

May 26, 2015

VIA ELECTRONIC FILING

David Erickson
President and Chief Executive Officer
Alberta Electric System Operator
2500, 330 - 5 Avenue SW
Calgary, Alberta
T2P 0L4

RE: *North American Electric Reliability Corporation*

Dear Mr. Erickson:

The North American Electric Reliability Corporation (“NERC”) hereby submits Notice of Filing of the North American Electric Reliability Corporation of Proposed Reliability Standard CIP-014-2. NERC requests, to the extent necessary, a waiver of any applicable filing requirements with respect to this filing.

NERC understands the AESO may adopt the proposed reliability standards subject to Alberta legislation, principally as established in the *Transmission Regulation* (“the T Reg.”). Briefly, it is NERC’s understanding that the T Reg. requires the following with regard to the adoption in Alberta of a NERC Reliability Standard:

1. The AESO must consult with those market participants that it considers are likely to be directly affected.
2. The AESO must forward the proposed reliability standards to the Alberta Utilities Commission for review, along with the AESO’s recommendation that the Commission approve or reject them.
3. The Commission must follow the recommendation of the AESO that the Commission approve or reject the proposed reliability standards unless an interested person satisfies the Commission that the AESO’s recommendation is “technically deficient” or “not in the public interest.”

Further, NERC has been advised by the AESO that the AESO practice with respect to the adoption of a NERC Reliability Standard includes a review of the NERC Reliability Standard for applicability to Alberta legislation and electric industry practice. NERC has been advised that, while the objective is to adhere as closely as possible to the requirements of the NERC Reliability Standard, each NERC Reliability Standard

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approved in Alberta (called an “Alberta reliability standard”) generally varies from the similar and related NERC Reliability Standard.

NERC requests the AESO consider Proposed Reliability Standard CIP-014-2 for adoption in Alberta as an “Alberta reliability standard(s),” subject to the required procedures and legislation of Alberta.

Please contact the undersigned if you have any questions.

Respectfully submitted,

/s/ Holly A. Hawkins

Holly A. Hawkins
*Associate General Counsel for the North
American Electric Reliability Corporation*

Enclosure

**BEFORE THE
ALBERTA ELECTRIC SYSTEM OPERATOR**

**NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION)**

**NOTICE OF FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
OF PROPOSED RELIABILITY STANDARD CIP-014-2**

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**BEFORE THE
ALBERTA ELECTRIC SYSTEM OPERATOR**

**NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION)**

**NOTICE OF FILING OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
OF PROPOSED RELIABILITY STANDARD CIP-014-2**

The North American Electric Reliability Corporation (“NERC”) hereby submits proposed Reliability Standard CIP-014-2.¹ Consistent with Federal Energy Regulatory Commission (“FERC”) Order No. 802², proposed Reliability Standard CIP-014-2 modifies Reliability Standard CIP-014-1 by removing the term “widespread” from Requirement R1. As discussed below, removing the term “widespread” will help ensure that: (1) applicable entities identify the appropriate critical facilities under Requirement R1; and (2) the ERO enforces the Reliability Standard in a consistent manner. The proposed Reliability Standard CIP-014-2 (Exhibit A) is just, reasonable, not unduly discriminatory, or preferential, and in the public interest.

This filing presents the technical basis and purpose of the proposed Reliability Standard, a summary of its development history (Exhibit F), and a demonstration that the proposed Reliability Standard meets the Reliability Standards criteria (Exhibit C). The NERC Board of Trustees adopted proposed Reliability Standard CIP-014-2 and the associated Implementation Plan on May 7, 2015.

¹ Unless otherwise designated, all capitalized terms shall have the meaning set forth in the *Glossary of Terms Used in NERC Reliability Standards*, available at http://www.nerc.com/files/Glossary_of_Terms.pdf.

² *Physical Security Reliability Standard*, Order 802, 149 FERC ¶ 61,140 (2014).

I. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to the following:

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II. BACKGROUND

A. NERC Reliability Standards Development Procedure

The proposed Reliability Standard was developed in an open and fair manner and in accordance with the Reliability Standard development process. NERC develops Reliability Standards in accordance with Section 300 (Reliability Standards Development) of its Rules of Procedure and the NERC Standard Processes Manual.³ NERC's proposed rules provide for reasonable notice and opportunity for public comment, due process, openness, and a balance of interests in developing Reliability Standards and thus satisfies certain of the criteria for approving Reliability Standards. The development process is open to any person or entity with a legitimate interest in the reliability of the Bulk-Power System. NERC considers the comments

³ The NERC Rules of Procedure are available at <http://www.nerc.com/AboutNERC/Pages/Rules-of-Procedure.aspx>. The NERC Standard Processes Manual is available at http://www.nerc.com/comm/SC/Documents/Appendix_3A_StandardsProcessesManual.pdf.

of all stakeholders, and a vote of stakeholders and the NERC Board of Trustees is required to approve a Reliability Standard before NERC submits the Reliability Standard to the applicable governmental authorities.

B. Order No. 802

On November 20, 2014, FERC issued Order No. 802 approving Reliability Standard CIP-014-1. NERC developed Reliability Standard CIP-014-1 in response to a FERC order issued March 7, 2014 directing NERC to submit for approval one or more Reliability Standards to address physical security risks and vulnerabilities of critical facilities on the Bulk-Power System.⁴ FERC found that Reliability Standard CIP-014-1 satisfied the directives in the March 7 Order.

In addition to approving Reliability Standard CIP-014-1, FERC directed NERC to remove the term “widespread” from Requirement R1 of CIP-014-1, or alternatively, to propose modifications to the Reliability Standard that address FERC’s concerns related to the term “widespread.”⁵ In the March 7 Order, FERC stated that a critical facility is:

one that, if rendered inoperable or damaged, could have a critical impact on the operation of the interconnection through instability, uncontrolled separation or cascading failures on the Bulk- Power System.

Requirement R1 of CIP-014-1, which addresses the directive in the March 7 Order that owners and operators of the Bulk-Power System perform a risk assessment of their systems to identify their critical facilities, includes much of the language from the March 7 Order with the addition of the term “widespread” before the term “instability.” Specifically, CIP-014-1, Requirement R1 provides that Transmission Owners must perform risk assessments:

⁴ *Reliability Standards for Physical Security Measures*, 146 FERC ¶61,166 (2014) (“March 7 Order”).

⁵ Order No. 802 at PP 18-19, 31-35.

designed to identify the Transmission station(s) or Transmission substation(s) that if rendered inoperable or damaged could result in *widespread* instability, uncontrolled separation, or Cascading within an Interconnection. (Emphasis added).

In Order No. 802, FERC determined that inclusion of the undefined term “widespread” is unclear with respect to the obligation it imposes on applicable entities and introduces excessive uncertainty in identifying critical facilities under Requirement R1.⁶ FERC stated that the identification of critical facilities under Requirement R1 “should not be dependent on how an applicable entity interprets the term ‘widespread’ but instead should be modified to make clear that a facility that has a critical impact on the operation of an Interconnection is critical and therefore subject to Requirement R1.”⁷

FERC directed NERC to submit a responsive modification to address FERC’s concerns within six months from the effective date of Order No. 802, which is May 20, 2015.

C. Procedural History of Proposed Reliability Standard CIP-014-2

As further described in Exhibit F hereto, following the issuance of Order No. 802, NERC posted a revised Standards Authorization Request for a 30-day information comment period to address the directives issued in Order No. 802. On February 20, 2015, NERC posted the proposed Reliability Standard for an initial 45-day comment period and 10-day ballot. The initial ballot received a quorum of 88.33% and an approval of 89.95%. After addressing industry comments on the initial draft of the proposed Reliability Standard, NERC posted the proposed Reliability Standard for a final ballot, which received a quorum of 92% and approval of 92.35%. The NERC Board of Trustees adopted proposed Reliability Standard CIP-014-2 and the associated Implementation Plan on May 7, 2015.

⁶ *Id.* at PP 19, 35.

⁷ *Id.* at P 33.

III. JUSTIFICATION

As discussed below and in Exhibit C, proposed Reliability Standard CIP-014-2 satisfies the Reliability Standards criteria and is just, reasonable, not unduly discriminatory or preferential, and in the public interest. Consistent with Order No. 802, proposed Reliability Standard CIP-014-2 modifies Reliability Standard CIP-014-1 by removing the term “widespread” from Requirement R1. As revised, Requirement R1 reads, in relevant part, as follows:

Each Transmission Owner shall perform an initial risk assessment and subsequent risk assessments of its Transmission stations and Transmission substations (existing and planned to be in service within 24 months) that meet the criteria specified in Applicability Section 4.1.1. The initial and subsequent risk assessments shall consist of a transmission analysis or transmission analyses designed to identify the Transmission station(s) and Transmission substation(s) that if rendered inoperable or damaged could result in widespread instability, uncontrolled separation, or Cascading within an Interconnection.

Removing the term “widespread” will help provide for more consistent implementation and enforcement of Requirement R1. As FERC recognized, the term “widespread” is susceptible to varying interpretations and may introduce uncertainty in identifying critical facilities under Requirement R1.⁸ Under the proposed Reliability Standard, the identification of critical assets will not depend on the manner in which a particular entity understands the term “widespread”; instead, entities will focus on the critical impact of the facility on the operation of the Interconnection, consistent with the March 7 Order.

FERC clarified in Order No. 802 that only an instability that has a critical impact on the operation of the interconnection warrants finding that the facility causing the instability is critical under Requirement R1.⁹ To provide additional guidance to stakeholders on identifying critical

⁸ Order No. 802 at P 31-33.

⁹ *Id.* at P 33.

facilities according to Requirement R1, the standard drafting team included the following in the Rationale for Requirement R1 appended to the proposed Reliability Standard:

The requirement is not intended to bring within the scope of the standard a Transmission station or Transmission substation unless the applicable Transmission Owner determines through technical studies and analyses based on objective analysis, technical expertise, operating experience and experienced judgment that the loss of such facility would have a critical impact on the operation of the Interconnection in the event the asset is rendered inoperable or damaged. In the November 20, 2014 Order, FERC reiterated that “only an instability that has a “critical impact on the operation of the interconnection” warrants finding that the facility causing the instability is critical under Requirement R1.” The Transmission Owner may determine the criteria for critical impact by considering, among other criteria, any of the following:

- Criteria or methodology used by Transmission Planners or Planning Coordinators in TPL-001-4, Requirement R6;
- NERC EOP-004-2 reporting criteria
- Area or magnitude of potential impact

Aside from removing the term “widespread,” NERC did not change any other aspect of Requirement R1.

IV. EFFECTIVE DATE

In the March 7 Order, FERC stated that “NERC should develop an implementation plan that requires owners or operators of the Bulk-Power System to implement the Reliability Standards in a timely fashion, balancing the importance of protecting the Bulk-Power System from harm while giving the owners or operators adequate time to meaningfully implement the requirements.”¹⁰ The proposed Reliability Standard CIP-014-2 will become effective as provided in the proposed Implementation Plan, attached hereto as Exhibit B. The proposed effective date is designed to provide responsible entities regulatory certainty by limiting the time, if any, that CIP-014-1 would be effective.

¹⁰ March 7 Order at P 12.

Respectfully submitted,

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Date: May 26, 2015

EXHIBITS A—B and D – H

(Available on the NERC Website at

<http://www.nerc.com/FilingsOrders/ca/Canadian%20Filings%20and%20Orders%20DL/CIP-014-2%20exhibits.pdf>)

EXHIBIT C

Reliability Standards Criteria

The discussion below explains how the proposed Reliability Standard has met or exceeded the Reliability Standards criteria.

1. Proposed Reliability Standards must be designed to achieve a specified reliability goal and must contain a technically sound means to achieve that goal.

Proposed Reliability Standard CIP-014-1 achieves the specific reliability goal of enhancing physical security measures for the most critical Bulk-Power System facilities and thereby lessening the overall vulnerability of the Bulk-Power System to physical attacks. The proposed Reliability Standard requires Transmission Owners and Transmission Operators to protect those critical Transmission stations and Transmission substations, and their associated primary control centers that if rendered inoperable or damaged as a result of a physical attack could result in widespread instability, uncontrolled separation, or Cascading within an Interconnection.

Proposed Reliability Standard CIP-014-2 modifies Reliability Standard CIP-014-1 by removing the term “widespread” from Requirement R1 of the standard. As discussed below, removing the term “widespread” will help ensure that: (1) applicable entities identify the appropriate critical facilities under Requirement R1; and (2) the ERO enforces the Reliability Standard in a consistent manner.

2. Proposed Reliability Standards must be applicable only to users, owners and operators of the bulk power system, and must be clear and unambiguous as to what is required and who is required to comply.

The proposed Reliability Standard is clear and unambiguous as to what is required and who is required to comply. The proposed Reliability Standard applies to Transmission Owners

and Transmission Operators. The proposed Reliability Standard clearly articulates the actions that such entities must take to comply with the standard.

3. A proposed Reliability Standard must include clear and understandable consequences and a range of penalties (monetary and/or non-monetary) for a violation.

The Violation Risk Factors (“VRFs”) and Violation Severity Levels (“VSLs”) for the proposed Reliability Standard comport with NERC and FERC guidelines related to their assignment, as discussed further in Exhibit E. The assignment of the severity level for each VSL is consistent with the corresponding requirement and the VSLs should ensure uniformity and consistency in the determination of penalties. The VSLs do not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations. For these reasons, the proposed Reliability Standard includes clear and understandable consequences.

4. A proposed Reliability Standard must identify clear and objective criterion or measure for compliance, so that it can be enforced in a consistent and non-preferential manner.

The proposed Reliability Standard contains measures that support each requirement by clearly identifying what is required to demonstrate compliance. These measures help provide clarity regarding the manner in which the requirements will be enforced, and help ensure that the requirements will be enforced in a clear, consistent, and non-preferential manner and without prejudice to any party.

5. Proposed Reliability Standards should achieve a reliability goal effectively and efficiently — but do not necessarily have to reflect “best practices” without regard to implementation cost or historical regional infrastructure design.

The proposed Reliability Standard achieves the reliability goal effectively and efficiently. The proposed Reliability Standard clearly enumerates the responsibilities of applicable entities

with respect to the identification and protection of critical Bulk-Power System facilities and provides entities the flexibility to tailor their processes and plans required under the standard to best suit the needs of their organization.

- 6. Proposed Reliability Standards cannot be “lowest common denominator,” *i.e.*, cannot reflect a compromise that does not adequately protect Bulk-Power System reliability. Proposed Reliability Standards can consider costs to implement for smaller entities, but not at consequences of less than excellence in operating system reliability.**

The proposed Reliability Standard does not reflect a “lowest common denominator” approach. To the contrary, the proposed Reliability Standard contains significant benefits for the Bulk-Power System. The requirements of the proposed Reliability Standard help ensure that entities provide an adequate level of protection against physical attacks to critical facilities.

- 7. Proposed Reliability Standards must be designed to apply throughout North America to the maximum extent achievable with a single Reliability Standard while not favoring one geographic area or regional model. It should take into account regional variations in the organization and corporate structures of transmission owners and operators, variations in generation fuel type and ownership patterns, and regional variations in market design if these affect the proposed Reliability Standard.**

The proposed Reliability Standard applies throughout North America and does not favor one geographic area or regional model.

- 8. Proposed Reliability Standards should cause no undue negative effect on competition or restriction of the grid beyond any restriction necessary for reliability.**

The proposed Reliability Standard has no undue negative impact on competition. The proposed Reliability Standard requires the same performance by each applicable entity. The standard does not unreasonably restrict the available transmission capability or limit use of the Bulk-Power System in a preferential manner.

9. The implementation time for the proposed Reliability Standard is reasonable.

The proposed effective date for the standard is just and reasonable and appropriately balances the urgency in the need to implement the standard against the reasonableness of the time allowed for those who must comply to develop and implement the necessary procedures and policies. The proposed implementation period will allow applicable entities adequate time to meaningfully implement the requirements. The proposed effective date is explained in the proposed Implementation Plan, attached as Exhibit B.

10. The Reliability Standard was developed in an open and fair manner and in accordance with the Reliability Standard development process.

The proposed Reliability Standard was developed in accordance with NERC's ANSI-accredited processes for developing and approving Reliability Standards. Exhibit F includes a summary of the Reliability Standard development proceedings, and details the processes followed to develop the Reliability Standards. These processes included, among other things, comment and balloting periods. Additionally, all meetings of the drafting team were properly noticed and open to the public. The initial and additional ballots achieved a quorum and exceeded the required ballot pool approval levels.

11. NERC must explain any balancing of vital public interests in the development of proposed Reliability Standards.

NERC has identified no competing public interests regarding the request for approval of the proposed Reliability Standard. No comments were received that indicated the proposed Reliability Standard conflicts with other vital public interests.

12. Proposed Reliability Standards must consider any other appropriate factors.

No other negative factors relevant to whether the proposed Reliability Standard is just and reasonable were identified.