REGIONAL MANAGERS COMMITTEE

Role of the Regional Reliability Councils

Follow-up Report

May 2, 2005
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Executive Summary

The October 5, 2004 Regional Managers Committee report entitled “Examination of the Future Role of the Regional Reliability Councils and Assessment of Eastern Interconnection Regional Reliability Council Boundaries”, recommended that reliability management institutions continue to undergo incremental changes in order to embody identified organizational fundamental principles, while enhancing the delivery of reliability assurance functions.

That report concluded that regional reliability councils (RRCs) and NERC are the appropriate vehicles to provide necessary reliability assurance functions and services into the future, including those specifically identified in proposed U.S. legislation. In addition, RRCs, with the added delegation as Regional Entities, would also perform the vital task of coordinating and combining state and provincial regulatory-backed compliance responsibility, with proposed U.S. federal reliability legislation authority for mandatory enforcement of continent-wide standards and regionally-specific criteria.

This Follow-up Report details individual regional conformance assessments with the fundamental principles necessary for organizations that perform reliability assurance functions and services, identifies gaps in conformance where they exist and provides the road map for conformance though implementation of future plans. In addition, common requirements for regional criteria development, and compliance and enforcement, based upon proposed U.S. reliability legislative language were developed and submitted for stakeholder review.

Consistent with its approach of encouraging open and inclusive dialogues, the Regional Managers Committee sought input from the broad stakeholder community with regard to “the What” requirements for Regional Criteria Development, and Compliance and Enforcement, based upon proposed U.S. reliability legislative language. That stakeholder outreach letter dated March 24, 2005, along with comments received are posted to the NERC website under the Role of the Regions heading.

In summary, all regions currently conform with the open and inclusive membership, and the compliance principles. Most regions also conform with the governance, independence and organizational boundary principles. Mitigation plans are in place in SERC to achieve conformance with the governance and independence principles, and in SPP to address issues associated with independence. ECAR, MAAC and MAIN look to achieve full conformance through the creation of the Large Regional Reliability Council (LRRC) with MRO participation to follow. If this plan is unsuccessful, MAIN expects to dissolve effective about January 1, 2006, with its members joining other councils.
I. Introduction

The "Examination of the Future Role of the Regional Reliability Councils and Assessment of Eastern Interconnection Regional Reliability Council Boundaries" was presented by the Regional Managers Committee at the October, 2004 Meeting of the Members of NERC. The Members, in response, approved and endorsed the report and approved a schedule to complete the recommendations contained therein. The three action items to be completed are:

I. Assessment by each RRC of its conformance with the five fundamental principles, identification of any gaps and development of mitigation plans.

II. Assessment of the functions required to effectively carry out the responsibilities for the RRC under the proposed U.S. reliability legislation.

III. Evaluation of the existing boundaries of the RRC to determine if there are other boundaries that are more effective in managing reliability.

The Members requested that the Regional Managers Committee present the conclusions of these efforts in a follow-up report for consideration in May, 2005.

The Regional Managers Committee, continuing the open and inclusive dialogue on this subject, sought input from the broad stakeholder community regarding requirements for regional criteria development, and compliance and enforcement, based upon proposed U.S. reliability legislative language.

II. Fundamental Principles For Regional Reliability Assurance Organizations

The Regional Managers Committee used the language in the proposed U.S. reliability legislation in establishing the fundamental principles necessary for organizations that perform reliability assurance functions and services. The fundamental principles necessary for organizations that perform reliability functions and services are as follows:

1. Open and Inclusive Membership
2. Fair and Balanced Governance
3. Independence
4. Compliance
5. Organizational Boundaries

Additional considerations were also added to clarify implementation of identified principles as follows:

1. OPEN AND INCLUSIVE MEMBERSHIP:

   • All entities that use, own or operate the bulk power system within the RRC boundary are eligible for membership
• Regulatory agencies with jurisdiction within the RRC boundary are encouraged to participate, as appropriate, in all RRC activities
• In the development of regionally specific criteria, input from entities outside the RRC whose reliability might be impacted is accommodated and encouraged

2. FAIR AND BALANCED GOVERNANCE

• All board members are eligible to vote except where prohibited by State or Provincial law
• Governance should allow for effective Canadian and Mexican participation on the board as geographically appropriate
• No member or segment can dominate board voting

3. INDEPENDENCE

• RRC employees responsible for compliance monitoring and enforcement must be independent of the entities they monitor for compliance (Because of its unique situation and regulatory relationship, functional independence is acceptable within ERCOT)
• RRCs should require all employees to sign a personnel Code of Conduct agreement
• Funding mechanism should be equitable, resulting in no member having a controlling financial interest

4. COMPLIANCE

• All entities that use, own or operate the bulk power system within the RRC boundary are required to comply with NERC standards and applicable regionally specific criteria
• In the areas of reliability criteria compliance and enforcement, transparency of process and disclosure of confirmed violations is required

5. ORGANIZATIONAL BOUNDARIES

• RRC boundaries should not cut across any Control Area or Reliability Coordinator boundary
• RRCs should encompass one or more Control Areas and one or more Reliability Coordinators
• Deference should be given to proposals from interconnection-wide entities
• International RRCs must respect sovereignty

The RRCs are dedicated to meeting these principles and are in support of the proposed U.S. electric reliability legislative language and of NERC fulfilling the role of an Electric Reliability Organization (ERO). The following summarizes individual regional responses regarding conformance with these principles.
Summary of Regional Assessment of Ability to Meet
Fundamental Organizational Principles

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<th>Membership</th>
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The individual regional assessments are included in Appendix A.

III. Regional Reliability Assurance Functions and Services

The reliability assurance functions and services currently performed by the ten RRCs were divided into five broad categories:

- Development of Regionally-Specific Reliability Criteria
- Coordination of Planning and Operations
- Assessment of Reliability
- Compliance Monitoring and Enforcement
- Other Services

The Regional Managers Committee sought input from the broad stakeholder community with regard to “the What” requirements for regional criteria development, and compliance and enforcement, based upon proposed U.S. reliability legislative language. Stakeholder views regarding the following what requirements are posted to the NERC website at [www.nerc.com](http://www.nerc.com).
1. Common Requirements For Open Process Regional Criteria Development
   - Requests for new criteria development or revisions to criteria
   - Drafting groups assigned
   - Comment processes
   - Reviewed with NERC standards for consistency
   - Reviewed for market neutrality as appropriate
   - Field testing as required
   - Approval process
   - Adoption
   - Implementation
   - Appeals process

2. Common Requirements for Regional Compliance and Enforcement
   - Identification of NERC standards/regional criteria monitored for compliance
   - Establish regional compliance monitoring and NERC oversight groups
   - Compliance monitoring
   - Compliance reporting
   - Confidentiality
   - Confirmation of alleged violation
   - Sanctioning mechanism
   - Mitigation plans
   - Mitigation tracking
   - Regional peer review and violation ranking by CCMC
   - Appeals process

ADDITIONAL REGIONAL RELIABILITY FUNCTIONS AND SERVICES

Each region performs other necessary reliability assurance functions and services determined to be appropriate, effective and efficient, by the members they serve. In addition, RRCs, with the added delegation as Regional Entities, will also perform the vital task of coordinating and combining state and provincial regulatory-backed compliance responsibility, with proposed U.S. federal reliability legislation authority for mandatory enforcement of continent-wide standards and regionally-specific criteria. A partial listing of additional functions performed by most RRCs follows:

1. Regional Coordination of Planning and Operations
   - Regional Reliability Plan
   - Operator Training & Tools
   - Market Interface
   - Critical Infrastructure Protection

2. Assessment of Reliability
   - Transmission & Resource Adequacy – Seasonal and Long-term
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- Adequacy of Protective Relay Systems
- Management of Databases
- Disturbance Analysis

3. Other Services
   - Dispute Resolution
   - Operator Training & Tools
   - Market Interface

IV. Industry Comments

In preparing this report, the Regional Managers Committee solicited input from stakeholders participating in all NERC committees and from across all the NERC RRCs.

The comments were appreciated, and the Regional Managers Committee thanks the stakeholders who responded. Comments are an important part of developing any report. For a list of comments, please refer to the NERC website:

www.nerc.com/~filez/roleofregions.html

V. Large Regional Reliability Council (LRRC) Initiative

The members of ECAR, MAAC, MAIN, and MRO are involved in joint discussions with the objective of forming a broader regional reliability council. This initiative is independent of the Role of the Regions report and analysis, however, each of the regions participating in the LRRC discusses the initiative in its respective section of this report. In addition, a public website can be found at http://www.maac-rc.org/rrcboundaries/work-teams.html to provide updated information regarding the activities underway to form the LRRC.
Appendix A

Conformance Analysis by Region

ECAR

ECAR is currently in joint discussions with MAAC, MAIN and MRO regarding a possible consolidation of these RRCs into a new RRC that is currently being referred to as the “Large Regional Reliability Council” (LRRC). The contemplated consolidation is expected to occur in two stages with the first stage being consolidation of ECAR, MAAC, and some MAIN members into the initial LRRC. MRO is a participant in the first stage discussions to facilitate MRO becoming part of the LRRC in the second stage. From the discussions to-date, it is apparent there is consensus among most members of ECAR, MAAC, and MAIN that the first stage of the LRRC initiative is likely to move forward to implementation - probably by January 1, 2006. In developing the detailed basis for establishing the LRRC, the parties to the consolidation discussions will address the five “fundamental principles” of the “Role of Regions” Report to assure that the LRRC conforms to the principles.

Given the current status of the LRRC initiative, ECAR is not presently working on developing an ECAR-specific plan to achieve conformance with those fundamental principles for which gaps exist between the fundamental principles and ECAR’s current organizational structure. ECAR recognizes that were it to remain a stand-alone RRC, it would need to make changes in the governance, independence, and boundaries areas to fully conform to those specific fundamental principles. ECAR is in conformance with the membership and compliance fundamental principles.

In the unlikely event that the first stage of the LRRC initiative does not come to fruition, ECAR will take the necessary steps to develop and implement a plan to conform to the fundamental principles.

Activities are already underway in ECAR to achieve conformance with the independence principle by sometime in 2006, regardless of the outcome of the LRRC initiative (specific date yet-to-be determined pending the outcome of the LRRC initiative). Some preliminary work has also been done related to needed governance changes, and if the LRRC is not implemented, ECAR would likely make governance changes sometime in 2006. In the absence of the LRRC, the most difficult principle for ECAR to conform to would be the boundaries principle.

ERCOT

1. OPEN AND INCLUSIVE MEMBERSHIP

The ERCOT Bylaws provide for full membership for Cooperatives, Independent Generators, Independent Power Marketers, Independent Retail Electric Providers, Investor Owned Utilities, Municipal Utilities, and Consumers. All of the standing commit-
tees and subcommittees of ERCOT have members from each of these segments. All meetings are noticed in advance on the ERCOT web site and are open to the public. Public Utility Commission of Texas staff can and do participate actively in stakeholder meetings.

ERCOT is connected to other NERC Regions only by DC ties. Regionally specific criteria changes in ERCOT that can affect DC tie operations are coordinated with the Region on the other side of the DC tie.

2. **FAIR AND BALANCED GOVERNANCE**

ERCOT has a combination independent and balanced stakeholder Board. The ERCOT Bylaws require that the Board consist of one representative from each of the Independent Retail Electric Provider, Independent Generator, Independent Power Marketer, Investor Owned Utility, Municipal Utility, and Cooperative segments. Also required are three consumer representatives (Commercial, Industrial, State Public Utility Council for residential), The CEO of ERCOT, The Chair of the Public Utility Commission of Texas (non-voting) and three Unaffiliated/Independent members. All voting members have an equal vote and it requires a 67% majority to approve motions.

3. **INDEPENDENCE**

ERCOT is a 501C, not-for-profit organization and is independent of any of it members and stakeholders. All ERCOT employees are required to sign a comprehensive Code of Conduct as a condition of employment and renew that agreement annually.

The ERCOT Compliance Group monitors and determines the compliance of ERCOT Operations and ERCOT Stakeholders with NERC Standards and ERCOT Protocols and Operating Guides in accordance with ERCOT’s Public Utility Commission of Texas approved Protocols. They are functionally separate from ERCOT Operations and report directly to the CEO. The compliance group works closely with the Public Utility Commission of Texas Market Oversight Division, which also has direct access to all ERCOT Operations and Market data. The Public Utility Commission of Texas Market Oversight Division can and does conduct its own independent reviews and studies of ERCOT operations. Because of its unique situation and regulatory relationship, functional independence is acceptable within ERCOT.

ERCOT is funded through a “per Mega-watt Hour” fee approved by the Public Utility Commission of Texas and charged to the scheduling entities for all energy scheduled to serve ERCOT load or to serve load across the DC tie.

4. **COMPLIANCE**

The ERCOT Compliance Group monitors operating and planning activities in ERCOT and measures compliance with NERC Reliability Standards. For all violations of these standards the responsible entity is reported in accordance with the NERC compliance process and to the Public Utility Commission of Texas Market Oversight Division.
All stakeholders are required to enter into a standard contract with ERCOT that includes compliance requirements. Even if they do not join as a member they are contractually bound to compliance with NERC Standards and ERCOT Protocols and Operating Guides.

5. ORGANIZATIONAL BOUNDARIES

ERCOT is a single Control Area Interconnection Region totally contained within the State of Texas.

FRCC

1. OPEN AND INCLUSIVE MEMBERSHIP

Full membership in the FRCC is open to any entity that has or is expected to have financial transactions in the wholesale electric market in the FRCC Region. The Florida Public Service Commission is the only regulatory agency that has jurisdiction within the FRCC Region. They are invited and encouraged to participate in all FRCC activities in a non-voting status.

When the FRCC develops regionally specific criteria which might impact the Southern Subregion of SERC, input is sought from that Subregion.

2. FAIR AND BALANCED GOVERNANCE

The FRCC is governed by a balanced stakeholder Board of Directors. The Board consists of six (6) sectors as follows:

   Power Marketer Sector
   Generator Sector
   Non-Investor Owned Utility Wholesale Sector
   Load Serving Entity Sector
   Generating Load Serving Entity Sector
   Investor Owned Utility Wholesale Sector

All Board members are eligible to vote and no member or sector can dominate Board voting.

3. INDEPENDENCE

The FRCC is a 501C(6) not-for-profit organization and is independent of any member of the FRCC. The FRCC has a full time staff which is also independent of any member. All employees are required to abide by the FRCC Code of Conduct Agreement and the FRCC’s Conflict of Interest and Business Ethics Policy which covers any financial interests in any FRCC member entity.
FRCC’s funding methodology assures that no one member can have a controlling financial interest. All FRCC administrative expenses or other expenses are approved by the Board of Directors and are apportioned to and funded by the members of FRCC.

4. COMPLIANCE

The FRCC Membership Agreement requires that all members comply with regional reliability criteria and applicable NERC standards. FRCC has established a Regional Compliance Program to bring together all the reliability assurance activities of the Council, and has adopted a Regional Compliance and Enforcement Program to assess and enforce mandatory compliance with reliability criteria.

The FRCC Compliance Program is transparent and full disclosure of confirmed violations is made.

5. ORGANIZATIONAL BOUNDARIES

There are no instances where Reliability Coordinator or control area boundaries are cut by FRCC’s Regional Reliability Council boundary. There are no existing or potential reliability concerns because of the current FRCC boundary.

MAAC

1. OPEN AND INCLUSIVE MEMBERSHIP

The MAAC Agreement requires that all Signatories of the PJM Operating Agreement with load in MAAC shall automatically be members of MAAC. In becoming a member of MAAC each member and PJM shall comply with all MAAC Reliability Principles and Standards, and applicable NERC Reliability Principles and Standards as determined by MAAC, governing interconnected operations. They shall cooperate with other members in the coordinated operation and planning of its system, facilities, and activities within the MAAC region. Furthermore, each member shall cooperate with other members to establish and maintain reliability objectives. Affiliate membership is available to state regulatory commissions and other interested state agencies in the MAAC region, other regional councils, public interest organizations, and market participants that are not parties to the PJM Operating Agreement. There are currently about 300 members of MAAC.

2. FAIR AND BALANCED GOVERNANCE

The MAAC Administrative Board is a Stakeholder Board consisting of a maximum of 11 representatives as follows:

a) Two representatives from each active sector, as chosen by the respective sector members, of the MAAC Members Committee. (Currently, there are five active sectors: Generation Owner, Transmission Owner, Other Supplier, End Use Customer and Electric Distributor.)
b) One representative from the PJM Office of the Interconnection.

No member of MAAC may have more than one representative on the MAAC Administrative Board. A quorum of the Administrative Board shall consist of at least seven representatives. Provided that a quorum is present, the Administrative Board shall act by majority vote of the representatives present.

The MAAC Members Committee is composed of one representative of each member. Members shall be assigned to voting sectors of the MAAC Members Committee in the same manner as the Members select in the PJM Members Committee. Voting in the MAAC Members Committee shall be by sectors, in the same manner as under the PJM Operating Agreement, with each sector being entitled to cast 1.00 votes, which shall be split into affirmative and negative components in proportion to the individual votes of the members in the sector. Provided that a quorum is present, the MAAC Members Committee shall act by the passage of a motion receiving an affirmative vote greater than .667 times the number of sectors participating in the vote.

MAAC has a committee structure reporting to its Members Committee. These groups provide the technical expertise necessary to carry out the activities for which MAAC is responsible. Committee membership is open to all members.

3. INDEPENDENCE

MAAC conforms with the intent of this principle but is continuing to investigate alternatives, including the LRRC initiative which would provide resolution to this principle. MAAC has put in place a number of safeguards to assure that independence is effectively provided.

PJM provides the staff to carry out MAAC activities through a services agreement. All PJM employees are required to undergo yearly Code of Conduct training and to sign the PJM Code of Conduct document as a condition of employment. The PJM Staff assigned to carry out MAAC Compliance and Enforcement duties are dedicated to MAAC activities and do not perform other PJM duties. The MAAC Administrative Board implemented a Compliance Monitoring and Enforcement Plan, including the establishment of an independent Compliance Monitoring and Enforcement Unit that reports to the MAAC Administrative Board. The Plans characteristics are:

(a) The Plan provides for the monitoring of both the members and the PJM Office of the Interconnection.

(b) Compliance monitoring and enforcement is conducted by individuals not affiliated with any member.

(c) To the extent that MAAC contracts with PJM to provide compliance monitoring and enforcement services, MAAC shall ensure that such monitoring and enforcement is managed by individuals that have independent authority to issue reports and bring compliance and enforcement matters to the attention of appropriate forums without the approval of the PJM Board or PJM officers.

(d) The activities of the Compliance Monitoring and Enforcement Unit are subject to independent audit.
(e) Every three years, NERC conducts an audit of the MAAC Compliance and Enforcement program through the NERC Compliance and Certification Committee.

(e) The Plan shall include an alternative dispute resolution process.

The issue raised by the “Role of the Regional Councils” report is whether it is appropriate for MAAC staff to monitor and measure compliance of PJM. In October, the MAAC Administrative Board discussed the report and reviewed several possibilities for separation of MAAC staff from PJM. The MAAC Board is confident that the initiative among MAAC, ECAR, MAIN and MRO to consolidate all or some these four regional reliability councils would resolve both the independence and boundary issues noted. They do recognize the possibility of a perception of conflict of interest due to the fact that MAAC administrative duties are handled by PJM employees, but are satisfied with the current arrangement and do not see a compelling reason to take immediate action. They have directed MAAC staff to review existing safeguards for avoiding conflicts of interest and to review the pros and cons of the several options for separation. The Board plans to periodically review the independence situation in light of the progress being made with the consolidation effort among the four regional councils.

Specifics of the Compliance Monitoring and Enforcement Plan are covered under the next topic.

**Funding:** MAAC expenses are collected by PJM under Schedule 10 of the PJM Open Access Transmission Tariff. Expenses are allocated to members based on pro rata shares of net-energy-for-load.

**4. COMPLIANCE**

The MAAC Compliance Plan covers all the entities within the Region who are responsible for meeting NERC and regional reliability standards and criteria. All members of PJM, the RTO which covers the entire MAAC Region, are automatically members of MAAC if they own assets or serve load in the region, and they are contractually obligated to comply with NERC and regional standards, criteria and rules.

**Current Practice**

- An Annual MAAC Compliance Plan is approved each year by the MAAC Administrative Board which describes the process by which the specific reliability standards for the year will be monitored and audited.
- Compliance by the PJM Control Area and PJM Reliability Coordinator with NERC Reliability Standards is achieved through a Coordinated Compliance Monitoring and Reporting Process used by MAAC, ECAR, MAIN and SERC. Although MAAC administers and follows up on the process, all four Regional Councils must agree with the Compliance Assessment of PJM.
- Audits or readiness assessments of PJM as a Reliability Coordinator or Control Area are conducted by NERC and industry representatives from outside PJM. MAAC staff helps facilitate these audits by providing expertise and assisting in the process. External audit team members generate the audit report.
- MAAC staff conducts all monitoring required for measuring compliance of MAAC members.
MAAC staff provides required compliance reports to NERC.
MAAC staff implements non-compliance actions (letters to Officers or regulatory agencies) for events of non-compliance on the part of PJM Interconnection.
MAAC staff implements the same non-compliance actions to MAAC members.
MAAC Administrative Board and Members Committee receive regular updates and reports on compliance activities.
PJM Interconnection Internal Audit Department periodically reviews the MAAC process and findings regarding MAAC’s compliance assessments.
MAAC plans to have an outside audit conducted of the MAAC compliance processes during 2005.

5. ORGANIZATIONAL BOUNDARIES

MAAC does not conform with this principle but is fully supporting the LRRC (Large Regional Reliability Council) efforts as a solution to this principle.

Regional Reliability Council Boundaries and Control Areas
The only instance where a Control Area boundary is cut by one or more RRCs is the PJM Control Area. The PJM Control Area spans all of MAAC, and parts of ECAR, MAIN and SERC (2005).

Regional Reliability Council Boundaries and Reliability Coordinators
There are four instances as of the date of this report where Reliability Coordinator boundaries are cut by one or more RRCs. The boundaries of these four Reliability Coordinators changed due to corporate mergers, regulatory policies or orders, commercial factors, or a combination of these. Boundary issues can be addressed through regional reliability plans, joint operating agreements, and multi-regional coordination efforts. MAAC fully supports regional council consolidation and is continuing to work with MAIN, ECAR and MRO on developing the LRRC concept. MAAC expectations are that regional reliability council boundaries will change by the end of 2005.

MAIN

1. OPEN AND INCLUSIVE MEMBERSHIP

All entities that use, own or operate the bulk power system within the MAIN boundary are eligible for membership. Regular members have allocation megawatt hours* or are a transmission owner in the MAIN region. For others, a non-voting voice and place at the table is provided through associate membership for any interested party that does not have allocation megawatt hours* and is subject to the criteria of another reliability council. Regulatory agencies with jurisdiction within the MAIN boundaries are encouraged to participate in all MAIN activities and receive notices of meetings. Through associate membership in MAIN, entities outside of MAIN whose reliability might be impacted by the development of MAIN specific criteria provide input. MAIN's bylaws can be accessed at http://www.maininc.org/bg/mainbylaws.pdf.

2. FAIR AND BALANCED GOVERNANCE
MAIN is governed by a balanced Board of Directors elected by the membership. The board is a representative board which includes load-serving entities of various sizes as well as both transmission-owning and non-transmission-owning entities, such that no member or segment can dominate board voting. There are no Canadian or Mexican entities within the borders of MAIN.

3. INDEPENDENCE

MAIN is a separate not-for-profit corporation and all MAIN employees work only for MAIN. Thus all MAIN employees and staff, including those responsible for compliance monitoring and enforcement, are independent of the entities they monitor for compliance. MAIN and any member company employees who participate in member capacity audits are covered by confidentiality agreements. Confidentiality agreements for other compliance activities are under consideration.

MAIN is funded by member dues with minimum dues for all members and the balance of the dues based on allocation megawatt hours*. The MAIN budget is approved by all MAIN members through a fair and balanced voting system. Thus no member has any financial interest in MAIN.

4. COMPLIANCE

By becoming a member of MAIN, all members are required by section 3.15 of the MAIN By-Laws to comply with NERC standards and MAIN guides and other MAIN reliability standards. However, MAIN has no authority to require entities that use the bulk power system within MAIN that choose not to be members of MAIN to comply with NERC standards and MAIN guides. Violations are reported to NERC; transparency is achieved through that process.

5. ORGANIZATIONAL BOUNDARIES

MAIN encompasses multiple control areas as well as two Reliability Coordinators - PJM and the Midwest ISO. However, the PJM control area is not wholly within MAIN. (The PJM control area is in ECAR, MAAC and MAIN.) Furthermore, the PJM and Midwest ISO Reliability Coordinators are not wholly within MAIN, but are within multiple RRCs. MAIN is participating with ECAR, MAAC and MRO through the LRRC to consider consolidation of the regions to better harmonize the regional boundaries with control area and Reliability Coordinator boundaries.

Completion of LRRC Phase III is expected to eliminate the RRC cut in the present PJM CA and RC. Completion of LRRC Phase IV may eliminate the RRC cut in the present MISO RC. MAIN anticipates that some consolidation will take place or MAIN members will join neighboring RRCs. In either case MAIN expects to dissolve effective about January 1, 2006.

* Allocation megawatt hours is defined as energy supplying end-use load in MAIN, energy sold into MAIN which serves end-use load therein and energy generated within MAIN.
MRO

1. OPEN AND INCLUSIVE MEMBERSHIP


The committee’s structure has members from each of these sectors.

Meetings are noticed in advance and open to the public. Regulatory participants have the same rights as members, but have no vote.

The MRO uses an open standards setting process which encourages broad participation from stakeholders including end-users within its borders and its bordering areas. The process includes an appeal procedure.

All members are required to sign a standard application which binds each member to the Bylaws including compliance requirements.

2. FAIR AND BALANCED GOVERNANCE

MRO has a balanced stakeholder Board whereby no one industry group or sector may control voting and all membership votes are “one member, one vote”. MRO does not have weighted voting.

Each Board member or their designated alternate is eligible to vote.

MRO provides for effective Canadian participation at its Board and throughout the organization.

3. INDEPENDENCE

MRO is a Delaware, non-for-profit company formed to meet the requirements of a regional reliability organization under NAERO and the proposed US legislation. The MRO operates as a 501 (c) 6 organization under the US Internal Revenue Service code.

MRO currently procures its services from a contractor whose purpose is to provide reliability and other services to MAPP and its successor, the MRO. Since 1990, the employees of the contractor have been independent from any member or operator and, the contractor, MAPPCOR (non-for profit entity 501 (c)12), has its own benefits, payroll, etc. which are separate and independent of any member.

All employees are required to sign a comprehensive Standards of Conduct and, in addition, acknowledge adherence to Confidentiality and Conflict of Interest policy as a condition of employment each year. These obligations extend to contractors as well.
MRO is funded through assessments to its members based on a flat fee and net energy to load charge. The flat fee was designed to both encourage participation of small organizations, yet be large enough to demonstrate a commitment for real participation.

4. **COMPLIANCE**

The MRO Compliance Office (MRO staff) monitors operating and planning activities in the MRO region and measures compliance with NERC and MRO reliability standards and criteria.

The MRO membership agreement and bylaws obligates all members to comply with all NERC and regional standards and requirements.

For all violations of these standards the responsible entity is reported in accordance with the NERC and MRO compliance process with escalating notifications to appropriate authorities.

5. **ORGANIZATIONAL BOUNDARIES**

MRO encompasses 14 Control Areas in 2005, an increase of one from its predecessor, MAPP and currently includes one Reliability Coordinator, Midwest ISO and will include a second Reliability Coordinator in Saskatchewan in 2005. MRO meets the boundary requirements under NERC’s bylaws for a regional council (article 1, section 2).

There are no existing or potential reliability concerns because of the current MRO boundary. There are no control areas which are “cut across” by the MRO boundary. The MRO footprint encompasses the western part of the Midwest ISO (“cuts through” the Midwest ISO) and would include all of a potential, second Reliability Coordinator, in Saskatchewan. The Midwest ISO is a member of the MRO and has a representative on the Board. The MRO provides for Canadian representation on the Board.

The Northern MAIN utilities members of the MRO have informed the other MRO members that they plan to move their reliability functions into the MRO on January 1, 2006 from MAIN. MRO supports NERC efforts in Version 0 and Version 1 standards which bring uniformity in reliability standards across all regional reliability organizations in NERC, especially the Eastern Interconnection. MRO is participating in the “Large Regional Reliability Council” (LRRC) to evaluate boundaries resulting from utilities choices in Regional Transmission Organizations and to assure that reliability region boundaries are efficient and effective. The LRRC discussions include the development of uniform standards and common compliance practices across the larger footprint.

MRO, is an international regional reliability organization, and provides for adequate representation for Canadian entities which respects their sovereignty.
NPCC

1. OPEN AND INCLUSIVE MEMBERSHIP

Full Membership in NPCC is available to all entities that participate in the international, interconnected electricity market in Northeastern North America. Public-Interest Membership is available to governmental and regulatory agencies with jurisdiction over participants in the electricity market in Northeastern North America and to public-interest organizations expressing interest in the reliability of electric service in Northeastern North America. NPCC meetings are posted in advance on the NPCC web site.

The NPCC Membership Agreement outlines the necessity for an open, inclusive process for assuring the establishment of regional design and operating reliability criteria, not inconsistent with NERC standards, and compliance with such standards and criteria by all entities and industry sectors in Northeastern North America, as essential to assuring service reliability.

2. FAIR AND BALANCED GOVERNANCE

All NPCC Members are eligible to participate in the activities of the Council’s committees, task forces and working groups. NPCC Full Members govern through one of two voting classes, each consisting of several sectors. The voting classes are Transmission Providers and Transmission Customers. Each Full Member has one equal vote when voting within its voting class on issues to be decided by class voting. Approval of both voting classes by two-thirds vote of the Full Members voting within each class, when a quorum of the voting class has been obtained, is required to approve motions. Public-Interest Members have no voting rights.

NPCC has a balanced Executive Committee, reflecting appropriate Canadian and U.S. participation, comprised of up to 10 Transmission Provider representatives and up to 10 Transmission Customer representatives.

3. INDEPENDENCE

NPCC is independent, but complementary to those entities that administer markets and operate the system. NPCC is not a department, agency, or instrumentality of either the U.S. State/Federal governments or Canadian Provincial governments. As an independent, international reliability assurance organization, NPCC enables development and enforcement of regionally-specific criteria to be separate from the operation of the system and administration of competitive markets.

The NPCC staff are employees of the Northeast Power Coordinating Council, a New York, 501C(6) not-for-profit voluntary organization, and are not affiliated with any member of the Council. NPCC employees are required to sign a Code of Conduct agreement as a condition of employment. All member participants are required to enter into individual or entity-wide Code of Conduct Implementation Agreements acknowledging comprehension of the NPCC Code of Conduct and compliance with its terms.
NPCC’s funding methodology as established in the Membership Agreement assures that no one member can have a controlling financial interest. The Council’s annual administrative expenses, including any special assessments approved by the Executive Committee, are apportioned to and funded by the Full Members of the Council in fixed and variable components, as follows:

(A) Each Full Member, other than Full Members which are ISO/Control Areas, are assessed an annual Membership Fee of $5,000 as established by the Executive Committee.

(B) Each ISO/Control Area is assessed its proportional share of the remaining expenses of the Council in proportion to the ratio of the second previous year’s Net Energy for Load within the Control Area to the aggregate Net Energy for Load within all Control Areas in Northeastern North America.

(C) Public-Interest Members are not assessed any charge.

4. COMPLIANCE

The NPCC Membership Agreement requires that all members comply with regional reliability criteria and applicable NERC standards. NPCC has established a Reliability Assessment Program to bring together all the reliability assurance activities of the Council and has adopted a Reliability Compliance and Enforcement Program to assess and enforce mandatory compliance with reliability criteria. NPCC, acting through its Compliance Monitoring and Assessment Subcommittee, its Reliability Coordinating Committee, and its Enforcement Panel, monitors planning and operating activities, assesses compliance and recommends the imposition of penalties considers appeals and levies non-monetary notification and sanction letters, and disclosure of confirmed violations.

5. ORGANIZATIONAL BOUNDARIES

There are no instances where Reliability Coordinator or control area boundaries are cut by NPCC’s Regional Reliability Council boundary. There are no existing or potential reliability concerns because of the current NPCC boundary.

SERC

1. OPEN AND INCLUSIVE MEMBERSHIP

Membership in the Council is open to any entity that is subject to or eligible to apply for an order under Section 211 of the Federal Power Act. There are two classes of membership: Regular members and Associate members.

Regular membership is open to any electric utility, Federal power marketing agency, or any other entity owning generation or owning network transmission of 69 kV and above and generating or transmitting electric energy for sale for resale and nor-
mally connected with the interconnected electric power system in the general area encompassed by the member systems.

Associate membership is open to any entity supplying electric load in the area, but not meeting the criteria for regular membership; e.g., marketers, IPPs, and utilities outside the SERC area, etc. Associate members may designate a representative to participate in meetings of the Board of Directors, and other SERC organizational groups, except the Executive Committee, but the representative shall not be entitled to vote. Associate members are entitled to receive all reports, reference documents, and minutes distributed to regular members. Retail customers that purchase electricity as ultimate consumers and do not generate electricity for resale are not eligible for membership.

2. FAIR AND BALANCED GOVERNANCE

The affairs of the Council are administered by a Board of Directors, which shall consist of the principal officer or other authorized representative of each Member System. All segments of the Electric Industry (federal/state, investor-owned, electric cooperative, municipal, exempt wholesale generator, power marketer, and customer) are represented on the Board of Directors. Voting rights for a given year are determined by the following formula:

\[ V = 10 \left( \frac{1}{N} \right) + 30 \left( \frac{B}{C} \right) + 30 \left( \frac{D}{E} \right) + 30 \left( \frac{F}{G} \right) \]

- \( V \) = % of Voting Rights
- \( N \) = Total number of Members
- \( B \) = Member’s previous-year internal peak demand
- \( C \) = Total of factor B for all Members
- \( D \) = Member’s generating capacity as of January 1 of the reporting year
- \( E \) = Total of factor D for all Members
- \( F \) = Member’s sum of circuit miles of transmission times the respective operating voltage for facilities of 69 kV and above as of December 31 of the previous year
- \( G \) = Total of factor F for all Members

Three quarters of the voting rights shall constitute a quorum for action by the Board.

The Executive Committee shall consist of the SERC Board Chairman, Vice Chairman, Secretary-Treasurer, and one representative from each of the following industry sectors: Independent Power Producer, Cooperative, Municipal, Marketer sectors of the industry; and Ex Officio, the Chairman of the Engineering Committee, the Chairman of the Operating Committee, the Co-Chairs of the Market Interface Committee, the Chairman of the Critical Infrastructure Protection Committee, and the Executive Direc-
tor. Each subregion will be entitled to one representative. The VACAR subregion may elect to provide one additional representative.

The Executive Committee is empowered to make such decisions and take such actions as are deemed to be required between meetings of the Board of Directors. The Executive Committee is a balanced stakeholder committee, consists of nine members, and operates on a one member, one vote basis.

SERC is reviewing options relating to governance. An update is expected to be presented for discussion at the April 2005 Board meeting. A governance action plan will be developed following that discussion.

3. INDEPENDENCE

SERC is organized in the State of Alabama as a 501 (c) (6) not-for-profit voluntary organization. Members of the SERC staff are independent of any member of the council and staff members are required to sign a Confidentiality Agreement as a condition of employment. SERC members are entitled to attend committee meetings. However, certain restrictions are observed: attendance at compliance-related meetings requires execution of the SERC Confidentiality Agreement; FERC, or other, Standards of Conduct will apply when non-public reliability-related transmission issues are discussed. Dues, fees, and other charges are allocated to members in accordance with the SERC voting formula. In addition to Staff independence, SERC has modified its criteria for audit teams to include the following language relating to independence:

The independence of auditors will be guided by the following principles:

a. Auditors shall not have or seek any outside employment that limits their ability to comply with SERC rules and practices that carry out these principles.

b. Auditors shall not participate in any capacity in utility-specific audit and compliance review activities involving entities in which an Audit/Compliance Team Member or his immediate family has a direct and/or material financial interest, or an Audit/Compliance Team Member or his immediate family works or has worked as an employee or board member, or works or has worked as a contractor or consultant.

c. Auditors shall not accept gifts or entertainment that would affect or give the appearance of affecting the performance of their duties.

Although SERC staff are independent and are required to execute a Confidentiality Agreement, staff have not been required to execute a Code of Conduct Agreement. SERC has a number of organizational initiatives underway and expects to be in a position to execute staff Code of Conduct Agreements during 2005.
4. **COMPLIANCE**

The purpose of the SERC Agreement is to further augment the reliability and adequacy of bulk power supply in the area served by the Member Systems. To this end, the Council will:

a) promote the development of reliability and adequacy arrangements among the systems within the region;

b) participate in the establishment of reliability policies, standards, principles, and guides;

c) participate in the measurement of performance relative to these policies, standards, principles, and guides;

d) ensure conformance to and compliance with these policies, standards, principles, and guides;

e) develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of bulk power supplies;

f) review as necessary activities within the region on reliability and adequacy in order to meet expected standards and measurements;

g) provide a mechanism to resolve disputes on reliability issues in a manner that meets the needs of the parties and the region;

h) provide information with respect to matters considered by the Council, where appropriate, to the Federal Energy Regulatory Commission (FERC) and to other federal and state agencies concerned with reliability and adequacy;

i) take such actions as are necessary to adapt and put in place the Regional Compliance and Enforcement Program (RCEP) contemplated by the April 25, 2001, “Agreement for Regional Compliance and Enforcement Program” between SERC and the North American Electric Reliability Council. Such action shall include, but not be limited to, preparing and entering into voluntary contracts with SERC Members establishing and governing RCEP standards and other matters, and adopting sanctions and processes for imposition of sanctions for noncompliance with RCEP standards.

SERC has established a Compliance Enforcement Plan to monitor and evaluate compliance with NERC Standards. Some SERC members have signed the SERC RCEP under which they have agreed to be subject to penalties and sanctions for violations of the standards contained in the RCEP. This program is administered by the Compliance Oversight Group and its Engineering, Operating, and Critical Infrastructure subgroups. The Compliance Oversight Group reports to the SERC Executive Committee.

5. **ORGANIZATIONAL BOUNDARIES**

There are three instances where SERC members are providing Reliability Coordinator services for entities outside the SERC region. These are:

TVA – East Kentucky (ECAR)
TVA – Big Rivers (ECAR)
TVA – Electric Energy, Inc (MAIN)
There is one instance where a SERC member (Associated Electric Cooperative, Inc., (AECI)) serves load outside its control area. Plans are in place to bring this load into the AECI control area later in 2005.

There are no existing or potential reliability concerns as a result of these arrangements.

It is expected that Dominion Virginia Power will begin to receive Reliability Coordinator services from PJM in 2005. There are no reliability concerns as a result of this new arrangement.

The SERC organization promotes effective and efficient administration of bulk-power system reliability. Although some current arrangements do not meet the objectives in the clarifying elements SERC is confident that those arrangements do not compromise the reliability of the bulk power system.

SPP

1. OPEN AND INCLUSIVE MEMBERSHIP

As stated in SPP Bylaws, Membership is open to any electric utility, Federal power marketing agency, transmission service provider, and entity engaged in the business of producing, selling and/or purchasing electric energy for resale, and any entity willing to meet membership requirements, as well as any entity eligible to take service under the SPP Open Access Transmission Tariff (OATT).¹ SPP has members serving areas under the jurisdictions of regulators over all or part of eight U.S. states. Representatives from each state regulatory agency are welcome to attend any and all SPP meetings, however, the Bylaws do not allow for regulators to vote in the process. In 2004, five state regulatory agencies formed the Regional State Committee (RSC) for joint discussion of electric issues that span jurisdictions, such as transmission expansion cost allocation. The RSC’s input is provided to the SPP membership as well as the Board of Directors. In developing regionally specific criteria, SPP seeks input from all parties through open meetings and public posting of documents and proposals on its website. SPP members also actively participate in NERC committees and subcommittees providing SPP perspectives on interconnection level standards. Additionally, SPP has seams agreements with neighboring entities that promote and encourage input from these parties through SPP’s open processes.

2. FAIR AND BALANCED GOVERNANCE

SPP is governed by seven independent directors, one of which is the President of SPP. The only restriction for voting by a Board member applies to the President of SPP who cannot vote on business related to the office of President or the incumbent of that office. There is no disallowance for Canadian and Mexican participation on the Board;

¹ Southwest Power Pool, Inc. Bylaws, Section 2.0 Membership, filed to comply with order of the FERC, Docket Nos. RT4-1-002 and ER04-48-002, issued July 2, 2004.
however, SPP does not have member-operating entities in states adjacent to or interconnected with either country’s electrical systems. Since SPP is governed by a seven-member independent board, and all votes are equally weighted, there is no issue related to a segment of membership exercising voting domination. The MOPC is a full representation committee of the Membership that has responsibility to the Board of Directors to recommend changes to SPP governing documents, including reliability criteria and the SPP OATT. On the MOPC each member has one vote, as noted in the next section, and thus no single member can dominate even this Board committee.

3. INDEPENDENCE

The SPP membership has maintained that the most efficient and effective means of maintaining regional reliability requirements for the region is through the SPP organization because it provides and utilizes many of the same data and communications systems necessary for NERC reporting and assessment purposes, as well as for tariff and market administration purposes. With a combined RRC and RTO under the SPP organization, no separation or restructuring of the RRC or any of its functions is necessary. SPP staff efficiency is maximized to fulfill the needs of SPP operating both as an RRC and as an RTO. Duplication of effort and data systems is minimized or eliminated. SPP members and many of the SPP state commissions have endorsed this structure realizing the efficiencies gained, as well as the integrated nature of reliability and economic/equity issues.

As a NERC member, SPP is required to participate in NERC’s Compliance and Enforcement Program. SPP’s compliance staff currently consists of the Director, Compliance who reports directly to the President of SPP. This person is independent of all members of SPP, as required under the SPP Standards of Conduct. However, since SPP is responsible for meeting certain operating standards in its role as the Reliability Coordinator and SPP is responsible for meeting certain NERC Planning criteria, the SPP Director, Compliance must evaluate SPP in these areas for compliance. To address any perceived conflict of interest arising because SPP’s Director of Operations (responsible for the RC function) and the Director of Engineering (responsible for meeting Planning criteria) both report to the President of SPP, through the Senior Vice President of Operations/COO and through the VP of Regulatory Policy, respectively. SPP’s Strategic Planning Committee (SPC) has endorsed action detailed below.

The SPC is expected to “Formulate strategies to ensure achievement of SPP’s mission statement, goals, objectives, and responsibilities, and recommend necessary modifications to SPP processes to carry out these strategies”. The SPC is comprised of eleven members: three representatives from the Board of Directors; four representatives from the Transmission Owning sector of the membership; and four representatives from the Transmission Using sector of the membership. At a meeting of the SPC, held November 18-19, 2004, a proposal was developed to modify the reporting relationship

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2 Southwest Power Pool 2004 Organization Chart, see Appendix B.
3 Southwest Power Pool, Inc. Bylaws, Section 6.2 Strategic Planning Committee, filed to comply with order of the FERC, Docket No. RT04-1-002 and ER04-48-002, issued July 2, 2004.
of the SPP Director, Compliance such that the position would report to the Board of Directors, making regular reports to the Compliance Committee of the Board. The Compliance Committee is comprised of three independent directors. The Board approved this change at the April 26, 2005 SPP Board of Directors meeting.

It is important to note that the SPP Director, Compliance is only one voice on a NERC compliance team and has no unilateral decision-making authority in compliance evaluations. In addition, the SPP Director, Compliance must apply requirements developed through NERC’s ANSI accredited process to the SPP organization as the SPP Director, Compliance would to any entity subject to NERC compliance requirements. Further, SPP recognizes the ultimate authority of NERC’s Board of Trustees over compliance and the reports submitted by any regional council in ensuring that all NERC reliability obligations are met. However, to ensure that the Director, Compliance performs the compliance reviews for the SPP organization in the most independent manner possible, the Director, Compliance now reports directly to the SPP Board of Directors and provides compliance reports to the Compliance Committee. This alleviates any conflicts by eliminating the SPP Director, Compliance reporting to the same SPP officer as the SPP functional areas subject to compliance review.  

Salary administration, annual performance evaluation and goals for the SPP Director, Compliance are managed through the SPP Compliance Committee. The SPP Bylaws have been revised to reflect the responsibility of the Office of Compliance to the Compliance Committee. SPP will file these revisions with FERC, as the Bylaws document is part of FERC’s SPP RTO Order.

Compliance reports on the SPP Reliability Coordinator and other SPP staff responsible for compliance measures continue to be provided to the Market Operations Policy Committee (MOPC) for review and comment. The MOPC is responsible for making any recommendations on the report to the Board of Directors. However, to ensure that the compliance reports are objective and not unduly influenced by any stakeholders, final approval of compliance reports is vested with the SPP Board of Directors.

SPP’s Bylaws also require that every SPP Staff member execute the SPP Standards of Conduct upon employment and annually thereafter (Attach as Appendix A). All SPP employees are prohibited from involvement in the sale of electricity except for the sale of ancillary services as provided for under the SPP OATT. In addition, employees are prohibited from disclosing customer information and transmission information to third parties. Standards of Conduct Item 7.3 states, “SPP employees shall not put themselves in a position in which their personal interest might conflict with SPP’s ability to administer the SPP Transmission Tariff or to perform its other obligations on a fair and

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4 SPP’s Director, Compliance evaluates SPP adherence to NERC standards through the NERC Compliance and Enforcement Program. The Program includes a multi-party review team in which the Director participates for all SPP member entity reviews. The Director may be excused from participation in any review teams evaluating SPP adherence to NERC standards as a further measure to ensure independence.

5 Southwest Power Pool, Inc. Bylaws, Section 3.11 Staff Independence and Support, filed to comply with order of the FERC, Docket Nos. RT4-1-002 and ER04-48-002, issued July 2, 2004.

6 Southwest Power Pool, Standards of Conduct, see Appendix A.
impartial basis”. This is critical to SPP’s operation not only as an RRC and RC, but as an RTO as well. During the SPP application for RTO status, FERC opined that the SPP procedures meet their requirements for independence.

There is no correlation between membership funding responsibilities and the ability to vote or voting strength in the SPP process. As noted above, all members have equal voting strength in committees and working groups (one vote per member organization). Funding for SPP is through the combination of member assessments and Schedule 1 administrative fees from the SPP OATT. Funds are collected based on the prior year’s 12 Coincident Peak loads or actual transactions under the tariff. Additionally, SPP bills each member with an annual membership fee. Load serving members pay a fee of $0.0053/MWh of their respective prior year’s Net Energy for Load. Non load-serving entities pay a flat fee of $6,000. Members are also responsible for fees related to assessments from NERC. This fee structure has met the FERC independence requirements.

4. COMPLIANCE

The SPP Membership Agreement requires all members to comply with all approved applicable SPP and NERC policies, principles, criteria, standards, guides and monitoring and certification procedures. A waiver from compliance is allowed for an SPP member that may have membership in another NERC regional reliability council that has a requirement that is inconsistent with or duplicative of the SPP Criteria. The President of SPP must approve such waivers.

SPP provides “transparency of process” through a variety of means. An annual program workbook is published and distributed to all participating members during the first quarter of each year. The workbook includes a description of the processes that SPP employs to accomplish its role as the compliance monitor, SPP working group assignments, and major milestone dates for the members. SPP sponsors at least one public workshop annually to introduce members to new requirements in the annual program, discuss historical compliance results, announce major milestone dates, and discuss any issues brought forward by the membership.

SPP maintains and publishes a rolling 3-year schedule for on-site compliance field reviews. Specific dates for reviews are established 3-6 months in advance. This schedule is published in the annual workbook and discussed at quarterly MOPC meetings.

SPP engages an independent 3rd party to perform the on-site compliance reviews. SPP compliance staff and the review team set the scope of the annual compliance reviews during the first quarter of the year. The review team sets performance benchmarks based on its experience, knowledge of NERC Policies and Standards, and

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7 Southwest Power Pool, Inc. Bylaws, Section 8.0 Fiscal Administration, filed to comply with order of the FERC, Docket Nos. RT4-1-002 and ER04-48-002, issued July 2, 2004.
8 Southwest Power Pool, Inc. Membership Agreement, Section 3.8 Compliance with Bylaws and Other Policies and Procedures, filed to comply with order of the FERC, Docket No. RT04-1-002 and ER04-48-002, issued July 2, 2004.
knowledge of the SPP Criteria. The review team handles all pre- and post-review communications with the member and other entities involved in each review. At the completion of the on-site visit, the review team provides a final report with recommended findings to the SPP compliance staff.

Finally, the SPP Director, Compliance makes a compliance presentation at quarterly MOPC meetings. The presentations generally include historical compliance performance, upcoming major milestone dates, and a discussion of issues that may impact the SPP compliance program.

SPP discloses all known compliance violations to NERC either through the NERC quarterly reporting system or through the reporting system known as the “48-hour violation” process. The violations are listed as either “pending” or “confirmed”. Pending violations are those that are still under investigation, have been appealed by the offending member, or have not completed the notification process required by the NERC and SPP disclosure guidelines. Confirmed violations arise when an investigation is completed, all appeals have been exhausted, and proper notification has been made. Confirmed violations are disclosed to NERC for public posting.

5. ORGANIZATIONAL BOUNDARIES

SPP’s borders do not cut across any Control Area, nor into other RRC boundaries. The SPP region includes 17 control areas as members. All control areas and the Reliability Coordinator for the SPP region are subject to SPP’s Regional Criteria. The SPP region is comprised of 15 transmission owners, and experienced a peak load of 39,310 MW in 2004. SPP’s regional engineering model consists of 5,793 nodes. SPP is a region within the Eastern Interconnection and is not an “interconnection-wide” entity. SPP has no members outside of the U.S.

The operation of an RTO under the SPP organization provides consistency of regional reliability criteria for all market participants. SPP’s RRC footprint is relatively contiguous in nature with no significant gaps between adjacent member transmission systems. Fourteen SPP control areas take Reliability Coordination services from the SPP Reliability Coordinator. There are three SPP control areas that take Reliability Coordination services from Reliability Coordinators bordering the SPP footprint. However, these control areas are subject to SPP’s Regional Criteria and are not subject to any other RRC Regional Criteria. Unlike other Regional Council footprints where an RTO or ISO market may not coincide with the RRC boundaries, SPP provides continuity of reliability criteria as participants in the SPP RTO are subject to the same RRC Criteria.

WECC

1. OPEN AND INCLUSIVE MEMBERSHIP

The WECC Bylaws allow for membership of any entity with an interest in the bulk electrical system. Specific classes for members are:
1. Large transmission owners
2. Small transmission owners
3. Transmission dependent entities, marketers, generators and service providers
4. End users
5. State and Provincial regulators

All members are entitled to membership in each of the three WECC standing committees. All members are also entitled to participate in class elections for stakeholder members of the WECC Board of Directors. Each member participates in the election of seven Non-affiliated members of the Board of Directors.

All meetings and standards are noticed and posted on the WECC website and notifications of standards postings are also distributed by email.

2. FAIR AND BALANCED GOVERNANCE

WECC is governed by a “hybrid” board composed of 20 directors selected in class elections from among the WECC membership and seven independent/non-affiliated directors elected by the membership at large. All members of the Board have an equal vote.

3. INDEPENDENCE

WECC staff are employees of the Western Electricity Coordinating Council, a Utah non-profit corporation, and are independent of any member or potential member of the Council. All employees are required to sign and abide by a comprehensive code of conduct.

Non-affiliated directors are required to divest themselves of interest in any Electric Line of Business entity doing business in the Western Interconnection. All Board members are required to sign and abide by a code of conduct obligating them to act in the best interest of WECC.

WECC is funded by membership dues which are fixed in Classes Three, Four and Five. Dues for control areas in Classes One and Two are calculated on a Net Energy to Load basis.

4. COMPLIANCE

WECC’s Compliance Monitoring and Operating Practices Subcommittee performs regular audits to determine compliance with WECC and NERC standards and procedures.

In addition, WECC has created the Reliability Management System (RMS) which contractually obligates signatories to abide by reliability criteria. Non-compliance under RMS results in monetary and non-monetary sanctions. The RMS is administered by WECC staff.
5. ORGANIZATIONAL BOUNDARIES

The Western Electricity Coordinating Council is totally contained within, and identical to the boundaries of the Western Interconnection. The Western Interconnection has eight DC interties with the Eastern and Texas Interconnections. All WECC control areas lie completely within the WECC boundaries.