standard Authorization Request, System Personnel Training, Requestor NERC Personnel Subcommittee, Request Date July 1, 2004 (revised December 1, 2004)

⁶ Standard Authorization Request, System Personnel Training, Requestor NERC Personnel Subcommittee, Request Date July 1, 2004 (revised February 8, 2006) [Required competency cannot be measured without taking a systematic approach to developing training, which includes determining competency required by tasks and the existing competency of employees.”] Standard Authorization Request, System Personnel Training, Requestor NERC Personnel Subcommittee, Request Date July 1, 2004 (revised April 12, 2006) [The purpose of this training SAR is to “ensure that System Operators performing real-time, reliability related tasks on the North American Bulk Electric System are competent to perform those tasks. The competency of system operators is critical to the reliability of the North American Bulk Electric System.”]

⁷ NERC Reliability Standard PER-005-0, System Operator Training, Draft 1, Requirement 7 and 7.9.

⁸ NERC Reliability Standard PER-005-0, System Operator Training, Draft 2, Requirement 1 and 4.

training materials that result in learning objectives and content that is derived from results of training analysis and (M1.4) evaluations and assessments of training delivered to determine if learning objectives are met.

The overarching theme for the new training standard has been to clarify that training objectives for an explicit task, or set of tasks, should be defined to ensure competency. In other words, a learning objective should be linked with identified job tasks performed by the operator to permit a trainer to measure actual understanding. This brief history of the new training standard illustrates two points that CECD would like to highlight. First, the modifications demonstrate that detailed Requirements are designed to ensure training programs meet the more explicit expectations of the enforcement authorities. Secondly, it is clear that the current PER-002-0 standard does not specify compliance elements in this level of detail and the current training program requirements should be judged accordingly.

The current NERC Reliability Standard PER-002-0, Operating Personnel Training, contains four (4) requirements applicable to Balancing Authorities. The first requirement is for entities to be staffed with “adequately trained” operating personnel. The second requirement describes the operating personnel who must participate in the training program. The third requirement describes the objectives of the training program. The fourth, and last, requirement establishes an emergency operations training obligation. The audit team found the Balancing Authorities to be fully compliant with each of the above requirements except for Section 3.1. of Requirement 3, which states:

- R3. The Balancing Authority shall provide a training program meeting the following criteria:

- R3.1 A set of training program objectives must be defined, based on NERC and Regional Reliability Organization standards, entity operating procedures, and applicable regulatory requirements. These objectives shall reference the knowledge and competencies needed to apply those standards, procedures, and requirements to normal, emergency, and restoration conditions for the Transmission Operator and Balancing Authority operating positions.

In the present cases, evidence was presented that a training program does exist for the appropriate operating personnel that perform Balancing Authority services.⁹ The evidence consisted of multiple documents; including material from NERC approved training programs, which in combination reflect a training program with appropriate objectives.

Foremost in response to these allegations are examples of the objectives embedded in the training program (See Attachment A). In *PER-002-0 Operating Personnel Training* Section 1.2, operators “are required to complete and document their training in coordination with the CECD Vice President, which at minimum consists of the following:” (i) forty hours of training in emergency operation, per NERC recommendations or through an accredited program, (ii) maintaining Balancing Authority certification, related skills and knowledge through on-the-job training that reinforces operating procedures that are in compliance with NERC and Regional Reliability Standards, testing and continuing education requirements, and (iii) attending courses held by qualified third party vendors approved by the CECD Vice President. In the same document there is a list of Recommended Operating Training Topics, generated in the

⁹ Master Balancing Authority Protocol PER-002-0 Operating Personnel Training, CECD Staffing Policy, Training Policy – Goals and Objectives Constellation Energy Control and Dispatch Department, Training Procedures and Guidelines Constellation Energy Control and Dispatch Department, System Operator Initial Training Program (Overview), Ongoing Training Program, OJT Qualification Card, and the CECD System Operator Initial Training Program Notebook.

NERC Operating Committee that the Indicated Balancing Authorities use as a guide for determining appropriate training subject matter. In the *Training Policy – Goals and Objectives Constellation Energy Control and Dispatch Department*, section 3.1 it states that the goal for the training program is “to meet or exceed the ERO and RE [Regional Entity] training requirements, CECD Qualifications, and to maintain records of required training for periodic audit and review.” Likewise, the objective in the Training Policies is to develop a training program that ensures operators maintain the core knowledge requirements established in the ERO and RE standards, as well as knowledge that is pertinent to the operation of the Balancing Authority Areas serviced by CECD. In the *Training Procedures and Guidelines Constellation Energy Control and Dispatch Department*, there is a description of where specific training objectives are located as well as an example of a training objective.¹⁰ In the *Initial Training Program* (outline) there are fourteen subject areas with information related to course identification and course objectives.¹¹ In the first subject area *Electric Industry Overview* the class title is Electric Power 101 and the objectives are to show the “evolution of the industry” and “our impact on the system.” Other examples from the subject areas include *Power Generation Fundamentals* (objective is to understand “Power Plant Basics, Field Trip to Power Plant, and GO/GOP standards”) or *Effective Communication Training* (objective is to “Identify the four stages of the effective communication skills cycle, appreciate the skills involved in effective communication, identify your natural communication style, see

¹⁰ (“CECD maintains a training plan which contains both initial and ongoing training programs that contain “CECD maintains a training plan which contains both initial and ongoing training programs that contain objectives that are tied to NERC and Regional standards and their application in maintaining reliable operations. . . . For example, both new and experienced operators must have knowledge of basic electricity fundamentals, the Reliability Standard Requirements and tasks, tools, or procedures described in the Qualification Card.”

¹¹ Attachment B reflects a matrix of the subject areas and their related objectives/knowledge and competency and operating conditions, if applicable.

how your communication style can impact the communication process, and understand how to improve the way you communicate). There also may be examples where a training objective is captured in the training material. In the subject area, *Electrical Theory & Principles*, a training module developed by PJM is used that consists of six lessons and the unit objectives are described within each lesson. There are also examples where a general objective is listed in the outline, but a more specific objective is listed in the training material. Under the *Normal Operations* subject area, there is a general objective described as *CECD Operations Manual*. Inside the training material there is a clear-cut objective to “provide system operators with an outline of the structure of the manual and how they are to use it.” The objective stated in the *Ongoing Training Program* is to require operators to:

“participate in training that focuses on NERC and Regional standards and their application in maintaining reliable operations under, normal, emergency, and restoration conditions. The initial training program contains a list of relevant topics which experienced operators shall use to determine if they maintain the level of knowledge and competency. In addition, the following training objectives must be met: (1) Meet all continuing education requirements established by NERC and Regional Entities. (2) Meet Emergency Training requirements established by NERC.

The OJT Qualification Card (the Qual Card) lists job tasks/objectives that must be mastered by system operating personnel with a sign-off needed by management. Based on the information presented, it is clear that the training program does have appropriate objectives as required by section 3.1.

It also is important to note that the training objectives simultaneously reflect the knowledge and competencies that are expected from the system operators. In other words, the objectives of a training program are intended to reflect the range of

information with which operators should be familiar to be qualified to perform there job. Additionally, not every training objective deals with the application of NERC and Regional Reliability Organization standards, entity operating procedures, and applicable regulatory requirements to normal, emergency, and restoration conditions for a system operator. Training may be provided to establish a general understanding of a certain subject matter, such as industry history or electrical theory, rather than to teach a definite operator response under a limited set of operating conditions. There are training objectives that apply some combination of the three operating conditions described. For example, material may focus on emergency and restoration operations but not normal operation. This is a reasonable interpretation given that the alternative would require every training objective, regardless of the material presented, to include statements relating to normal, emergency and restoration conditions and likely subject many training programs to a non-compliance finding. Therefore, a reference to normal, emergency and restoration conditions are not always applicable to every objective in a training program, and that a training objective cannot be judge non-compliant for not referencing non-applicable operating conditions.

Conclusion

The industry has recognized the need for modifications to the existing training standard for some time now, and the changes will require a significant overhaul of many existing training programs. Though the training program at issue may not meet all the requirements described in the new standard, it does appear, based on the information reflected above, to meet the minimum requisites under the existing requirements. First, there are objectives reflected in the training program documents. Secondly, these

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objectives reflect the knowledge and competency for the training material. Finally, where applicable the objectives reference normal, emergency and restoration activities. The training program is being revised to capture the recommendations of the audit team as a matter of good operating practice and in preparation for the new training standard. For this reason, and because SERC is not proposing any penalties with respect to this alleged violation, the Indicated Balancing Authorities will not contest the notice.