

**NAESB - NERC Issues Coordination Work Paper
Standards Review Subcommittee
February 6, 2003**

The subcommittee formed to address WEQ Annual Plan items No.1a), b) and c), will identify market/commercial concerns pertaining to existing or proposed reliability standards. This subcommittee will initiate any needed coordination of standards development as set forth in the NERC-NAESB Memorandum of Understanding. The proposed name of this subcommittee is the **Standards Review Subcommittee (SRS) of the WEQ Executive Committee.**

From the NAESB Board approved 2003 Annual Plan for the Wholesale Electric Quadrant:

1. *Develop business practice standards as needed to complement reliability standards.*
 - a. *Apply NERC/NAESB MOU provisions in reviewing proposed reliability standards for their business practice implications.*
 - b. *Review existing NERC reliability policies and standards for their business practice implications.*
 - c. *Review each SAR in light of the NERC/NAESB MOU.*

This work paper proposes a Mission Statement and a work process to establish NAESB with the resources to address issues of a commercial nature that may arise within the NERC Organization or any other standards development process that requires the attention of NAESB members.

Mission Statement

The Standards Review Subcommittee (SRS) reviews standards, communication protocols and practices developed outside NAESB as assigned in the Annual Plan for impacts on commercial activity and business standards. The SRS will provide an open, collaborative forum for the wholesale electric industry to develop business practice standards to complement reliability-those externally developed standards. ~~The SRS will act as a resource for the coordination efforts as set forth in the Memorandum of Understanding between NERC and NAESB, and if necessary coordinate with other standards organizations.~~ ¹The SRS will analyze and recommend appropriate actions regarding the development of such standards.

¹ ~~Reliability standards that apply to the wholesale electric market are primarily developed by NERC but may be developed or proposed by other organizations as agreed upon by the industry.~~

Background

NERC's Organization Standards Process Manual allows for all industry participants to provide comments on all proposed Standards. NERC's Standards Authorization Request (SAR) process may also be able to identify areas in which the proposed reliability standards have commercial impacts. NERC intends to market related concerns that are submitted as comments in the SAR process with the intent to eliminate or minimize commercial impacts imposed by the proposed reliability standard.

In order to meet that objective, commercial elements of the proposed reliability standard may have to be excluded. However, the need for commercial standardization may still be ~~beneficial~~beneficial for the proper and efficient function of markets and/or reliable operations. Such commercial standards may be outside of NERC's reliability mission and scope. NAESB should have a process in place to coordinate the development of commercial standards or procedures to ensure that NERC and NAESB standards are complementary and adopted in a timely manner.

The NERC-NAESB Memorandum of Understanding

The SRS intends to employ the NERC-NAESB MOU and abide by the provisions set forth in that agreement (please see attached MOU).

Sec 2.6 of the MOU states, "Once the JIC has assigned a standard development proposal to one of its Parties, that Party will then develop the proposed standard through its existing standards development process. The other Party shall assume an advisory-only role, although its members and constituents are strongly encouraged to actively participate in the development process by participating in subcommittee, task force and working group deliberations as well as offering comments and recommendations on any and all aspects of the proposed standard."

This SRS proposes to offer NAESB the resources needed to fulfill the needs of the MOU. The working relationship and reporting requirements between the SRS and the NAESB representatives of the Joint Interface Committee~~NERC~~ are proposed in the "**Standards Review Subcommittee** ~~NERC Coordination~~ Standards Review Process" attached to this Work Paper.

The Need for a Standards Review Process

NAESB shall provide the appropriate process for industry to develop standardized market procedures to complement a NERC reliability standard. A process for NERC and NAESB to coordinate the development of such procedures is needed so that any time such a need arises, either initiated by a NERC SAR or a NERC Policy revision, a systematic approach to address these cross-boundary issues can be utilized.

For those standards that are proposed through the NERC Standards Development Process, industry comments gathered from the SAR process may reflect the industry's

concerns of the reliability standard's impact on the market. The final NERC SAR should propose a reliability standard with a scope and purpose that is focused primarily on reliability needs with a minimum impact on commerce and markets. However, the SAR process may not provide adequate resolution of all market concerns. In order to avoid creating duplicate and/or opposing standards, the JIC may still assign the proposed standard to NERC for development. As anticipated in the MOU, industry is encouraged to participate in the NERC standards development process by providing comments and active participation on drafting teams if possible. However, the SRS may recommend to the Executive Committee that a market procedure or standard be developed to facilitate market players to complement the NERC standard. The SRS may also make a recommendation to work to monitor the development of the standard and provide advisory role comments ~~for NERC consideration~~.

For revisions to existing NERC Planning and Operating Policies that undergo development outside the NERC SAR process, the SRS shall review these proposals for impacts on business standards and practices. The present NERC standards may have embedded in them, procedures and requirements of a commercial nature. The SRS may recommend that a NAESB standard be developed to complement reliability obligations set forth by an existing NERC reliability standard.

Attachments:

NERC-NAESB MOU

SRS Action Items

Standards Review Subcommittee NERC Coordination Process

**Standards Review Subcommittee Action Items
January 14, 2003**

Annual Plan item no. 1) a) *Apply NERC/NAESB MOU provisions in reviewing proposed reliability standards for their business practice implications.*

Annual Plan item no. 1) c) *Review each SAR in light of the NERC/NAESB MOU.*

The SRS will request the NAESB members of the NERC-NAESB Joint Interface Committee to provide any specific reviews of SARs that are pending an allocations decision.

Annual Plan item no. 1) b) *Review existing NERC reliability policies and standards for their business practice implications.*

The SRS should request NERC to notify NAESB when there are plans to update or revise existing NERC standards (known as the Planning and Operating Policies).

- These NERC Policies will continue to be the primary reliability standards for the wholesale electric industry until such time they are each displaced by the new NERC Organization Standards.
- Although the language of annual plan item 1) b) does not limit the NAESB review to any specific set of NERC standards, as a matter of efficiency and resources, the SRS should focus on the NERC Standards undergoing revisions, including those revisions contained under NERC's public posting process, as well as any NERC Policy changes requiring immediate action by Committees that may not be subject to the full public posting process (see "Expedited SRS Review Procedure").²
- However, any party may request the SRS to review and assess an existing NERC Planning or Operating Policy for commercial impact if the need arises. The SRS will address such a request by following the SRS NERC Coordination Process.

² NERC's existing Policies may be revised without a public posting process for comments if so determined by the Planning or Operating Committee.

**Standards Review Subcommittee NERC Coordination Process
January 14, 2003**

1. NERC SAR posted or revision to NERC Policy is initiated.
2. NAESB Standards Review Subcommittee (SRS) reviews proposal.
3. NAESB SRS forms an opinion/position white paper on the commercial/market concerns of the NERC SAR.
 - 3.1. NAESB SRS may also interject its own findings and opinions in its report, to supplement those comments posted in the NERC SAR process.
 - 3.2. SRS may provide a recommendation to the EC and JIC that the NERC proposed standard should be revised to eliminate the specific market concerns.
4. Paper is provided to the NAESB members serving on the JIC and to the EC for any action and/or the NAESB JIC members for their use ~~in JIC discussions~~ (Balanced Subcommittee vote required).
 - 4.1. If no significant commercial impacts are identified.
 - 4.1.1. No further NAESB action may be required.
 - 4.2. If the SRS believes there is significant market impact.
 - 4.2.1. SRS makes assessment whether market concerns are significant enough to warrant the development of a complementing NAESB market procedure (Balanced Subcommittee vote required).
 - 4.2.1.1. If YES – SRS requests NAESB develop a standard to complement the NERC Standard.
 - 4.2.1.2. SRS checks the NAESB Annual Plan to see if the proposed standard is within NAESB scope. May request Board for revision of Annual Plan if necessary (Balanced Subcommittee vote required).
 - 4.2.1.3. EC assigns the proposed standard to appropriate subcommittee for development.
 - 4.2.2. IF NO complementary NAESB standard is needed, make recommendation to the NAESB JIC members and to the EC, for NAESB Advisory Role in standard development.
 - 4.2.3. SRS should monitor the progress of the standard development in the external organization to ensure its recommendation remains valid throughout the development and approval process.

Expedited Standards Review Subcommittee Review Procedure

1. NAESB is notified by NERC of an immediate action to revise NERC Policy (and/or associated Appendixes).
2. The SRS develops an opinion/position paper on the commercial/market disposition of the NERC Policy revision, this paper is provided ~~directly to NERC with copy to~~ the EC (Subcommittee vote required).
3. If SRS opinion paper identifies a significant impact on NAESB standards, the SRS should request that the EC communicate the concerns to the JIC and the NAESB Board (Subcommittee vote required).
4. The NERC – NAESB MOU provisions shall be employed to further resolve the commercial concerns. (note – the MOU does not have any specific language on the disposition of these types of revisions, however, it recognizes in footnote 1 that: “The JIC is not limited to new standards but can receive existing proposed standards referred to it by either Party.”)