



NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

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November 5, 2004

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Ladies and Gentlemen:

Updated Request to Identify Entities Responsible for Implementing Version 0 Standards

This letter updates the Version 0 Reliability Standards Drafting Team's previous request dated September 27, 2004, asking the Regional Managers to identify organizations within each Regional Reliability Council that will be responsible for meeting the requirements of Version 0 reliability standards. This update, which supercedes the prior request, reflects the removal of the Reliability Authority in Draft 3 of the proposed standards in response to industry comments.

Identifying the accountable entities is a critical step toward assuring NERC and the Regions can effectively monitor compliance with the standards. As important as this task is, the drafting team also recognizes there are significant challenges presented by today's complex organizational structures and arrangements. The drafting team encourages the Regions to make a concerted effort to identify the organizations with the principal responsibility for complying with the requirements in the Version 0 standards, consistent with the guidelines outlined in this letter. Recognizing that 'real world' application of these guidelines may be difficult in the near term, any exceptions to these guidelines should be noted when the list of responsible entities is submitted. The drafting team's goal in this request is to hand off to the Compliance Enforcement Program a list of responsible entities to guide the realignment of compliance activities to the Version 0 standards.

Organization Registration Request

The Version 0 Drafting Team requests the Regional Reliability Councils to begin preparing for the adoption of Version 0 reliability standards by identifying organizations within each Region that will be responsible for meeting the requirements stated in the Version 0 reliability standards. Each Region is requested to submit to NERC by **January 28, 2005**, a matrix of organizations who will serve as the responsible entities¹ for the Version 0 reliability standards. **Attachment A** is offered as an optional template for responding.

¹ The NERC Reliability Functional Model refers to a *function* as a group of tasks that cannot be logically subdivided into other groups. *Responsible entity* is a label used to indicate any *organization* responsible for performing the tasks within a *function*. The request is to register *organizations* that will serve as the *responsible entities* identified in Version 0.

This organization registration is for the following responsible entities identified in the draft Version 0 standards:

- Reliability Coordinators
- Balancing Authorities
- Transmission Operators
- Planning Authorities
- Transmission Planners
- Regional Reliability Organization (Council)

Organization registration is an important step in preparing to implement the Version 0 standards because the NERC and regional compliance monitoring programs will focus on the responsible entities listed above. Registration should not be seen as prescribing organizational structures, responsibilities, or relationships. The registration is simply recording which organizations are responsible for meeting the Version 0 reliability standards and ensuring that all reliability requirements are addressed in each area of an Interconnection.

The requirements stated in the Version 0 reliability standards should guide the registration. The drafting team was assigned to translate only existing operating policies, planning standards, and compliance templates. Therefore, they have not developed standards to address all of the responsibilities defined in the NERC Reliability Functional Model. Version 0 reliability standards should be viewed as a transitional step toward implementing the Functional Model.

Extending the due date for the registration to January 28, 2005, as compared to the original transition plan, will allow the registering organizations to consider in their decisions the final draft of the Version 0 standards anticipated to be available on November 1, 2004, and the ballot results in December. The extension will also allow the Regions time to ensure that the registration identifies responsible entities covering all areas of the Region. To help in this analysis, the drafting team will post a listing of all Version 0 requirements grouped by responsible entity in the Draft 3 posting.

Despite the later completion date, Regions should not delay starting the registration process. The responsible entities identified in Version 0 standards are likely to remain the same or be reduced, but not to increase. Therefore, the list above provides a sound basis for beginning the regional registration process now.

Milestones for Version 0 Implementation

The following is an outline of the proposed Version 0 standards implementation milestones. This schedule assumes Version 0 will become effective for the second quarter 2005 compliance monitoring period beginning April 1, 2005.

November 3, 2004	Draft 3 (final draft for ballot) Version 0 standards and implementation plan posted for standing committee review and 30-day pre-ballot period.
November 9–11, 2004	NERC standing committees are requested to endorse the Version 0 reliability standards as a replacement for existing operating policies, planning standards, and compliance templates.
December 3, 2004 – January 7, 2005	Window for ballot pool vote of Version 0 using the ANSI-accredited process (including recirculation ballot if needed).
January 8, 2005	Version 0 standards posted for 30-day period prior to board adoption.
January 28, 2005	Regions submit organization registration matrix for the following responsible entities: Reliability Coordinator, Transmission Operator, Balancing Authority,

	Planning Authority, and Transmission Planner.
February 8, 2005	Board is requested to adopt Version 0 standards.
April 1, 2005	Version 0 standards become effective; monitoring for compliance begins.
June 30, 2005	End of first quarterly compliance monitoring period using Version 0 standards.

Future Registration

In addition to the responsible entities listed above, NERC may in the future request registration of one or more of the following responsible entities using an electronic registration tool:

- Reliability Authorities
- Interchange Authorities
- Transmission Service Providers
- Purchasing-Selling Entities
- Generator Operators
- Load-Serving Entities
- Generator Owners
- Transmission Owners
- Market Operators

Guidelines for Registration

The following guidelines apply for all organizations registering to serve as one or more of the responsible entities listed above:

1. April 1, 2005, should be used as the time reference for anticipating each organization's responsibilities for the purpose of the registration. After the initial registration, changes should be submitted to NERC as they become known.
2. Organizations should use the requirements in the Draft 3 of the Version 0 reliability standards as a guide for registering as a responsible entity.

The following guidelines (3 – 8) apply to the registration of the Reliability Coordinator, Balancing Authority, and Transmission Operator:

3. **Organizations registering as a Reliability Coordinator, Balancing Authority, or Transmission Operator shall be responsible for meeting all Version 0 reliability standards identified for that responsible entity. While organizations may delegate some tasks to other organizations, they may not delegate their responsibilities for performing those tasks.**
4. Each responsible entity must have a clearly defined area (footprint) of responsibility within the electrical system. These areas of responsibility (footprints) must not overlap others performing the same function (i.e., a facility or portion of the system should not be within more than one Reliability Coordinator area or more than one Balancing Authority area, etc.). Also, there must be no gaps in the interconnected power system between areas of responsibility.

5. Each Balancing Authority and Transmission Operator² must be within the footprint of a single Reliability Coordinator.
6. Each Transmission Operator should ensure that each of its electrical facilities is within the metered boundary of a Balancing Authority Area. A Transmission Operator may, however, operate facilities in more than one Balancing Authority Area.
7. Organizations that serve as the existing Reliability Coordinators should register as Reliability Coordinators, unless a change in responsibilities is anticipated to be in effect on April 1, 2005.
8. Organizations that serve as the existing control areas should register as Balancing Authorities, unless a change in responsibilities is anticipated to be in effect on April 1, 2005. Existing control area organizations may also register for another function, such as Transmission Operator.

The following guidelines (9 – 10) apply to Planning Authorities and Transmission Planners:

9. Planning areas of responsibility in practice today may employ multiple layers of responsibility or dispersion of responsibilities among different entities. This is a departure from the Guiding Principles of the NERC Reliability Functional Model that needs to be addressed in the future. For the implementation of Version 0 standards, the Regions should identify all organizations that will be subject to compliance monitoring for the Version 0 requirements assigned to the Planning Authority and Transmission Planner effective April 1, 2005.
10. If these goals are possible to achieve in the time frame of this initial registration, it is preferred that: a) the area of responsibility (footprint) of each Planning Authority and Transmission Planner not overlap with that of another organization providing the same function, b) that there be no gaps between areas within the same function, and c) that each Transmission Planner's footprint is within a single Planning Authority Area.

The following guideline applies to the Regional Reliability Organization:

11. Each organization anticipating serving as a NERC Regional Reliability Council effective April 1, 2005, should register as a Regional Reliability Organization.

Basis for Version 0 Organization Registration

The recommendations of the U.S./Canada Power System Outage Task Force and the NERC board highlight the need for unambiguous and enforceable standards. Registration of organizations as responsible entities is an important step in achieving clear accountability for following the Version 0 reliability standards. Improved accountability will be achieved in the Version 0 standards by: a) changing passive statements in existing policies and standards into active 'shall' statements, b) assigning each requirement in the standards to a specific responsible entity rather than using generalized terms like 'the Operating Authority', and c) registering organizations as responsible entities and holding them accountable for meeting those requirements.

² An organization may serve as the operator for more one area of responsibility, even in different Interconnections. The intent of this requirement is that each Balancing Authority Area and each Transmission Operator Area must be within a single Reliability Coordinator Area. Organizations that operate multiple systems in different Reliability Coordinator Areas should register separately for each Reliability Coordinator Area in which it operates.

Registration of organizations as responsible entities also serves as an aid to the NERC and Regional compliance monitoring programs by helping them identify which requirements apply to which organizations. Registration is a necessary enabler for adapting the 2005 compliance program to implement the Version 0 standards.

Transitioning to the Functional Model in Version 0

The Version 0 Drafting Team has a principal objective of translating existing operating policies, planning standards, and compliance templates into the format of reliability standards, without changing the intent or effect of the existing reliability rules. The drafting team has a second objective to develop the Version 0 standards within the framework of the NERC Reliability Functional Model, to the extent possible. At times, these objectives have conflicted and the drafting team has had to make practical choices. Based on the transition plan approved by the board in June 2004 and guidance from the Standards Authorization Committee provided in August, the drafting team has worked on the basis that preserving the existing reliability rules in the translation is paramount over other Version 0 objectives, including adopting the Functional Model.

Since the tasks and the procedures in the existing policies and standards do not align with all aspects of the Functional Model, certain limitations were encountered in implementing the Functional Model in Version 0. The most obvious is deferring the implementation of the Interchange Authority until Version 1 standards. Adopting the Interchange Authority into Version 0 would have required substantial changes to the reliability rules, operating practices, and tools. This is because the Functional Model allows interchange transactions between non-adjacent source and sink Balancing Authorities, rather than the current “daisy chain” scheduling used today in many parts of the Interconnections. NERC and NAESB subgroups are addressing the Interchange Authority functionality now and expect it to be implemented in the future.

The drafting team had more difficult decisions with regard to the Reliability Coordinator and Reliability Authority. The obvious issue is that the Functional Model does not specifically list Reliability Coordinator as one of the responsible entities. At first, in the early stages of preparing Draft 1, the drafting team presumed that a) the Reliability Coordinator obligations in operating policies today should be assigned to the Reliability Authority, and b) for simplicity in the initial implementation of Version 0, only Reliability Coordinators should be designated as Reliability Authorities. The drafting team thought this position had the greatest opportunity to proactively push the Functional Model and the reliability standards into a common reference point from which both could evolve together.

While still preparing Draft 1, the drafting team heard inputs from a minority of its members that limiting Reliability Authorities to comprise only existing Reliability Coordinators would violate existing organizational structures and agreements. In posting Draft 1, the drafting team took the position that all Reliability Coordinator requirements in current operating policy should be assigned to the Reliability Authority, but that any organization that performs the Reliability Authority tasks described in the Functional Model should be able to register as a Reliability Authority as long as overlapping areas of responsibility were not created (not limiting registration to Reliability Coordinators). In cases where the Reliability Authority exists in what is today a control area, there would have to be a clear delegation of Reliability Coordinator tasks to the organization performing those tasks as a service. The drafting team asked for comments in the Draft 1 posting.

In considering the comments from the posting of Draft 1, the drafting team became aware of additional complexities in the Reliability Coordinator-Reliability Authority issue. Reliability Coordinators today have some responsibilities beyond those assigned in the Functional Model to the Reliability Authority. Conversely, not all organizations that perform Reliability Authority functions today are Reliability Coordinators (e.g., some control areas believe they are Reliability Authorities). Furthermore, while the Reliability Coordinator is clearly responsible for maintaining the Interconnection within Interconnected Reliability Operating Limits (IROLs), NERC is still debating how IROLs, which require a wide-area view and analysis, are calculated.

Some claimed that NERC reliability rules could not force an entity within a local jurisdiction to cede operational authorities to a Regional entity outside of that jurisdiction. Concerns were also expressed from the compliance monitoring program that allowing some control areas to register as Reliability Authorities, while in other areas the Reliability Coordinator is the Reliability Authority, would be disruptive and confusing to the compliance monitoring process.

In short, to unilaterally designate Reliability Coordinators as Reliability Authorities would imply changes to the Functional Model that would take time to sort out, and the Draft 1 comments indicated that the forced marriage of the Reliability Coordinator and Reliability Authority was not going to be as easy as the drafting team first thought. For these reasons, in Draft 2, the drafting team reinserted 'Reliability Coordinator' in every requirement that is currently assigned to Reliability Coordinators. These are predominantly the requirements coming out of Operating Policy 9 (standards 033–040), but also include requirements in a few other standards.

Draft 2 retained the Reliability Authority, Balancing Authority, and Transmission Operator when it translated the responsibilities of 'Operating Authorities' that are included in Operating Policies 2, 4, 5, 6, and 9. In a number of cases, the existing operating policies do not address the reporting hierarchy documented in the relationships defined in the Functional Model. In these cases, the drafting team has in Draft 2 assumed the implied relationships, (e.g., that the Balancing Authority reports to the Reliability Authority on balancing matters and the Transmission Operator reports to the Reliability Authority on transmission reliability matters.)

The comments received from the Draft 2 posting indicate that there will be less confusion if the Version 0 standards are adopted without including the Reliability Authority and retaining only the Reliability Coordinator. This approach also aligns most closely with the existing operating policies. Therefore, the drafting team has posted Draft 3 for ballot with the Reliability Authority removed and recommended implementation of the Reliability Authority be considered at a future date after the issue of the relationship between the Reliability Coordinator and Reliability Authority can be resolved.

The planning standards were not without their own issues in assigning Version 0 standards. A number of existing standards reference the Regional Reliability Council. However, the Regional Reliability Council (organization) is not a responsible entity defined function in the model. The drafting team, taking the approach it is better not to change the existing rules, chose to include Regional Reliability Organization in Version 0 where it exists today.

That assumption does not, however, entirely resolve the potential confusion. In some Regions, the Regional Reliability Council (organization) may also be a Planning Authority, or perform a portion of the Planning Authority tasks. There is also not a uniformly understood delineation among transmission systems today as to who should be the Planning Authority and who should be the Transmission Planner. The drafting team has left all three entities named in the Version 0 standards and is hopeful the registration process will allow these issues to be resolved in the Regions.

Conclusion

Incorporating the NERC Reliability Functional Model responsible entities into Version 0 standards and completing an accurate registration of organizations serving as the responsible entities are important steps in improving accountability for the reliable operation and planning of North American electric power grids. The existing operating policies and planning standards were originally developed around the control area model, not the Functional Model. Therefore, Version 0 standards should be seen as a transition step toward implementing the Functional Model and not the end point. Reviewing the Functional Model and adapting future versions of the standards to the Functional Model should be important priorities.

Regional Managers

November 5, 2004

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Please direct your questions to Gerry Cauley, Director – Standards, at 609-452-8060 or gerry.cauley@nerc.net. He and members of the Version 0 Drafting Team welcome opportunities to work with the Regions one-on-one to resolve any registration issues they may have or to provide educational presentations to members of the Region.

Sincerely,

Version 0 Standards Drafting Team

GWC:naw

Additional notes, assumptions and comments:

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