

NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

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April 21, 2004

Mr. Michael Deselle
Director—Public Policy
American Electric Power
1616 Woodall Rodgers Freeway
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Ms Rae McQuade
Executive Director
North American Energy Standards Board
1301 Fannin Street
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Dear Michael and Rae,

Accelerated Transition to “Version 0” Reliability Standards

The NERC Standards Transition Management Team (STMT) and the Standards Authorization Committee (SAC) today approved the attached “Plan for Accelerating the Adoption of NERC Reliability Standards”. The STMT and SAC are encouraged by the strong support this project is receiving throughout the industry.

The goal of the 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.*

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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.

Objective 4 above underscores the importance of our two organizations working closely together to identify sections of the existing NERC operating policies and planning standards that are suitable for NAESB to incorporate into business practice standards. We look forward to that effort, which will by necessity be taking place on multiple fronts. Consistent with the Market Committee board-approved scope, I am requesting the Market Committee to ensure NERC's interactions with NAESB and the IRC necessary to support the standards transition project are well-coordinated.

You may feel free to distribute the NERC standards transition plan within the NAESB community.

Please contact me if you have any questions at 609-452-8060 or Gerry.Cauley@nerc.net.

Sincerely,



Gerry Cauley
Director-Standards

GWC:naw

cc: Michael S. Grim, Market Committee Chairman
Standards Authorization Committee
Standards Transition Management Team

Plan for Accelerating the Adoption of NERC Reliability Standards

**FINAL
April 19, 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.

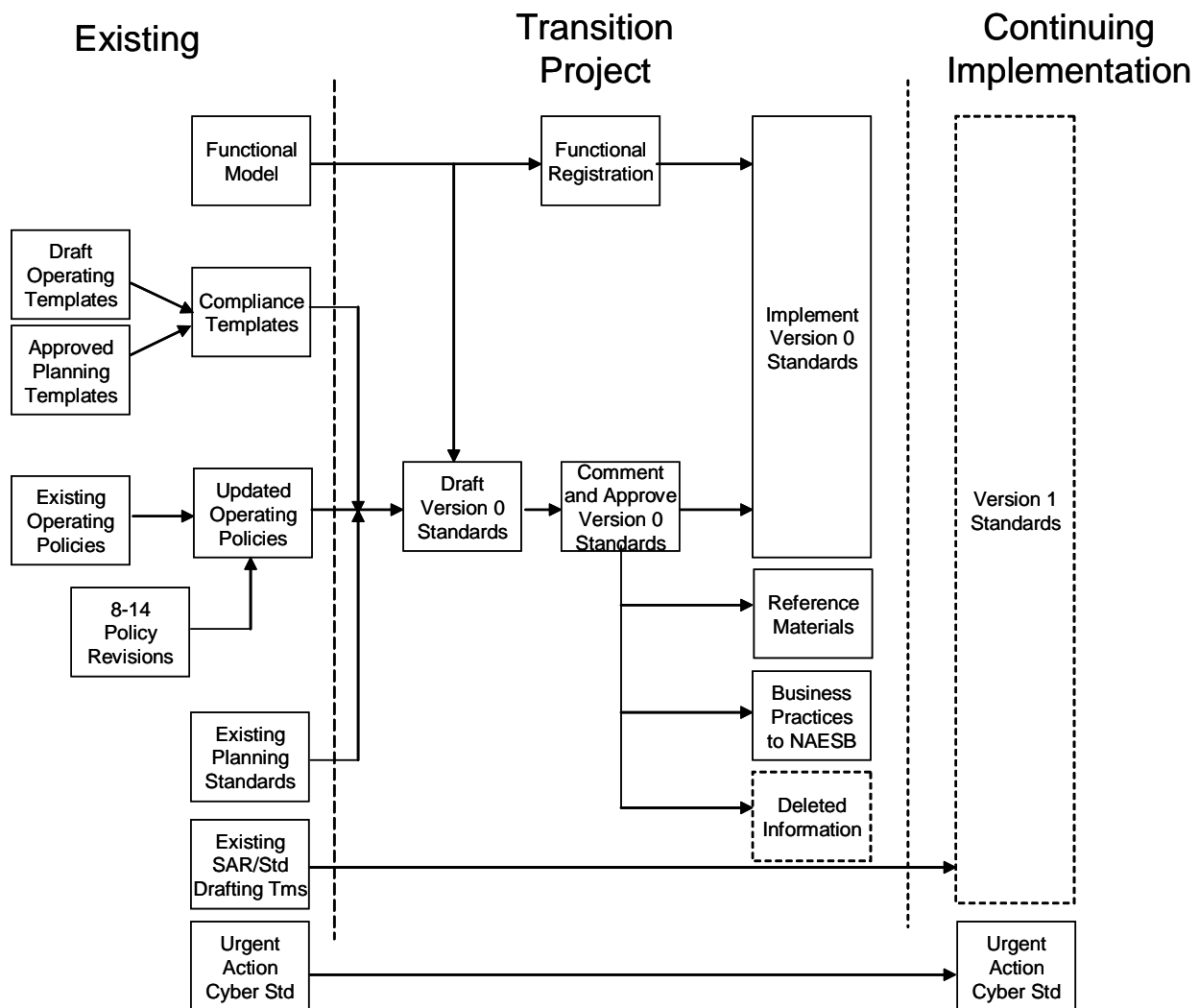


Figure 1 – Standards Transition Overview

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: <ul style="list-style-type: none"> • 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 into Version 0 format.	ST

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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	DT/ST

	endorsement at November 9-11 meetings.	
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