NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

Princeton Forrestal Village, 116-390 Village Boulevard, Princeton, New Jersey 08540-5731

NERC-NAESB-ISO/RTO Council Joint Interface Committee
Conference Call Agenda
June 24, 2004 (3–5 p.m. EDT)

1. **Agenda and Quorum**
   The Chairperson will review the conference call agenda. The Secretary will determine the presence of a quorum.

2. **Overview and Status of NERC Version 0 Standards Initiative (Gerry Cauley)**
   Gerry Cauley will review the goals and progress of the NERC Version 0 reliability standards initiative (**Attachment 1**). He will describe work underway by the NERC Version 0 drafting team, subcommittees, and Market Committee to identify potential business practices in the NERC operating policies and planning standards. He will describe NERC's preliminary plans for addressing potential business practices that are identified in the operating policies and planning standards.

3. **Overview and Status of NAESB Version 0 Standards Initiative (Rae McQuade)**
   Rae McQuade will review the goals and progress of the NAESB Version 0 business practice standards initiative (**Attachment 2**). She will describe work underway by the NAESB Business Practices Subcommittee to identify potential business practices in the NERC operating policies and planning standards (**Attachment 3**). She will describe NAESB's preliminary plans for developing business practice standards identified in the NERC operating policies and planning standards.

4. **General Criteria and Considerations for Identifying Business Practices for Version 0 Standards**
   The JIC will discuss general criteria and considerations for evaluating whether a Version 0 standard should be a reliability standard or a business practice standard (or possibly both). These criteria and considerations will establish the ground rules for review of recommendations on the disposition of Version 0 standards to be presented to the JIC for approval at the July 16 meeting in Tampa.

5. **Other Business**
   The JIC will address other business of the committee, if any.

Adjourn

Attachment 1

Plan for Accelerating the Adoption of NERC Reliability Standards

Approved by NERC Board of Trustees
June 15, 2004

Standards Transition Management Team

Standards Authorization Committee

Standards Transition Overview

This document describes a plan for accelerating the transition from existing NERC operating policies, planning standards and compliance templates to an integrated set of reliability standards by February 2005. The goal is to develop a "Version 0" baseline set of standards translated from the existing requirements and measures provided in:

- The April 2, 2004 Board-approved compliance templates.
- The existing operating policies, including modifications to Operating Policies 5, 6, and 9 made to address lessons learned from the August 14, 2003, blackout.
- The existing planning standards.

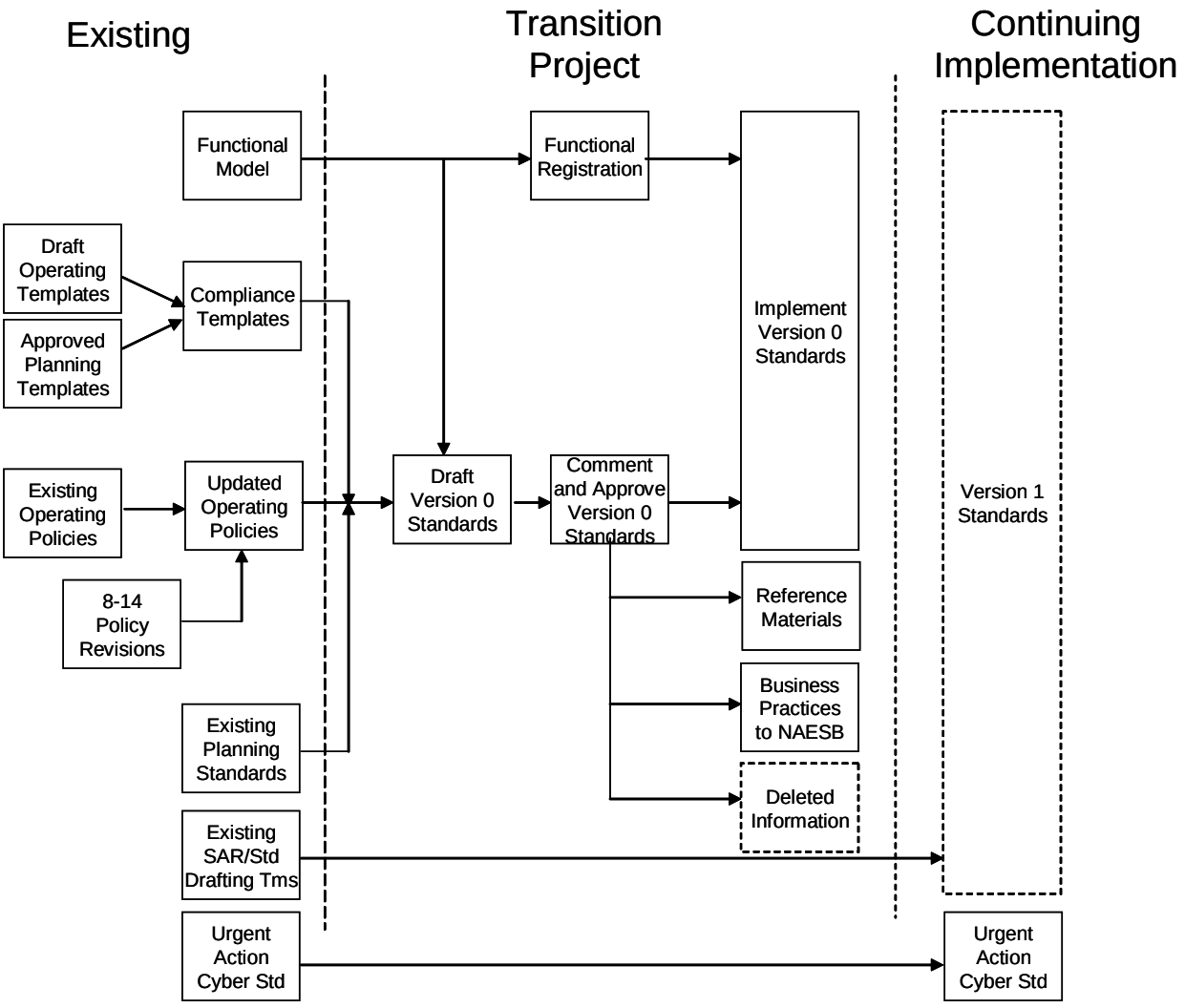

Figure 1 – Standards Transition Overview

In the drafting of the Version 0 standards, the Functional Model will be applied to designate functions to which each existing requirement and measure applies. In parallel, NERC and the

Regional Councils will seek to register all entities that perform the functions identified in the Version 0 standards.

The goal is to develop the Version 0 standards using the existing NERC Standards Process Manual. In the translation, portions of the existing reliability documents may be designated as Version 0 standards, potential business practice standards, reference materials, or may be subject to deletion.

Previously defined Standards Authorization Requests (SARs) and draft standards are expected to continue on their paths to adoption as Version 1 reliability standards, adding to or replacing the appropriate Version 0 standards subsequent to adoption of the Version 0 standards. The Urgent Action Cyber Security Standard (1200) is already a standard and is unaffected by the transition project.

A list of acronyms used in this plan is provided below for ease of reference.

ANSI	American National Standards Institute
BPRT	Business Practice Review Team
CCC	Compliance and Certification Committee
CCMC	Compliance and Certification Managers Committee
CIPC	Critical Infrastructure Protection Committee
DT	Drafting team
FERC	Federal Energy Regulatory Commission (FERC)
IRC	ISO/RTO Council
JIC	Joint Interface Committee
MC	Market Committee
NAESB	North American Energy Standards Board
NERC	North American Electric Reliability Council
OC	Operating Committee
PC	Planning Committee
SAC	Standards Authorization Committee
SAR	Standard Authorization Request
SPM	Standards Process Manual
STMT	Standards Transition Management Team
ST	Support Team

Background

In June 2002, the NERC Board of Trustees approved a new, consensus-based standards development procedure founded on the American National Standards Institute (ANSI) principles of openness, inclusiveness, balance, and fairness. On this basis, ANSI certified NERC as an ANSI standards developer in March 2003. NERC adopted the ANSI-based standards procedure primarily in response to a transformation of the industry that saw the reliability responsibilities of a finite set of vertically integrated utilities become unbundled to a more diverse spectrum of entities forming the market-based wholesale electric industry. The open standards process allows all parties responsible for, or impacted by, bulk electric system reliability to participate in the standards process.

The development of new reliability standards was initially conceived to start from a "clean slate", rather than translating existing NERC operating policies and planning standards. A clean slate approach was preferred because it allowed better organization of the standards and necessitated establishing a logical reliability basis for proposing a standard rather than assuming continuation of 'the way it has always been done'. There are currently 16 reliability standards in some stage of development: eleven originally proposed standards covering a minimum set of requirements for reliable planning and operation of bulk electric systems; four additional standards addressing certification criteria for reliability service providers; and a standard on cyber security adopted in August 2003 as an urgent action. Despite the progress to date, the development of reliability standards in the new process has been slower than initially expected.

Pending adoption of a minimum set of reliability standards, the NERC Operating Committee (OC) has continued to maintain its nine operating policies and associated appendices through the use of a transitional procedure. NERC also has 48 planning standards and 91 associated measures that were developed by the Planning Committee (PC). The concept until now for transitioning from existing operating policies and planning standards to new standards has been to adopt each new standard individually and retire appropriate sections of the existing documents, although a detailed plan was never developed and no standards have been transitioned in this manner.

The Functional Model was adopted by the NERC board initially in June 2001 and was revised in February 2004. The Functional Model provides a flexible framework for developing reliability standards in an unbundled industry in which the control area operated by a vertically integrated utility is no longer the sole entity responsible for reliability. Although the Functional Model has gained widespread acceptance conceptually, it has not yet seen significant application by NERC or the industry.

Need for Accelerating the Standards Transition

There are several important reasons for accelerating the transition from existing operating policies and planning standards to a single set of reliability standards under the ANSI-accredited process:

1. The August 14 blackout has challenged NERC and the industry to demonstrate that its reliability standards are unambiguous and measurable – now.

2. The U.S./Canada Power System Outage Task Force final report of April 5, 2004 states in Recommendation 25: "NERC should reevaluate its existing reliability standards development process and accelerate the adoption of enforceable standards."
3. An April 14, 2004 order of the Federal Energy Regulatory Commission (FERC) states a policy objective addressing "the need to expeditiously modify [NERC] reliability standards in order to make these standards clear and enforceable."
4. The continued use of multiple formats, processes and forums for developing and maintaining reliability rules is an inefficient dilution of industry and staff resources.
5. The transition to new standards and retiring of existing operating policies and planning standards will be too complex for industry implementation if taken one standard at a time over several years.

The August 14, 2003 blackout has created an urgent need for NERC to ensure that its reliability standards are clear and measurable. This need has been reinforced by Recommendation 25 of the U.S./Canada Power System Outage Task Force and FERC's reliability policy objective, as noted above.

As an immediate step, the NERC board on April 2, 2004 adopted a set of 38 compliance templates to augment the existing operating policies and planning standards by clarifying some requirements and adding measures to be used in compliance audits. While not covering the complete set of operating policies and planning standards, the compliance templates address the most significant reliability issues to be reviewed during compliance evaluations. Additionally, the OC has proposed revisions to Operating Policies 5, 6 and 9 to clarify the responsibilities and authorities of control areas and reliability coordinators.

With the adoption of the compliance templates in April 2004, NERC now has four different sets of reliability documents: operating policies, planning standards, compliance templates, and emerging new reliability standards. Maintaining these documents creates an unnecessary burden on the industry of working in multiple forums and is an inefficient dilution of resources. In most cases, there has been a concerted effort to maintain a separation between standard drafting teams in the new process and the technical committees, resulting in multiple groups working on related topics. These demands are in addition to the need for the industry to participate in the development of business practice standards by the North American Energy Standards Board (NAESB).

The process for transferring to a new reliability standard and concurrently retiring applicable sections of the operating policies and planning standards was always recognized to be complex, particularly for the entities who must follow the reliability rules and the Regional Councils who are implementing the compliance programs. A protracted, multi-year transition would be confusing and more difficult than a more abbreviated effort to replace the operating policies and planning standards in a single step.

Objectives of the Accelerated Standards Transition

The goal of the accelerated standards transition project is to translate the existing NERC reliability rules, comprised of operating policies, planning standards, and compliance templates,

into an integrated set of reliability standards, and to be positioned in February 2005 to move forward with one set of NERC standards administered through the ANSI-accredited process.

Specific objectives are to:

1. Translate the existing reliability rules – namely the existing Board-approved operating policies and planning standards, the 38 compliance templates approved by the NERC board on April 2, and all approved revisions to Operating Policies 5, 6, and 9 being balloted in April 2004 – into an initial baseline (Version 0) set of reliability standards for adoption by the NERC Board at its February 8, 2005 meeting.
2. Identify the Functional Model designation for each performance requirement and measure in the Version 0 standards and determine, in concert with objective 3, whether to adopt the Functional Model designations into the Version 0 standards.
3. Complete an initial registration (not certification) of all functions identified in Version 0 standards by October 31, 2004.
4. In cooperation with NAESB and the ISO/RTO Council (IRC), and with the endorsement of the Joint Interface Committee (JIC) identify sections of the existing operating policies and planning standards that are suitable for NAESB to incorporate into their equivalent "Version 0" business practice standards.
5. Retire existing NERC operating policies, planning standards and compliance templates coincident with adoption of the Version 0 standards. Material that is not part of Version 0 standards will be made into NERC reference documents or NAESB business practices, or dropped if not needed.
6. Coordinate Version 0 standards development with the Compliance and Certification Committee (CCC) and Compliance and Certification Managers Committee (CCMC), to assist them in developing the compliance monitoring program for 2005 and beyond.
7. Support the continuing development of Version 1 reliability standards already in progress to become additions to or replacements of applicable sections of Version 0. Any new standards would be implemented subsequent to the adoption of Version 0.
8. Be prepared beginning in 2005 to consolidate the use of technical resources working in similar content areas (e.g. technical committees and drafting teams) to make more efficient use of resources in developing and revising standards.
9. Evaluate and improve the standards process so that it is responsive to reliability needs, while complying with the ANSI essential requirements.

Guiding Principles

The following principles are essential to the success of this project:

1. To expedite consensus, the scope of the Version 0 standards will incorporate the existing reliability rules in effect in April 2004 – namely the existing Board-approved operating policies and planning standards, the 38 compliance templates approved by the Board on April 2, and approved revisions to Operating Policies 5, 6, and 9 that are being balloted in April 2004. The Standards Authorization Committee (SAC) and the Standards Transition Management Team (STMT) strongly urge that previous transitional processes not be used to

further modify the existing operating policies, planning standards, and compliance templates during the translation to Version 0 standards.

2. In the drafting of Version 0 standards, when differences are identified in the language used in an existing operating policy or planning standard compared to that of a corresponding Board-approved compliance template, the more explicit statements of requirements and measures, generally contained in the compliance templates, will be adopted. For existing operating policy requirements that have no corresponding compliance template, the measures will be shown as "Not Specified", rather than proposing new measures. Board-approved compliance templates for which there is no corresponding operating policy requirement or planning standard shall nonetheless be included as part of the Version 0 standards.
3. NERC will utilize the existing ANSI-accredited standards process for the development and adoption of the Version 0 standards. To expedite the transition, the Standards Authorization Committee (SAC) will manage some steps in parallel and manage the number of comment periods.
4. The Version 0 standards will be developed with due consideration of the impacts on existing NERC and Regional Council compliance monitoring programs.
5. NERC will work closely with NAESB, the IRC, the Regional Councils and the industry to achieve the stated objectives.
6. To facilitate consensus, a detailed mapping will be provided to show how the existing reliability documents translate into Version 0 standards, reference documents, and business practices. Therefore, each interim draft will retain information on the changes made, such as designation of new functions or identification of reference material or business practices.
7. A successful project depends on building consensus. Several checkpoints have been included in the project timeline to assess consensus.
8. All stakeholders are strongly encouraged to provide inputs early in the transition, especially during the public comment periods for the SAR and draft Version 0 standards. Because of the complexity of the project, no additional revisions will be permitted once the Version 0 standards are posted for committee and ballot pool approval.

Project Management

The NERC Director of Standards will serve as project director.

The STMT, comprised of the Vice Chairperson of each of the NERC committees, serves as the project requestor by sponsoring the SAR for the Version 0 standards and has associated decision authorities as outlined in the detailed schedule below. The STMT also ensures that the standards transition activities of the various committees are coordinated. Each committee retains its existing authorities and responsibilities as related to this project.

The SAC manages the ANSI-accredited standards development process for the development and approval of the Version 0 standards. Specific responsibilities are outlined in the detailed project schedule. Additionally, the SAC retains all of its responsibilities and authorities identified in the Standards Process Manual. The STMT and SAC must work closely together, with the SAC

managing the standards process and the STMT coordinating work efforts and actions among the various committees.

In accordance with the Standards Process Manual, the SAC will appoint a Version 0 drafting team with due consideration of expertise and balance. To expedite the work effort, it is expected the drafting team may form subgroups, such as operating and planning, to work on portions of the Version 0 standards. A small support team, comprised of several staff members and consultants, will be assigned to assist the drafting team in developing their work.

Major Milestone Deliverables

The major milestone deliverables are as follows:

Date	Milestone
4/19/04	Transition plan approved for publication.
4/19/04	SAR on Version 0 standards posted for comment until May 17.
4/19/04	Solicit nominations for Version 0 drafting team and self-selection for ballot pool.
5/7/04	Version 0 drafting team formed.
5/28/04	Consideration of comments on the SAR posted. Evaluation of consensus based on comments received and support for project.
6/4/04	Inputs to Version 0 standards received from technical subcommittees.
7/2/04	First draft of Version 0 standards posted for standing committee agendas and public comment.
8/30/04	Second draft Version 0 standards posted for public comment until October 15, 2004
10/15/04	Initial registration of applicable reliability functions completed.
10/25/04	Third draft Version 0 standards posted to standing committees for endorsement at November 8-12 meetings.
10/25/04	Third draft Version 0 standards posted to ballot pool for 30-day pre-ballot period.
11/12/04	Standing committees endorse Version 0 standards.
12/10/04	Initial ballot of Version 0 standards complete.
1/7/05	Second ballot of Version 0 standards complete (assuming a recirculation ballot is required).
1/10/05	Final draft Version 0 standards posted for Board adoption.
2/8/05	Board adoption of Version 0 standards.

Implementation Schedule

The schedule below provides a work plan to achieve the stated objectives. The dates shown are expected completion dates – many tasks must begin well before the specified dates.

Date	Task	Assigned To
4/14/04	Approve SAR for Version 0 standards and appoint STMT as SAR drafting team for the purpose of considering comments.	SAC
4/14/04	Approve Version 0 standard drafting team nomination form.	SAC
4/19/04	Approve transition plan.	STMT/SAC
4/19/04	Post and announce: • Transition plan. • SAR (through 5/17/04). • Request for nominations to Version 0 standard drafting team (through 4/30/04). • Self-selection for Version 0 ballot pool.	NERC Staff
4/19/04	Assign technical subcommittees to provide inputs to Version 0 standards, as appropriate.	OC/PC/MC
4/19/04	Assign 3-4 person dedicated Support Team (ST), comprised of staff and contractors, to begin initial work and assist drafting team.	NERC Staff
4/19/04	Inform MC and NAESB of need to form a business practice review team (BPRT) to coordinate assimilation of business practices.	NERC Staff
4/19/04	Inform Organization Certification Working Group and Regional Councils of objectives and timeline for initial functional registration by October 15, 2004.	NERC Staff
4/19/04	Inform CCC and CCMC of objectives and timeline for evaluating impacts on the 2005 compliance program and preparing the 2005 compliance plan.	NERC Staff
4/21-22/04	OC subcommittees meet and work on inputs to Version 0	OC
4/30/04	Close nominations for Version 0 standard drafting team.	NERC Staff
4/30/04	Approve posting of Standards Process Manual (SPM) revision to allow SAC to make administrative and procedural revisions to the manual.	SAC
5/7/04	Approve Version 0 standard drafting team.	SAC
5/14/04	Initial mapping of compliance templates into Version 0 format. Significant progress in mapping planning standards	ST

	into Version 0 format.	
5/17/04	Close Version 0 SAR comment period.	NERC Staff
5/17/04	Post revision to SPM for comment through June 17.	SPM DT
5/18/04	Review SAR and project plans with JIC for informational purposes.	SAC/JIC
5/20-21/04	Initial meeting of Version 0 drafting team (DT).	DT/ST
5/28/04	Prepare and post consideration of comments on SAR. Evaluate and report to SAC on consensus.	STMT
5/28/04	Finalize Version 0 communications plan.	SAC
5/28/04	Assess consensus based on SAR comments and approve drafting of Version 0 standards.	SAC
6/4/04	Provide inputs to draft Version 0 standards.	OC/PC/MC
6/4/04	Forward OC/PC/MC subcommittee recommendations on business practices to BPRT.	NERC Staff
6/9-11/04	Version 0 drafting team second meeting.	DT/ST
6/9/04	Version 0 drafting team finalizes general organization and numbering scheme for Version 0 standards.	DT/ST
6/15/04	Approve transition project.	Board
6/28-30	Drafting team third meeting to finalize draft 1 of Version 0 standards.	DT/ST
7/2/04	Post first draft of Version 0 standards for standing committee agendas and public comment. Key unresolved issues highlighted.	NERC Staff
7/20-26	Standing committee review of first draft Version 0.	OC/PC/MC/CIPC
7/30/04	Close comment period on first draft of Version 0 standard.	NERC Staff
8/9-10/04	SAC meeting.	SAC
8/11-13/04	Drafting team meeting to prepare second draft and response to comments.	DT/ST
8/30/04	Post second draft Version 0 standards for public comment until 10/15/04.	DT/ST
8/30/04	Complete ballot of revision to SPM to allow SAC revisions to administrative procedures.	SPM DT
10/4/04	Proposed revisions to streamline SPM steps posted for 30-day comment period.	
10/15/04	Complete initial registration of applicable reliability functions.	OCTF/Reliability Councils
10/15/04	Close comment period on draft 2.	NERC Staff

10/22/04	Prepare consideration of comments on draft 2 and prepare draft 3 of Version 0 for posting to standing committees for endorsement at November 9-11 meetings.	DT/ST
10/25/04	Evaluate consensus and determine whether to ballot Version 0 standards.	SAC
10/25/04	Post draft 3 Version 0 standards to ballot pool for 30-day pre-ballot period.	NERC Staff
11/8-12/04	Standing committees endorse Version 0 standards by committee action.	OC/PC/MC/CIPC
11/11-12/04	SAC meeting. Assess consensus on Version 0 going to ballot and proposed revisions to streamline the Standards Process Manual.	SAC
12/10/04	Complete first ballot of Version 0 standards.	Ballot Pool
12/15/04	Complete consideration of comments submitted with negative ballots, if needed.	SPM/Drafting Team
1/7/05	Complete recirculation ballot of Version 0 standards, if needed.	Ballot Pool
1/10/05	Post final draft Version 0 standards for Board adoption February 8, 2005	NERC Staff
1/12/05	SCEC and SAC executives joint meeting to coordinate use of technical resources in development of standards.	SCEC/SAC
2/8/05	Board considers adoption of Version 0 standards.	BOT

North American Energy Standards Board

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via email and posting

TO: NAESB WEQ Business Practices Subcommittee Participants

FROM: Rae McQuade, Executive Director

RE: Request for Standards Development and Timeline and Deliverable Dates for Preparing "Version 0" Business Practices

DATE: May 13, 2004

Dear WEQ BPS Interested Parties,

The WEQ BPS met on May 11 to discuss the transition of the business practices in the existing NERC policies from those NERC policies to NAESB business practices. The goal of the meeting was twofold – to finalize the request for standards development, and to set a timeline and deliverables deadlines that coincide with NERC's Transition Plan for developing "Version 0" reliability standards.[1] The request was unanimously endorsed by the BPS on May 11 and is attached for your information. The timeline also attached, was drafted by the NAESB office with the BPS leadership in coordination with NERC and the ISO RTO Council.

Please note that the intent of the request is to develop "Version 0" business practices that complement the "Version 0" reliability standards. "Version 0" reflects the business practices from the reliability operating policies, planning standards and compliance templates in effect today, with language changes for consistency with the NERC functional model.

Best Regards,

Rae McQuade

Rae McQuade
Executive Director, North American Energy Standards Board

cc: WEQ Executive Committee Members
Mark Fidrych
Glenn Ross
Mike Grim
Linda Campbell
Gerry Cauley
Bill Lohrman
Don Benjamin
Gordon Scott
Michael Desselle
Lou Oberski
Steve Cobb
Phil Cox
Joel Dison
DeDe Kirby
Todd Oncken

[1] The NERC Accelerated Transition Plan can be downloaded from: ftp://www.nerc.com/pub/sys/all_updl/standards/Accelerated-Standards-Transition-Plan-Draft-4-19-04-FINAL.pdf

North American Energy Standards Board

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WHOLESALE ELECTRIC QUADRANT BUSINESS PRACTICES SUBCOMMITTEE MEETING SCHEDULE OF EVENTS AND MILESTONES TO PREPARE "VERSION 0" BUSINESS PRACTICES PLAN UPDATED JUNE 14, 2004

Date	Time	Location	Event
May 11	1 – 4 P Central	Houston	NAESB WEQ BPS Meeting
May 20-21	All Day	Chicago	NERC Standards Drafting Team Meeting
June 2-3	2nd 10 A – 5 P 3rd 9 A - 3 P Eastern	Atlanta	NAESB WEQ BPS Meeting
June 9-11	All Day	Chicago	NERC Standards Drafting Team Meeting
June 17-18	All Day	Columbus, OH	NAESB WEQ BPS Meeting
June 28-30	All Day	Chicago	NERC Standards Drafting Team Meeting
July 2			Distribution of NERC Version 0 Reliability Standards Draft 1 for comment
July 7 – 8	All Day	Houston	NAESB WEQ BPS Meeting
July 9			Distribution of NAESB Version 0 Business Practice Standards Draft 1 for comment – comments to be returned by August 9
July 16	11 A – 3 P	Tampa, FL	Proposed JIC Meeting where the two version 0 requests (the SAR from NERC and the request from NAESB) will be presented for JIC review and assignment – presumably to NERC and NAESB.
Aug 9			Comments returned to NAESB on proposed standards included in Draft 1 of the NAESB Version 0 Business Practice Standards
Aug 11-13	All Day	??	NERC Standards Drafting Team Meeting
Aug 17-18	All Day	Houston	NAESB WEQ BPS Meeting
Aug 24	All Day	Colorado Springs	NAESB WEQ EC Meeting
Aug 30			Distribution of NERC Version 0 Reliability Standards Draft 2 for comment
Aug 30			Distribution of NAESB Version 0 Business Practice Standards Draft 2 for comment – comments to be returned

North American Energy Standards Board

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WHOLESALE ELECTRIC QUADRANT BUSINESS PRACTICES SUBCOMMITTEE MEETING SCHEDULE OF EVENTS AND MILESTONES TO PREPARE "VERSION 0" BUSINESS PRACTICES PLAN UPDATED JUNE 14, 2004

Date	Time	Location	Event
			by September 30
Sep 30			Comments returned to NAESB on proposed standards included in Draft 2 of the NAESB Version 0 Business Practice Standards
Oct 12-13	All Day	Washington DC	NAESB WEQ BPS Meeting
Oct 25			Distribution of NERC Version 0 Reliability Standards Draft 3 for comment
Oct 25			Distribution of NAESB Version 0 Business Practice Standards Draft 3 for comment – comments to be returned by November 25
Nov 16	All Day	Washington DC	NAESB WEQ EC Meeting
Nov 25			Comments returned to NAESB on proposed standards included in Draft 3 of the NAESB Version 0 Business Practice Standards. Comments forwarded to the WEQ EC for consideration with Draft 3 for vote.
Nov 30	All Day	Tampa	WEQ EC Meeting, EC vote on proposed standards included in Draft 3 proposed standards including consideration of comments submitted on November 25.
Nov 30			Assuming the proposed standards are adopted by the EC on November 30, the EC-endorsed proposed standards are sent out to the WEQ membership for ratification.
Dec 30			Ratification ballot due back to the NAESB office. Assuming results indicate that members ratify EC-endorsed proposed standards, they are considered NAESB standards.

R04013
North American Energy Standards Board

Request for Initiation of a NAESB Business Practice Standard, Model Business Practice or Electronic Transaction
or
Enhancement of an Existing NAESB Business Practice Standard, Model Business Practice or Electronic Transaction

Date of Request: May 13 2004

1. Submitting Entity & Address:
WEQ Business Practices Subcommittee

2. Contact Persons, Phone #, Fax #, Electronic Mailing Address:

Name :	Phil Cox	Mr. Joel Dison
Company:	American Electric Power	Southern Company
Title :	Transmission and Markets Analyst	Manager of Market Policy
Phone:	614-324-4598	(205) 257-6481
Fax :	614-583-7505	(205) 257-6824
E-mail :	epcox@aep.com	jjdison@southernco.com

3. Description of Proposed Standard or Enhancement:

Prepare business practices that support NERC's reliability practices and functional model terminology reflective of today's implementation. This request should be considered a companion request to the NERC Standards Authorization Request for Version 0 Reliability Standards.

The NERC Board of Trustee-approved operating policies and planning standards, the 38 compliance templates approved by the NERC board on April 2, and all approved revisions to Operating Policies 5, 6, and 9 balloted in April 2004 – will be translated into an initial baseline (Version 0) set of business practice standards. The list of items can be found as an attachment – see item 10 of this request.

As NERC notes in its SAR:

There are several important reasons for accelerating the transition from existing operating policies and planning standards to a single set of reliability standards under the ANSI-accredited process:

a The August 14 blackout has challenged NERC and the industry to demonstrate that its reliability standards are unambiguous and measurable – now.

b The U.S./Canada Power System Outage Task Force final report of April 5, 2004 states in Recommendation 25: "NERC should reevaluate its existing reliability standards development process and accelerate the adoption of enforceable standards."

c An April 14, 2004 Order of the Federal Energy Regulatory Commission (FERC) states a policy objective addressing "the need to expeditiously modify [NERC] reliability standards in order to make these standards clear and enforceable."

d The continued use of multiple formats, processes and forums for developing and maintaining reliability rules is an inefficient dilution of industry and staff resources.

e The transition to new standards and retiring of existing operating policies and planning standards will be too complex for industry implementation if taken one standard at a time over several years.

NERC's reliability policies have essential business practice elements that integrally support the reliability standards. However, from NAESB's perspective, such business practice standards when adopted would be voluntary. Regulatory agencies may then take their own subsequent actions to make such standards jurisdictionally enforceable. NAESB will coordinate its filing with the FERC to coincide with NERC adoption of the Version 0 standards.

4. Use of Proposed Standard or Enhancement (include how the standard will be used, documentation on the description of the proposed standard, any existing documentation of the proposed standard and required communication protocols):

These business practice standards will be drafted to implement existing business practices as they reside in NERC's current reliability operating policies and planning standards effective today:

a. Extract the business practices from the existing reliability rules – namely the existing Board-approved operating policies and planning standards, the 38 compliance templates approved by the NERC board on April 2, and all approved revisions to Operating Policies 5, 6, and 9 balloted in April 2004 – into an initial baseline (Version 0) set of business practice standards.
b. Follow NERC's effort to identify the Functional Model designation for each performance requirement and measure in the Version 0 standards, and reflect the same functional model terminology in NAESB business practices.
c. Work collaboratively with NERC to identify sections of the existing operating policies and planning standards that are suitable for NAESB to incorporate into NAESB "Version 0" business practice standards.

5. Description of Any Tangible or Intangible Benefits to the Use of the Proposed Standard or Enhancement:

As described above, these complementary business practice standards are integral to the operation and enforceability of NERC's reliability standards. The collaborative effort with NERC to prepare a Version 0 foundation of business practices will serve as a cornerstone for future NAESB business practice standards development.

6. Estimate of Incremental Specific Costs to Implement Proposed Standard or Enhancement:

There should be no additional costs to implement the business practices supporting Version 0 reliability standards as these business practices are in effect today in NERC's operating policies and planning standards.

7. Description of Any Specific Legal or Other Considerations:

NAESB should continue to coordinate with NERC as the Version 0 business practices are developed to ensure that they fully support and track NERC's reliability standards.

8. If This Proposed Standard or Enhancement Is Not Tested Yet, List Trading Partners Willing to Test Standard or Enhancement (Corporations and contacts):

There should be no additional testing required to implement the business practices supporting Version 0 reliability standards as these business practices are in effect in current NERC operating policies and planning standards today.

9. If This Proposed Standard or Enhancement Is In Use, Who are the Trading Partners:

Please see the response to item 8.

10. Attachments and reference materials (such as : further detailed proposals, transaction data descriptions, information flows, implementation guides, business process descriptions, examples of ASC ANSI X12 mapped transactions):

NERC operating policies, planning standards, and compliance templates
http://www.nerc.com/~oc/pds.html (operating policies)
http://www.nerc.com/~oc/standards/ (revised operating policy 5, 6, 9)
http://www.nerc.com/~filez/pss-psg.html (planning standards)
http://www.nerc.com/~comply/annual.html (compliance templates)
Functional model
http://www.nerc.com/~filez/functionalmodel.html
NERC Transition Plan
ftp://www.nerc.com/pub/sys/all_updl/standards/Accelerated-Standards-Transition-Plan-Draft-4-19-04-FINAL.pdf
SAR – Version 0 reliability standards development
http://www.nerc.com/~filez/standards/Version-0.html

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via email and posting

TO:	NAESB Wholesale Electric Quadrant Business Practices Subcommittee
FROM:	Joel Dison and Phil Cox, co-chairs of the WEQ BPS Subcommittee
RE:	Action Plan for Developing Version 0 Business Practices Associated with NERC Version 0 Reliability Requirements
DATE:	June 18, 2004

Introduction

The NAESB Wholesale Electric Quadrant Business Practice Subcommittee met on June 17 & 18, 2004 at the AEP Offices in Columbus, OH. The purpose of this meeting was for NAESB WEQ BPS to develop an action plan for developing business practices identified as being embedded within existing NERC Operating Policies and Planning Standards.

While presenting the NAESB proposals to the NERC Version 0 Standard Drafting Team in Chicago on June 9-11, 2004, the NERC drafting team determined that, for many of the recommendation, it was not in the best interests of the NERC Version 0 process to remove the business practices from the reliability standards development. As a result, the BPS determined that despite this decision by NERC, NAESB should proceed with developing these Version 0 business practices (including some that may be "shadow" business practices to requirements included in the NERC Version 0 reliability requirements) so as to form a foundation upon which further business practice efforts can build. A "shadow" business practice is intended to substantively match the business requirements contained within the NERC Version 0 reliability standards. It is NAESB's expectation that these business requirements contained in the NERC Version 0 reliability standards will be removed from subsequent versions of NERC standards.

The following summarizes the original recommendation, the discussions at the NERC drafting team meeting, and the action plan for the recommendation as determined by the NAESB BPS.

NERC Operating Policy 1 – "Generation Control & Performance"

Original Recommendation:

Section D "Time Control Standard". NAESB would adopt this section of Policy 1, as is, for inclusion in Version 0 business practices, including Appendix 1D.

Reasoning as follows:

- Correction of a deviation that either had no reliability impact or was handled via another reliability standard
- No reliability purpose for the correction, commercial only
- Does not represent a reliability imbalance, but a longer term "steady state imbalance
- Anything other than instantaneous balance is a commercial issue, not a reliability issue

Discussion and/or Agreement at NERC Drafting Team Meeting:

With the exception of language within the Policy regarding the RA's ability to halt time error correction when system conditions warrant, the drafting team agreed to the NAESB recommendation. In general, the NAESB representatives agreed to this modification.

Action Plan:

NAESB will develop a business practice standard consistent with the requirements in Policy 1 Section D and Appendix 1D and shall "shadow" the NERC RA requirement as part of that standard.

Original Recommendation:

Section F "Inadvertent Interchange Standard". NAESB would adopt this section of Policy 1 for inclusion in Version 0 business practices.

Reasoning as follows:

- Similar arguments to Section D.
- Scheduling of Inadvertent payback has significant financial and commercial implications

Discussion and/or Agreement at NERC Drafting Team Meeting:

Drafting team agreed to give NAESB requirement 5 (i.e. payback) and agreed that the accounting requirements (Requirement 4) should eventually go to NAESB, but not for Version 0. The NAESB representatives agreed to this modification to the recommendation for Version 0, but indicated that accounting procedures had significant commercial implications for settlement. As such, Version 1 changes to inadvertent business practice standards may include some accounting requirements.

Action Plan:

NAESB will develop a business practice standard consistent with the requirements in Policy 1 Section F Requirement 5 and shall "shadow" the business practices associated with Requirement 4.

Additional Policy 1 Discussion.

Raymond Vice recommended giving Sections B, C, and D of Appendix 1A to NAESB. This will be asked as part of the NERC public comments. Depending upon the outcome of the comments, NERC may or may not convert these Sections of Appendix 1A into reliability standards.

Action Plan:

NAESB will develop a "shadow" business practice standard consistent with the requirements in Appendix 1A sections B, C, and D.

NERC Operating Policy 3 – "Interchange"

Original Recommendation:

NAESB has already developed a version 1 Business Practice standard for Policy 3. This standard will be "reverted" into a Version 0 compatible standard.

Discussion and/or Agreement at NERC Drafting Team Meeting:

Roman Carter presented the breakout between NERC and NAESB, which recommended that all Policy 3 appendices stay with NERC for Version 0. For the most part, the team agreed to the breakout as presented by Mr. Carter. There was some discussion regarding giving the Policy 3 appendices to NAESB. This will be asked as part of the NERC public comments. Depending upon these comments, NERC may determine to keep these appendices as part of the Version 0 reliability standards.

Action Plan:

NAESB will develop the Version 0 Coordinate Interchange Business Practice Standard as presented by Mr. Carter, but will develop "shadow" business practices associated with Appendices 3A1, 3A2, 3A3, 3A4, and 3D.

Original Recommendation:

NAESB will offer to adopt the E TAG Protocol Document (not the implementation) for inclusion in Version 0 business practices. It will be NERC's decision whether to approve this adoption.

Discussion and/or Agreement at NERC Drafting Team Meeting:

No decision was made regarding this although there was some general agreement that this could be handled by NAESB.

Action Plan:

NAESB will open dialogue with NERC regarding this recommendation.

NERC Operating Policy 5 – "Emergency Operations"

Original Recommendation:

Section 5C "Capacity and Energy Emergencies", Requirement 2.1 "Mitigating an Energy Emergency. NAESB would adopt language similar to the following as Version 0 business practices.

Mitigating an Energy Emergency. Balancing Authorities shall utilize the following actions to return ACE to acceptable levels during an energy emergency:

- Load all available generating capacity
- Utilize all operating reserves
- Interrupt all interruptible load and interruptible exports
- Utilize all emergency assistance from other BALANCING AUTHORITY

Failure to Mitigate an Energy Emergency . When Its ACE is negative and cannot be returned to zero in the next fifteen minutes utilize all of the above methods,

- The deficient Balancing Authority shall manually shed firm load without delay to return its ACE to zero.
- The deficient Balancing Authority shall declare an EMERGENCY ENERGY Alert in accordance with NERC Standards.

Reasoning:

The language represents criteria and qualifications associated with declaring emergencies, which has significant commercial implications.

Discussion and/or Agreement at NERC Drafting Team Meeting:

The drafting team did not agree to remove the corresponding language from the reliability requirements because doing so would remove the original reliability intent, but agreed that NAESB should include the "shadow" business practice language in its Version 0 efforts.

It was also agreed that NAESB should expand upon those business practices as part of its Version 1 efforts.

Action Plan:

NAESB will develop the "shadow" Business Practice Standard represented by the language listed above.

Original Recommendation:

Section 5C "Capacity and Energy Emergencies", Requirement 3 "Elevating Transmission Service Priority within the Eastern Interconnection". NAESB would adopt this section for inclusion in Version 0 business practices using language similar to the following:

Elevating Transmission Service Priority within the Eastern INTERCONNECTION. A TRANSMISSION PROVIDER shall only elevate the transmission service priority of an INTERCHANGE

TRANSACTION from Priority 6 (Network Integration Transmission Service from Non-designated Resources) to Priority 7 (Network Integration Transmission Service from designated Network Resources) if

- Permitted in its transmission tariff
- The LOAD-SERVING ENTITY served by the BALANCING AUTHORITY or TRANSMISSION PROVIDER has requested its RELIABILITY AUTHORITY to initiate an ENERGY EMERGENCY ALERT.
- The RELIABILITY AUTHORITY shall post the initiation of the Energy Emergency Alert and the expected total MW that may have its TRANSMISSION SERVICE priority changed on the NERC Web site

Are these business requirements or reference material???

3.2. EEA 1 will be used to *forecast* the change of the priority of TRANSMISSION SERVICE of an INTERCHANGE TRANSACTION on the system from Priority 6 to Priority 7.

3.3. EEA 2 will be used to *announce* the change of the priority of TRANSMISSION SERVICE of an INTERCHANGE TRANSACTION on the system from Priority 6 to Priority 7.

Reasoning:

- These requirement essentially represent a reallocation of firm service and therefore has commercial implications
- Generally speaking. rules governing when this can take place should be a commercial issue, not a reliability issue

Discussion and/or Agreement at NERC Drafting Team Meeting:

The drafting team did not agree to remove this language from the Version 0 reliability requirements because doing so would lose the context needed for the associated reliability requirements, but agreed that NAESB should develop the "shadow" business practices inherent in the Policy.

Action Plan:

NAESB will develop the "shadow" Business Practice Standard represented by the language listed above.

Original Recommendation:

From Section 5D "Transmission", Requirement 2 "Operating Authorities Shall Not Burden Others". NAESB would adopt the language "In instances where there is a difference in derived operating limits the BULK ELECTIRC SYSTEM shall always be operated to the most limiting parameter" for inclusion in Version 0 business practices.

Reasoning:

Business practices surrounding the resolution of differences in operating limits should be a commercial issue resolved within the context of other reliability requirements because of the potential impact on the market – it is not of itself a reliability requirement

Discussion and/or Agreement at NERC Drafting Team Meeting:

The drafting team did not agree to this recommendation, because the Policy represents real time emergency condition. In that context, the NAESB representatives agreed that this would be more appropriately a reliability requirement and agreed to withdraw this recommendation at this time.

Action Plan:

NAESB will not develop business practices associated with this requirement.

NERC Operating Policy 7 – "Telecommunications"

Original Recommendation:

NAESB will offer to adopt the ISN (Interregional Security Network) Communication Protocols as part of the Version 0 Business Practices. It will be NERC's decision whether to approve this adoption.

Discussion and/or Agreement at NERC Drafting Team Meeting:

Although there were no decisions made, there was a general agreement that protocol development and maintenance should be handled by NAESB. Mark Fidrych agreed to direct the Communication Subcommittee to work with NAESB on this issue.

Action Plan:

NAESB will open dialogue with NERC regarding this recommendation.

NERC Appendix 9B – "Energy Emergency Alerts"

Original Recommendation:

Section A "General Requirements". NAESB would adopt language similar to the following as part of its Verion0 efforts to capture the imbedded business practices contained within the Policy:

Initiating an Energy Emergency Alert. LOAD SERVING ENTITIES shall be allowed to initiate an Energy Emergency Alert for the following reasons

- When the LSE is, or expects to be, unable to provide its customers' energy requirements, and has been unsuccessful in locating other systems with available resources from which to purchase, or
- The LSE cannot schedule the resources due to, for example, ATC limitations or transmission loading relief limitations.

Restrictions for Initiating Energy Emergency Alerts. LOAD SERVING ENTITIES shall not initiate an Energy Emergency Alert based upon the cost of available resources

Discussion and/or Agreement at NERC Drafting Team Meeting:

The Drafting Team did not agree to remove these sections from the appendix, but agreed that Version 0 BPs are still needed.

Action Plan:

NAESB will develop the "shadow" Business Practice Standard represented by the language listed above.

NERC Appendix 9C1 – "Transmission Loading Relief"

Original Recommendation:

NAESB will adopt all of appendix 9C1 (including 9C1B "Interchange Transaction Reallocation During TLR Levels 3a and 5a" and 9C1C "Interchange Transaction Curtailments During TLR Level 3B") as companion Version 0 business practices. NERC may determine that there are certain reliability requirements that it needs to "section out" of this appendix as Version 0 reliability standards.

Discussion and/or Agreement at NERC Drafting Team Meeting:

NERC wants NAESB to adopt the appendix as is, but they will keep it in the NERC standards as-is as well and identify the core reliability elements embedded in it for Version 1.

Action Plan:

NAESB will develop a business practice standard consistent with the requirements in Policy 9 Appendix 9C1, 9C1B, and 9C1C.

NERC Appendix 9C2 – "WSCC Unscheduled Flow Reduction Procedure"

Original Recommendation:

NAESB will adopt all of appendix 9C2, as is, for inclusion in Version 0 business practices. NERC may determine that there are certain reliability requirements that it needs to "section out" of this appendix as Version 0 reliability standards.

Discussion and/or Agreement at NERC Drafting Team Meeting:

Similar discussion to 9C1 took place, but Ken Wilson says WECC doesn't want NAESB to adopt. NAESB will have to determine what needs to be done, but may just have to have a WECC regional difference.

Action Plan:

NAESB will not develop a business practice standard consistent with the requirements in Policy 9 Appendix 9C2 unless requested to do so through the NAESB standards request process. Furthermore, a regional difference will be incorporated into the Business Practice Standard associated with Appendix 9C1 that allows the WECC to utilize their own congestion management procedures.

NERC Appendix 9C3 – "ERCOT Operating Guide III, Operation to Maintain Transmission System Security"

Original Recommendation:

NAESB will adopt all of appendix 9C3, as is, for inclusion in Version 0 business practices. NERC may determine that there are certain reliability requirements that it needs to "section out" of this appendix as Version 0 reliability standards.

Discussion and/or Agreement at NERC Drafting Team Meeting:

This particular ERCOT procedure is obsolete. The procedure hasn't been used for years. NAESB will have to have an ERCOT regional difference.

Action Plan:

NAESB will not develop a business practice standard consistent with the requirements in Policy 9 Appendix 9C3 unless requested to do so through the NAESB standards request process. Furthermore, a regional difference will be incorporated into the Business Practice Standard associated with Appendix 9C1 that allows ERCOT to utilize their own congestion management procedures.