

Appendix 5B

Statement of Compliance Registry Criteria

Revision 6

Effective: October 31, 2016

Statement of Compliance Registry Criteria (Revision 6)

Summary

This document describes how the North American Electric Reliability Corporation (NERC) will identify organizations that may be candidates for Registration and assign them to the Compliance Registry.

NERC and the Regional Entities¹ have the obligation to identify and register all entities that meet the criteria for inclusion in the Compliance Registry, as further explained in the balance of this document.

Organizations will be responsible to register and to comply with approved Reliability Standards to the extent that they are owners, operators, and users of the Bulk Power System (BPS), perform a function listed in the functional types identified in Section II of this document, and are material to the Reliable Operation of the interconnected BPS as defined by the criteria and notes set forth in this document. NERC will apply the following principles to the Compliance Registry:

- In order to carry out its responsibilities related to enforcement of Reliability Standards, NERC must identify the owners, operators, and users of the BPS who have a material impact² on the BPS through a Compliance Registry. NERC and the Regional Entities will make their best efforts to identify all owners, users and operators who have a material impact on the BPS in order to develop a complete and current Compliance Registry list. The Compliance Registry will be updated as required and maintained on an on-going basis.
- Organizations listed in the Compliance Registry are responsible and will be monitored for compliance with applicable mandatory Reliability Standards. They will be subject to NERC's and the Regional Entities' Compliance Monitoring and Enforcement Programs.
- NERC and Regional Entities will not monitor nor hold those not in the Compliance Registry responsible for compliance with the Reliability Standards. An entity which is not initially placed on the Compliance Registry, but which is identified subsequently as having a material impact, will be added to the Compliance Registry. Such entity will not be subject to a sanction or Penalty by NERC or the Regional Entity for actions or inactions prior to being placed on the Compliance Registry, but may be required to comply with a Remedial Action Directive or Mitigation Plan in order to become compliant with applicable Reliability Standards. After such entity has been placed on the Compliance Registry, it shall be responsible for complying with Reliability Standards and may be subject to sanctions or Penalties as well as any Remedial Action Directives and Mitigation Plans required by the Regional Entities or NERC for future violations, including any failure to follow a Remedial Action Directive or Mitigation Plan to become compliant with Reliability Standards.
- Required compliance by a given organization with the Reliability Standards will begin the later of (i) inclusion of that organization in the Compliance Registry and (ii) approval by the Applicable Governmental Authority of mandatory Reliability Standards applicable to the registered entity.

¹ The term "Regional Entities" includes Cross-Border Regional Entities, that have footprints in the U.S., Canada and Mexico, as applicable. Applicable Governmental Authorities in Canadian jurisdictions may have adopted their own Rules of Procedure and Compliance Registry requirements. Registered Entities may be subject to the Compliance Monitoring and Enforcement Programs (CMEP) in their respective jurisdictions, in accordance with applicable laws and regulations.

² The criteria for determining whether an entity will be placed on the Compliance Registry are set forth in the balance of this document. At any time a person may recommend in writing, with supporting reasons, to the Director of Compliance (or an equivalent position) that an organization be added to or removed from the Compliance Registry, pursuant to NERC Rules of Procedure Section 501.1.3.5.

Entities responsible for funding NERC and the Regional Entities have been identified in the budget documents filed with FERC.³ Presence on or absence from the Compliance Registry has no bearing on an entity's independent responsibility for funding NERC and the Regional Entities.

Background

In 2005, NERC and the Regional Entities conducted a voluntary organization registration program limited to Balancing Authorities, Planning Authorities, regional reliability organizations, Reliability Coordinators, Transmission Operators, and Transmission Planners. The list of the entities that were registered constitutes what NERC considered at that time as its Compliance Registry.

NERC initiated a broader program to identify additional organizations potentially eligible to be included in the Compliance Registry and to confirm the information of organizations currently on file, taking into account the following considerations:

- As of July 20, 2006, NERC was certified as the Electric Reliability Organization (ERO) created for the U.S. by the Energy Policy Act of 2005 (EPAAct) and FERC Order No. 672. NERC has received similar recognition by Canadian authorities in their respective jurisdictions.
- FERC Order No. 672 directs that owners, operators and users of the BPS in the U.S. shall be registered with the ERO and the appropriate Regional Entities.
- As the ERO, NERC has filed its current Reliability Standards with FERC and with Canadian authorities. As accepted and approved by FERC and appropriate Canadian authorities, the Reliability Standards are no longer voluntary, and organizations that do not fully comply with them may face Penalties or other sanctions, in accordance with applicable laws, regulations and orders of Applicable Governmental Authorities.
- NERC's Reliability Standards include compliance Requirements for additional reliability function types beyond the six types registered by earlier registration programs.
- Based on selection as the ERO, NERC's Organization Registration program⁴ is the means by which NERC and the Regional Entities plan, manage and execute Reliability Standard compliance oversight of owners, operators, and users of the BPS.
- Organizations listed in the Compliance Registry are subject to NERC's and the Regional Entities' Compliance Monitoring and Enforcement Programs.

Statement of Issue

As the ERO, NERC intends to comprehensively and thoroughly protect the reliability of the grid. To support this goal NERC will include in its Compliance Registry each entity that NERC concludes can materially impact the reliability of the BPS.

NERC wishes to identify those entities that may need to be listed in its Compliance Registry. Identifying these organizations is necessary and prudent for the purpose of determining resource needs, both at the

³ Budget documents are submitted to Applicable Governmental Authorities in Canada for information.

⁴ See NERC ERO Application; Exhibit C; Section 500 – Organization Registration and Certification.

NERC and Regional Entity level, and for communicating with these entities regarding their potential responsibilities and obligations. NERC and the Regional Entities believe that candidate entities can be identified at any time, as and when needed. The Compliance Registry is available on NERC's website.

Resolution

The potential costs and effort of registering every organization potentially within the scope of "owner, operator, and user of the BPS," while ignoring their impact upon reliability, would be disproportionate to the improvement in reliability that would reasonably be anticipated from doing so.

NERC and the Regional Entities have identified two principles they believe are key to the entity selection process. These are:

1. There needs to be consistency between Regions and across the continent with respect to which entities are registered; and
2. Any entity reasonably deemed material to the reliability of the BPS will be registered, irrespective of other considerations.

To address the second principle the Regional Entities, working with NERC, will identify and register any entity they deem material to the reliability of the BPS.

In order to promote consistency, NERC and the Regional Entities use the following criteria as the basis for determining whether particular entities should be identified as candidates for Registration. All organizations meeting or exceeding the criteria will be identified as candidates.

The following four groups of criteria (Sections I-IV) plus the statements in Section V will provide guidance regarding an entity's Registration status:

- Section I determines if the entity is an owner, operator, or user of the BPS and, hence, a candidate for organization Registration.
- Section II uses NERC's current functional type definitions to provide an initial determination of the functional types for which the entities identified in Section I should be considered for Registration.
- Section III lists the criteria regarding smaller entities; these criteria can be used to forego the Registration of entities that were selected to be considered for Registration pursuant to Sections I and II and, if circumstances change, for later removing entities from the Compliance Registry that no longer meet the relevant criteria.
- Section IV — additional criteria for joint Registration. Joint Registration criteria may be used by joint action agencies, generation and transmission cooperatives and other entities which agree upon a clear division of compliance responsibility for Reliability Standards by written agreement. Rules pertaining to joint Registration and Joint Registration Organizations, as well as Coordinated Functional Registrations, are now found in Sections 501, 507 and 508 of the NERC Rules of Procedure.

- I. Entities that use, own or operate Elements of the Bulk Electric System (BES) as established by NERC's approved definition of BES below are (i) owners, operators, and users of the BPS and (ii) candidates for Registration:

“Bulk Electric System” or “BES” means unless modified by the lists shown below, all Transmission Elements operated at 100 kV or higher and Real Power and Reactive Power resources connected at 100 kV or higher. This does not include facilities used in the local distribution of electric energy.

Inclusions:

- ***I1*** - Transformers with the primary terminal and at least one secondary terminal operated at 100 kV or higher unless excluded by application of Exclusion E1 or E3.
- ***I2*** - Generating resource(s) including the generator terminals through the high-side of the step-up transformer(s) connected at a voltage of 100 kV or above with:
 - a) Gross individual nameplate rating greater than 20 MVA. Or,
 - b) Gross plant/facility aggregate nameplate rating greater than 75 MVA.
- ***I3*** - Blackstart Resources identified in the Transmission Operator's restoration plan.
- ***I4*** - Dispersed power producing resources that aggregate to a total capacity greater than 75 MVA (gross nameplate rating), and that are connected through a system designed primarily for delivering such capacity to a common point of connection at a voltage of 100 kV or above. Thus, the facilities designated as BES are:
 - a) The individual resources, and
 - b) The system designed primarily for delivering capacity from the point where those resources aggregate to a greater than 75 MVA to a common point of connection at a voltage of 100 kV or above.
- ***I5*** - Static or dynamic devices (excluding generators) dedicated to supplying or absorbing Reactive Power that are connected at 100 kV or higher, or through a dedicated transformer with a high-side voltage of 100 kV or higher, or through a transformer that is designated in Inclusion I1 unless excluded by application of Exclusion E4.

Exclusions:

- ***E1*** - Radial systems: A group of contiguous transmission Elements that emanates from a single point of connection of 100 kV or higher and:
 - a) Only serves Load. Or,
 - b) Only includes generation resources, not identified in Inclusions I2, I3, or I4, with an aggregate capacity less than or equal to 75 MVA (gross nameplate rating). Or,
 - c) Where the radial system serves Load and includes generation resources, not identified in Inclusions I2, I3 or I4, with an aggregate capacity of non-retail generation less than or equal to 75 MVA (gross nameplate rating).

Note 1 – A normally open switching device between radial systems, as depicted on prints or one-line diagrams for example, does not affect this exclusion.

Note 2 – The presence of a contiguous loop operated at a voltage level of 50 kV or less, between configurations being considered as radial systems, does not affect this exclusion.

- **E2** - *A generating unit or multiple generating units on the customer’s side of the retail meter that serve all or part of the retail Load with electric energy if: (i) the net capacity provided to the BES does not exceed 75 MVA, and (ii) standby, back-up, and maintenance power services are provided to the generating unit or multiple generating units or to the retail Load by a Balancing Authority, or provided pursuant to a binding obligation with a Generator Owner or Generator Operator, or under terms approved by the applicable regulatory authority.*
- **E3** - *Local networks (LN): A group of contiguous transmission Elements operated at less than 300 kV that distribute power to Load rather than transfer bulk power across the interconnected system. LN’s emanate from multiple points of connection at 100 kV or higher to improve the level of service to retail customers and not to accommodate bulk power transfer across the interconnected system. The LN is characterized by all of the following:*
 - a) *Limits on connected generation: The LN and its underlying Elements do not include generation resources identified in Inclusions I2, I3, or I4 and do not have an aggregate capacity of non-retail generation greater than 75 MVA (gross nameplate rating);*
 - b) *Real Power flows only into the LN and the LN does not transfer energy originating outside the LN for delivery through the LN; and*
 - c) *Not part of a Flowgate or transfer path: The LN does not contain any part of a permanent Flowgate in the Eastern Interconnection, a major transfer path within the Western Interconnection, or a comparable monitored Facility in the ERCOT or Quebec Interconnections, and is not a monitored Facility included in an Interconnection Reliability Operating Limit (IROL).*
- **E4** - *Reactive Power devices installed for the sole benefit of a retail customer(s).*

Note - Elements may be included or excluded on a case-by-case basis through the Rules of Procedure exception process.

II. Entities identified in Section I above will be categorized as Registration candidates who may be subject to Registration under one or more appropriate Functional Entity types based on a comparison of the functions the entity normally performs against the following function type definitions:⁵

| Function Type | Acronym | Definition/Discussion |
|---------------------|---------|---|
| Balancing Authority | BA | The responsible entity that integrates resource plans ahead of time, maintains Load-interchange-generation balance within a |

⁵ Exclusion: An entity will not be registered based on these criteria if responsibilities for compliance with approved NERC Reliability Standards or associated Requirements including reporting have been transferred by written agreement to another entity that has registered for the appropriate function for the transferred responsibilities, including bilateral agreements and Sections 501, 507 and 508 of the NERC Rules of Procedure.

| Function Type | Acronym | Definition/Discussion |
|---|---------|---|
| | | Balancing Authority Area, and supports Interconnection frequency in real-time. |
| Distribution Provider | DP | <p>Provides and operates the “wires” between the transmission system and the end-use customer. For those end-use customers who are served at transmission voltages, the Transmission Owner also serves as the Distribution Provider. Thus, the Distribution Provider is not defined by a specific voltage, but rather as performing the distribution function at any voltage.</p> <p>Note: As provided in Section III.b.1 and Note 5 below, a Distribution Provider entity shall be an Underfrequency Load Shedding (UFLS)-Only Distribution Provider if it is the responsible entity that owns, controls or operates UFLS Protection System(s) needed to implement a required UFLS program designed for the protection of the BES, but does not meet any of the other registration criteria for a Distribution Provider.</p> |
| Frequency Response Sharing Group | FRSG | A group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply operating resources required to jointly meet the sum of the Frequency Response Obligations of its members. |
| Generator Operator | GOP | The entity that operates generating Facility(ies)and performs the functions of supplying energy and Interconnected Operations Services. |
| Generator Owner | GO | Entity that owns and maintains generating Facility(ies). |
| Planning Authority/ Planning Coordinator | PA/PC | The responsible entity that coordinates and integrates transmission Facilities and service plans, resource plans, and Protection Systems. |
| Reliability Coordinator | RC | The entity that is the highest level of authority who is responsible for the Reliable Operation of the BES, has the Wide Area view of the BES, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator’s vision. |

| Function Type | Acronym | Definition/Discussion |
|----------------------------------|---------|--|
| Regulation Reserve Sharing Group | | A group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply the Regulating Reserve required for all member Balancing Authorities to use in meeting applicable regulating standards. |
| Reserve Sharing Group | RSG | A group whose members consist of two or more Balancing Authorities that collectively maintain, allocate, and supply operating reserves required for each Balancing Authority’s use in recovering from contingencies within the group. Scheduling energy from an Adjacent Balancing Authority to aid recovery need not constitute reserve sharing provided the transaction is ramped in over a period the supplying party could reasonably be expected to load generation in (e.g., ten minutes). If the transaction is ramped in quicker, (e.g., between zero and ten minutes), then, for the purposes of disturbance control performance, the areas become a Reserve Sharing Group. |
| Resource Planner | RP | The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific Loads (customer demand and energy requirements) within a Planning Authority area. |
| Transmission Owner | TO | The entity that owns and maintains transmission Facilities. |
| Transmission Operator | TOP | The entity responsible for the reliability of its local transmission system and operates or directs the operations of the transmission Facilities. |
| Transmission Planner | TP | The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the Planning Authority area. |
| Transmission Service Provider | TSP | The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable Transmission Service agreements. |

III. Except as provided in Section V and the Notes to the Criteria below, entities identified in Section II above as being subject to Registration as a Distribution Provider should be included in the Compliance Registry for these functions only if they meet any of the criteria listed below:

III(a) Distribution Provider:

- III.a.1 Distribution Provider system serving >75 MW of peak Load that is directly connected to the BES;⁶ or
- III.a.2 Distribution Provider is the responsible entity that owns, controls, or operates Facilities that are part of any of the following Protection Systems or programs designed, installed, and operated for the protection of the BES:⁷
 - a required Undervoltage Load Shedding (UVLS) program and/or
 - a required Special Protection System or Remedial Action Scheme and/or
 - a required transmission Protection System; or
- III.a.3 Distribution Provider that is responsible for providing services related to Nuclear Plant Interface Requirements (NPIRs) pursuant to an executed agreement; or
- III.a.4 Distribution Provider with field switching personnel identified as performing unique tasks associated with the Transmission Operator’s restoration plan that are outside of their normal tasks.

III(b) Distribution Provider with UFLS-Only assets (referred to as “UFLS-Only Distribution Provider”)

- III.b.1 UFLS-Only Distribution Provider does not meet any of the other registration criteria in Sections III(a)(1)-(4) for a Distribution Provider; and
- III.b.2 UFLS-Only Distribution Provider is the responsible entity that owns, controls, or operates UFLS Protection System(s) needed to implement a required UFLS Program designed for the protection of the BES.

The Reliability Standards applicable to UFLS-Only Distribution Providers are: (1) PRC-005,⁸ PRC-006-1, PRC-006-2 and (2) any regional Reliability Standard whose purpose is to develop or establish a UFLS Program [PRC-006-NPCC-1 and PRC-006-SERC-01]. Reliability Standards that apply to Distribution Providers will not apply to UFLS-Only Distribution Providers, unless explicitly stated in the applicability section of these Reliability Standards and in future revisions and/or versions.

IV. Joint Registration Organization, Coordinated Functional Registration and applicable Member Registration.

Pursuant to FERC’s directive in paragraph 107 of Order No. 693, NERC’s rules pertaining to joint Registrations and Joint Registration Organizations, as well as Coordinated Functional Registrations, are now found in Section 501, 507 and 508 of the NERC Rules of Procedure.

⁶ Ownership, control or operation of UFLS Protection System(s) needed to implement a required UFLS Program designed for the protection of the BES does not affect an entity’s eligibility for registration pursuant to III.a.1.

⁷ As used in Section III.a.2, “protection of the Bulk Electric System” means protection to prevent instability, Cascading, or uncontrolled separation of the BES and not for local voltage issues (UVLS) or local line loading management (Special Protection System) that are demonstrated to be contained within a local area.

⁸ Four versions of PRC-005 are currently in various stages of Commission approval and standard development. For the period that each is in effect, PRC-005-2(ii), PRC-005-3(i), PRC-005-3(ii), PRC-005-4, PRC-005-5, and PRC-005-6 will apply to an entity included on the NCR as a UFLS-Only Distribution Provider during that period.

- V. If NERC or a Regional Entity encounters an organization that is not listed in the Compliance Registry, but which should be subject to the Reliability Standards, NERC or the Regional Entity is obligated and will initiate actions to add that organization to the Compliance Registry, subject to that organization's right to challenge as provided in Section 500 of NERC's Rules of Procedure and as described in Note 3 below.

Notes to the Registry Criteria in Sections I-V

1. The above are general criteria only. The Regional Entity considering Registration of an organization not meeting (e.g., smaller in size than) the criteria may propose Registration of that organization if the Regional Entity believes and can reasonably demonstrate⁹ that the organization is a BES owner, or operates, or uses BES assets, and is material to the reliability of the BES. Similarly, the Regional Entity may exclude an organization that meets the criteria described above as a candidate for Registration if it believes and can reasonably demonstrate to NERC that the BES owner, operator, or user does not have a material impact on the reliability of the BES. Such decisions must be made in accordance with Section V of Appendix 5A to the NERC Rules of Procedure. In order to ensure a consistent approach to assessing materiality, a non-exclusive set of factors ("materiality test") for consideration is identified below; however, only a sub-set of these factors may be applicable to particular functional registration categories:
 - a. Is the entity specifically identified in the emergency operation plans and/or restoration plans of an associated Reliability Coordinator, Balancing Authority, Generator Operator or Transmission Operator?
 - b. Will intentional or inadvertent removal of an Element owned or operated by the entity, or a common mode failure of two Elements as identified in the Reliability Standards (for example, loss of two Elements as a result of a breaker failure), lead to a reliability issue on another entity's system (such as a neighboring entity's Element exceeding an applicable rating, or loss of non-consequential load due to a single contingency). Conversely, will such contingencies on a neighboring entity's system result in Reliability Standards issues on the system of the entity in question?
 - c. Can the normal operation, misoperation or malicious use of the entity's cyber assets cause a detrimental impact (e.g., by limiting the operational alternatives) on the operational reliability of an associated Balancing Authority, Generator Operator or Transmission Operator?
 - d. Can the normal operation, Misoperation or malicious use of the entity's Protection Systems (including UFLS, UVLS, Special Protection System, Remedial Action Schemes and other Protection Systems protecting BES Facilities) cause an adverse impact on the operational reliability of any associated Balancing Authority, Generator Operator or Transmission Operator, or the automatic load shedding programs of a PC or TP (UFLS, UVLS)?
2. An organization not identified using the criteria, but wishing to be registered, may request that it be registered. For further information refer to: NERC Rules of Procedure, Section 500 – Organization Registration and Certification; Part 1.3.

⁹ The reasonableness of any such demonstration will be subject to review and remand by NERC itself, or by any Applicable Governmental Authority, as applicable.

3. An organization may challenge its Registration within the Compliance Registry. NERC or the Regional Entity will provide the organization with all information necessary to timely challenge that determination including notice of the deadline for contesting the determination and the relevant procedures to be followed as described in the NERC Rules of Procedure; Section 500 – Organization Registration and Certification.
4. If an entity is part of a class of entities excluded based on any of the criteria above as individually being unlikely to have a material impact on the reliability of the BES, but that in aggregate have been demonstrated to have such an impact it may be registered for applicable Reliability Standards and Requirements irrespective of other considerations, in accordance with laws, regulations and orders of an Applicable Governmental Authority.
5. NERC may limit the compliance obligations of a given entity registered for a particular function or similarly situated class of entities, as warranted based on the particular facts and circumstances, to a sub-set list of Reliability Standards (which may specify Requirements/sub-Requirements).