

Texas Regional Entity Standards Development Process

Appendix to Exhibit C to the Delegation Agreement Between NERC and ERCOT

October 19, 2006

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I. Introduction

This document defines the fair and open process for adoption, approval, revision, reaffirmation, and deletion of an ERCOT-Specific Reliability Standard (Standard) by the Texas Regional Entity, a division of Electric Reliability Council of Texas, Inc. (“Texas RE”). Standards provide for the reliable regional and sub-regional planning and operation of the Bulk Power System (BPS), consistent with Good Utility Practice within a Regional Entity’s (“RE’s”) geographical footprint.

Due process is the key to ensuring that Standards are developed in an environment that is equitable, accessible and responsive to the requirements of all interested and affected parties. An open and fair process ensures that all interested and affected parties have an opportunity to participate in a Standard's development.

Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the bulk power system has a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.

Proposed ERCOT-Specific Standards shall be subject to approval by NERC, as the electric reliability organization, and by FERC before becoming mandatory and enforceable under Section 215 of the FPA. No Standard shall be effective within the Texas RE area unless filed by NERC with FERC and approved by FERC.

ERCOT-Specific Standards shall provide for as much uniformity as possible with reliability standards across the interconnected bulk power system of the North American continent. An ERCOT-Specific Standard shall be more stringent than a continent-wide reliability standard, including a regional difference that addresses matters that the continent-wide reliability standard does not, or shall be a regional difference necessitated by a physical difference in the bulk power system. An ERCOT-Specific Standard that satisfies the statutory and regulatory criteria for approval of proposed North American reliability standards, and that is more stringent than a continent-wide reliability standard, would generally be acceptable.

ERCOT-Specific Standards, when approved by FERC, shall be made part of the body of NERC reliability standards and shall be enforced upon all applicable bulk power system owners, operators, and users within the Texas RE area, regardless of membership in the region.

II. Background

The Texas RE may develop, through their own processes, separate Standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain a Regional Variance; or otherwise address issues that are not addressed in NERC Reliability Standards.

NERC Reliability Standards and ERCOT-Specific Standards are all to be included within the Texas RE's Compliance Program.

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Standards are developed consistent with the following philosophies according to the process defined within this document:

- Developed in a fair and open process that provides an opportunity for all interested parties to participate;
- Does not have an adverse impact on commerce that is not necessary for reliability;
- Provides a level of BPS reliability that is adequate to protect public health, safety, welfare, and national security and does not have a significant adverse impact on reliability; and
- Based on a justifiable difference between regions or between sub-regions within the Regional geographic area.

The NERC Board of Trustees has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. As these principles are fundamental to reliability and the market interface, these principles provide a constant beacon to guide the development of reliability standards. The NERC Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards. Persons and committees that are responsible for the Texas RE Standards Process shall consider these NERC Principles in the execution of those duties.

NERC Reliability Standards are based on certain reliability principles that define the foundation of reliability for the North American BPS. Each Standard shall enable or support one or more of the reliability principles, thereby ensuring that each Standard serves a purpose in support of reliability of the North American BPS. Each Standard shall also be consistent with all of the reliability principles, thereby ensuring that no Standard undermines reliability through an unintended consequence.

While NERC Reliability Standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that BPS reliability and electricity markets are inseparable and mutually interdependent, all Standards shall be consistent with the market interface principles. Consideration of the market interface principles is intended to ensure that Standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

III. Regional Reliability Standards Definition

A NERC Reliability Standard defines certain obligations or requirements of entities that operate, plan, and use the Bulk Power Systems of North America. The obligations or requirements must be material to reliability and measurable. Each obligation and requirement shall support one or more of the stated reliability principles and shall be consistent with all of the stated reliability and market interface principles.

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The Texas RE may develop, through its own processes, separate Standards that go beyond, add detail to, or implement NERC Reliability Standards; obtain a Regional Variance; or that cover matters not addressed in NERC Reliability Standards. Regional Criteria may be developed and exist in ERCOT Protocols, Operating Guides, and/or Procedures separately from NERC Reliability Standards, or may be proposed as NERC Reliability Standards. Regional Criteria that exist separately from NERC Reliability Standards shall not be inconsistent with or less stringent than NERC Reliability Standards.

IV. Roles in the Texas Regional Entity (RE) Reliability Standards Development Process

Originator - Any person, acting as a representative of an organization which is directly and materially affected by the operation of ERCOT's BPS, is allowed to request a Standard be developed or an existing Standard modified, or deleted, by creating a Standards Authorization Request (SAR) as described in Appendix B to this document.

Board of Directors (BOD) – The ERCOT Board of Directors shall act on any proposed Standard that has gone through the process. Once the Standard is approved by the Federal Energy Regulatory Commission (FERC), compliance with the Standard will be enforced consistent with the terms of the Standard.

Registered ballot body — The registered ballot body is comprised of the ERCOT Independent System Operator (ERCOT ISO) and all entities or individuals that qualify for one of the stakeholder segments; are registered with ERCOT as potential ballot participants in the voting on standards; and are current with any designated fees. Each member of the registered ballot body is eligible to vote on standards. Each standard action has its own ballot pool formed of interested members of the registered ballot body.

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Reliability and Operations Subcommittee (ROS) – A balanced subcommittee comprised of the seven (7) ERCOT Market Participant Segments responsible for reviewing events and issues as they may impact ERCOT system reliability and operations. The ERCOT ISO is an active participant of this subcommittee; however, it does not have a vote.

Reliability Standards Committee (RSC) – A balanced committee comprised of the eight (8) ERCOT Market Participant Segments, including the ERCOT ISO, who will consider which requests for new or revised Standards shall be assigned for development (or existing Standards considered for deletion). The RSC will also vote to recommend whether proposed new or revised Standards should be presented for a vote to all ERCOT Market Participants.

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Reliability Standards Manager (RSM) – A person or persons on the Texas RE staff assigned the task of ensuring that the development, revision or deletion of Standards is in accordance with this document. The RSM works to ensure the integrity of the process and consistency of quality and completeness of the Standards. The RSM manages the Standards Development Process, and coordinates and facilitates all actions contained in all steps in the process.

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Reliability Standards Staff – Employees of the Texas RE that work with or for the Reliability Standards Manager.

Standard Drafting Team (SDT) – A team of technical experts, assigned by the ERCOT Reliability and Operations Subcommittee (ROS), and typically includes a member of the Texas RE staff and the Originator, assigned the task of developing a proposed Standard based upon an approved SAR using the Standard Development Process contained in this document.

V. Texas RE Reliability Standards Development Process

A. Assumptions and Prerequisites

The process for developing and approving Standards is generally based on the procedures of the American National Standards Institute (ANSI) and other standards-setting organizations in the United States and Canada. The Standards development process has the following characteristics:

- **Due process** – Any person representing an organization with a direct and material interest has a right to participate by:
 - a) Expressing an opinion and its basis,
 - b) Having that position considered, and
 - c) Appealing any negative decision
- **Openness** – Participation is open to all organizations that are directly and materially affected by ERCOT's BPS reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in ERCOT, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of SDTs are open to ERCOT's Membership and to others and all proposed SARs and Standards are posted for comment on the Texas RE Website.
- **Balance** – The Texas RE Standards Development Process strives to have an appropriate balance of interests and shall not be dominated by any single interest category.

B. Regional Reliability Standards Development Process Steps

Note: The term “days” below refers to calendar days.

The Texas RE will coordinate with NERC such that the acknowledgement of receipt of a standard request identified in Step 1, notice of comment posting period identified in Step 4, and notice for vote identified in Step 5 below are concurrently posted on both the Texas RE and NERC websites.

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Step 1 - Development of a Standards Authorization Request (SAR) to Develop, Revise, or Delete a Regional Reliability Standard

Any entity (Originator) which is directly or materially impacted by the operation of the BPS within the geographical footprint of the Texas RE may request, via a submittal of a Standard Authorization Request (SAR) form, the development, modification, or deletion of an ERCOT Standard or Regional Variance. The following entities may submit a SAR:

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- Any market participant,
- Any entity that is an ERCOT Member,
- PUCT Staff,
- ERCOT Staff,
- TRE Staff, and
- Any entity that resides (or represents residents) in Texas or operates in the Texas electricity market.

Any such request shall be submitted to the Texas RE Reliability Standards Manager, or his/her designee. The SAR form may be downloaded from the Texas RE Website.

An acceptable SAR contains a description of the proposed Standard subject matter containing sufficiently descriptive detail to clearly define the purpose, scope, impacted parties, and other relevant information of the proposed Standard.

The Reliability Standards Manager will verify that the submitted SAR form has been adequately completed. The Reliability Standards Manager may offer the Originator suggestions regarding changes and/or improvements to enhance clarity and assist the ERCOT community to understand the Originator's intent and objectives. The Originator is free to accept or reject these suggestions. Within 15 days the Reliability Standards Manager will electronically acknowledge receipt of the SAR.

The Reliability Standards Manager will forward all adequately completed SARs to the RSC. Within 60 days of receipt of an adequately completed SAR, the RSC shall determine the disposition of the SAR and post for review and possible comment.

The disposition decision and decision process shall use the normal "business rules and procedures" of the RSC then in effect. The RSC may take one of the following actions by motion and majority vote:

- Accept the SAR as a candidate for: development of a new Standard, revision of an existing Standard, or deletion of an existing Standard. The RSC may, in its sole discretion, expand or narrow the scope of the SAR under consideration. The RSC shall prioritize the development of SARs as may be required based on the number of SARs under development at any time.
- Reject the SAR. If the RSC rejects a SAR, a written explanation for rejection will be delivered to the Originator within 30 days of the decision.

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- Remand the SAR back to the Originator for additional work. The Reliability Standards Manager will make reasonable efforts to assist the Originator in addressing the deficiencies identified by the RSC. The Originator may then resubmit the modified SAR using the process above. The Originator may choose to withdraw the SAR from further consideration prior to re-submittal to the RSC.

Any SAR that is accepted by the RSC for development of a Standard (or modification or deletion of an existing Standard) shall be posted for public viewing on the Texas RE Website. SARs will be posted and the status publicly noted at regularly scheduled (appropriately two weeks) intervals.

Any documentation of the deliberations of the RSC concerning SARs shall be made available according to normal “business rules and procedures” of the RSC then in effect.

Texas RE Staff shall submit a written report to the ERCOT BOD on a periodic basis (at least quarterly at regularly scheduled ERCOT BOD Meetings) showing the status of all SARs that have been brought to the RSC for consideration.

Step 2 – Formation of the Standard Drafting Team and Declaration of Milestone Date

Upon acceptance by the RSC of a SAR for development of a new Standard (or modification or deletion of an existing Standard), the RSC shall direct the ROS to assemble a qualified balanced slate for the SDT. The Reliability Standards Manager will solicit drafting team nominees. The SDT will consist of a group of people (members of ERCOT and, as appropriate, non-members) who collectively have the necessary technical expertise and work process skills. The Reliability Standards Manager will recommend a slate of ad-hoc individuals or a pre-existing task force, work group, or similar for the SDT based upon the ROS’ desired team capabilities.

The Reliability Standards Manager will insure that team membership receives all necessary administrative support. This support typically includes a Texas RE staff member and the Originator if he/she chooses to participate. The ROS appoints the interim chair (should not be a [Texas RE](#) staff person) of the SDT. The SDT will elect the permanent Chair and Vice-chair at its first meeting.

The Reliability Standards Manager submits the proposed list of names of the SDT to the ROS. The ROS will either accept the recommendations of the Reliability Standards Manager or modify the SDT slate, as it deems appropriate within 60 days of accepting a SAR for development.

Upon approval of the SDT slate by the ROS, the RSC will declare a preliminary date on which the SDT is expected to have ready a completed draft Standard and associated supporting documentation available for consideration by the ERCOT Membership.

Step 3 – Work and Work Product of the Standard Drafting Team

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The Reliability Standards Manager will then develop a work plan for completing the Standard development work, including the establishment of milestones for completing critical elements of the work in sufficient detail to ensure that the SDT will meet the date objective established by the RSC or the SDT shall propose an alternative date. This plan is then delivered to the RSC for its concurrence.

The SDT is to meet, either in person or via electronic means as necessary, establish sub-work teams (made up of members of the SDT) as necessary, and performs other activities to address the parameters of the SAR and the milestone date(s) established by the RSC.

The work product of the SDT will consist of the following:

- A draft Standard consistent with the SAR on which it was based.
- An assessment of the impact of the SAR on neighboring regions, and appropriate input from the neighboring regions if the SAR is determined to impact any neighboring region.
- An implementation plan, including the nature, extent and duration of field-testing, if any.
- Identification of any existing Standard that will be deleted, in part or whole, or otherwise impacted by the implementation of the draft Standard
- Technical reports and/or work papers that provide technical support for the draft Standard under consideration.
- Document the perceived reliability impact should the Standard be approved.

Upon completion of these tasks, the SDT submits these documents to the RSC, which will verify that the proposed Standard is consistent with the SAR on which it was developed.

The SDT regularly (at least once each month) informs the RSC of its progress in meeting a timely completion of the draft Standard. The SDT may request RSC scope changes of the SAR at any point in the Standard Development Process.

The RSC may, at any time, exercise its authority over the Standards Development Process by directing the SDT to move to Step 4 (below) and post for comment the current work product. If there are competing drafts, the RSC may, at its sole discretion, have posted the version(s) of the draft Standard for comment on the Texas RE Website. The RSC may take this step at any time after a SDT has been commissioned to develop the Standard.

Step 4 – Comment Posting Period

At the direction from the RSC, the Reliability Standards Manager then facilitates the posting of the draft Standard on the Texas RE Website, along with a draft implementation plan and supporting documents, for a 30-day comment period. The Reliability Standards Manager shall also inform ERCOT Members and other potentially interested entities inside or outside of ERCOT of the posting using typical membership communication procedures then currently in effect or by other means as deemed appropriate.

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Within 30 days of the conclusion of the 30-day comment posting period the SDT shall convene and consider changes to the draft Standard, the implementation plan and/or supporting technical documents based upon comments received. Based upon these comments, the SDT may elect to return to Step 3 to revise the draft Standard, implementation plan, and/or supporting technical documentation.

The SDT shall prepare a “modification report” summarizing the comments received and the changes made as a result of these comments. The modification report also summarizes comments that were rejected by the SDT and the reason(s) that these comments were rejected, in part or whole. Responses to all comments will be posted on the Texas RE Website no later than the next posting.

Step 5 – Posting for Voting by ERCOT Membership

Upon recommendation of the drafting team, and if the RSC concurs that all of the requirements for development of the standard have been met, the Reliability Standards Manager shall post the proposed standard and implementation plan for ballot on the Texas RE Website and shall announce the vote to approve the standard, including when the vote will be conducted and the method for voting. Once the notice for a vote has been issued, no substantive modifications may be made to the proposed standard unless the revisions are posted and a new notice of the vote is issued.

The Reliability Standards Manager will schedule a Vote by the [Texas RE Registered Ballot Pool](#) which is to be scheduled to commence no sooner than 15 days and no later than 30 days following this posting.

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[Votes may be submitted](#) over a period of 15 days. It is expected that votes will be submitted electronically, but may be submitted through other means as approved by the RSC. All members of ERCOT [and the ERCOT ISO](#) are eligible to participate in voting on proposed new Standards, Standard revisions, or Standard deletions. Each member company shall have one vote. [The ERCOT ISO shall have one vote](#). The contact designated as primary representative to the Texas RE is the voting member with the secondary contact as the backup.

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Voting is an advisory to the ERCOT BOD. The voting results will be composed of only the votes from [those ballot pool members who have responded](#) within the 15-day voting period. Votes may be accompanied by comments explaining the vote, but are not required. All comments shall be responded to and posted to the Texas RE Website prior to going to the RSC or ERCOT BOD.

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Step 6A – Membership Voting [Receives 5.33 Affirmative Votes](#)

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The Texas RE registered ballot body shall be able to vote on the proposed standard during a 15-day period.

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Votes shall be submitted electronically, or through other means as approved by the RSC.

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All members of ERCOT and the ERCOT ISO are eligible to participate in voting on proposed new standards, standard revisions, or standard deletions. There shall be one person designated as the primary representative of each entity.

At least one (1) ERCOT Member Representative from five (5) of the eight (8) ERCOT Market Participant Segments, which includes the ERCOT ISO must vote to constitute a quorum. Each Segment shall have one (1) Segment Vote. The representative of each Voting ERCOT Member shall receive an equal fraction of its Segment Vote. If a draft Standard receives 5.33 or greater affirmative votes during the 15-day voting period, the RSC will forward the Standard to the ERCOT BOD for action (Step 7).

Step 6B – Membership Voting Does Not Receive 4.67 Affirmative Votes

If a draft Standard does not receive 4.67 or greater affirmative votes during the 15-day voting period, the RSC may:

- Revise the SAR on which the draft Standard was based and remand the development work back to the original SDT or a newly appointed SDT. The resulting draft Standard and/or implementation plan will be posted for a second voting period. The RSC may require a second comment period prior to a second voting period. The second posting of the draft Standard, implementation plan, and supporting documentation shall be within 60 days of the RSC action.
 - If a draft Standard receives 4.67 or greater affirmative votes during the second voting period, the RSC will forward to the ERCOT BOD for action (Step 7).
 - If a draft Standard does not receive 4.67 or greater affirmative votes during the second voting period, the RSC will refer the draft Standard and implementation plan to the ERCOT BOD. The RSC may also submit an assessment, opinion, and recommendations to the ERCOT BOD (Step 7).
- Direct the existing SDT to reconsider or modify certain aspects of the draft Standard and/or implementation plan. The resulting draft Standard and/or implementation plan will be posted for a second voting period. The RSC may require a second comment period prior to the second voting period. The second posting of the draft Standard, implementation plan, and supporting documentation shall be within 60 days of the RSC action.
 - If a draft Standard receives 4.67 or greater affirmative votes on the second voting period, the RSC will forward it to the ERCOT BOD for action (Step 7).
 - If a draft Standard does not receive 4.67 or greater affirmative votes on the second voting period, the RSC will refer the draft Standard and implementation plan to the ERCOT BOD. The RSC may also submit an assessment, opinion, and recommendations to the ERCOT BOD (Step 7).

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Comment [f3]: This need to change. 2/3=.66 5/8=.625 In other words we may have a quorum but still can not get a vote!

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- Recommend termination of all work on the development of the Standard action under consideration and so notify the ERCOT BOD.

Step 7 – Action by the Texas RE Board of Directors

A proposed Regional Reliability Standard submitted to the ERCOT BOD for action shall be publicly posted at least 10 days prior to action by the BOD. At a regular or special meeting, the ERCOT BOD shall consider the draft Standard. The BOD shall be provided with an “informational package” which includes:

- The draft Standard and any modification or deletion of other related existing Standard(s)
- Implementation Plan (including recommending field testing and effective dates)
- Technical Documentation supporting the draft Standard
- A summary of the vote and summary of the comments and responses that accompanied the votes.

The BOD will consider the results of the voting and dissenting opinions. The BOD will consider any advice offered by the RSC and may:

- Approve the proposed Regional Reliability Standard;
- Remand the proposed Regional Reliability Standard to the RSC with comments and instructions; or
- Disapprove the proposed Regional Reliability Standard action without recourse.

Under no circumstances may the board substantively modify the proposed ERCOT-Specific Reliability Standard.

Once an ERCOT-Specific Reliability Standard is approved by the BOD, the standard will be submitted to NERC for approval and filing with FERC.

Step 8 - Implementation of Regional Reliability Standard

Upon approval of a draft Standard action by the ERCOT BOD, the Reliability Standards Manager will notify the membership of such action of the BOD through the normal and customary membership communication procedures and processes then in effect. The Reliability Standards Manager will take whatever steps are necessary to have a Standard reviewed and/or approved by NERC or any successor organization.

C. Regional Reliability Standards Integration

Once the regional reliability standard is approved by FERC the Reliability Standards Manager shall notify the stakeholders of the effective date. The Reliability Standards Manager will

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Comment [m5]: You should check with David Brown, but I believe at the Board meeting yesterday he expressed a preference that the Board be called the “Board of the Texas Regional Entity, a division of ERCOT” when sitting on TRE matters; he can clarify as your counsel.

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also notify the Texas RE Compliance Staff for integration into the Texas RE Compliance Program.

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Appendix A – Stakeholder Representation

The Texas RE stakeholder representation for ERCOT-Specific Reliability Standards development is as follows:

I. Balanced Decision-Making in Committees

The Reliability Standards Committee (RSC), comprised of representatives from the ERCOT ISO and all market segments (Independent Generators, Investor-Owned Utilities, Power Marketers, Retail Electric Providers, Municipally-Owned Utilities, Cooperatives, and Consumers), is to provide balanced decision-making and due process for ERCOT-Specific Reliability Standards and Regional Variances. The RSC will receive, consider, and vote upon requests for new or revised ERCOT-Specific Reliability Standards and Regional Variances.

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The RSC will consider any requests for ERCOT-Specific Reliability Standards or Regional Variances from parties that are directly and materially affected by the operation of the ERCOT Bulk Power System.

II. ERCOT Board of Directors (BOD)

The Texas RE is a division of the Electric Reliability Council of Texas (ERCOT), a Texas non-profit corporation that is the Independent System Operator for the ERCOT Region, and is governed by a combination independent and balanced stakeholder board, as required by Section 39.151 of the Texas Public Utility Regulatory Act (PURA). The BOD includes the following individuals:

- Five independent individuals who are unaffiliated with any electric market participant who are each approved by the Texas Public Utility Commission (PUCT) for a three-year term;
- Six electric market participant representatives from each of the following market segments: Independent Generators, Investor-Owned Utilities, Power Marketers, Retail Electric Providers, Municipally-Owned Utilities, and Cooperatives;
- Three Consumer representatives;
- CEO of ERCOT (as ex officio voting Director); and
- Chairman of the PUCT (as ex officio non-voting Director).

Although the ERCOT BOD will have the final vote on proposed ERCOT-Specific Reliability Standards and Regional Variances, the ERCOT BOD will not have involvement in Reliability Standard compliance and enforcement activities. The PUCT will provide due process (a hearing).

III. Ballot Body

A Ballot Body will be comprised of representatives from the ERCOT ISO and all market segments (Independent Generators, Investor-Owned Utilities, Independent Power Marketers,

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Retail Electric Providers, Municipally-Owned Utilities, Cooperatives, and Consumers), to provide balanced decision-making on ERCOT-Specific Reliability Standards and Regional Variances. The Ballot Body will vote on all proposed new or revised ERCOT-Specific Reliability Standards and Regional Variances.

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At all meetings, [the ERCOT ISO](#) and each [market segment](#) shall have one (1) Segment Vote. The representative of each Voting Entity, present at the meeting and participating in the vote, shall receive an equal fraction of its Segment's Vote, except for the Consumer Segment which shall be divided into three sub-segments (Residential, Commercial, and Industrial) that receive one third of the Consumer Segment Vote. For the Consumer Segment, if no representative from a sub-segment is present at a meeting, such sub-segment's fractional vote is allocated equally to the sub-segment(s) that are present. If a representative from a sub-segment abstains from a vote, the fraction of the Consumer Segment Vote allocated to such representative is not included in the vote tally.

Entities entitled to vote (Voting Entities) are [the ERCOT ISO](#), ERCOT Corporate Members, ERCOT Associate Members, and ERCOT Adjunct Members. Voting Entities must align themselves each calendar year with a Segment for which they qualify or, for Adjunct Members, a Segment to which they are similar. Voting Entities that align themselves with a Segment must be aligned with that same Segment for all ERCOT subcommittees, and remain aligned with that Segment for the entire calendar year. For the Residential sub-segment of the Consumer Segment, Voting Entities are limited to the Standing Representative or their designated Alternate Representative. Only one representative of each Voting Entity present at the meeting may vote. In the event that a representative of a Voting Entity abstains from a vote, the Segment Vote is allocated among the members casting a vote; except for the Consumer Segment.

In the majority of cases, e-mail votes for the purpose of approving an ERCOT-Specific Reliability Standard will be conducted. For e-mail votes, a representative of each Voting Entity shall have one (1) vote. Each Segment shall have one (1) Segment Vote and participation requires casting a vote or abstaining. The same rules apply to e-mail voting as voting at a meeting.

Appendix B — Principles, Characteristics, and Special Procedures

I. Principles

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Due process is the key to ensuring that regional reliability standards are developed in an environment that is equitable, accessible and responsive to the requirements of all interested and affected parties. An open and fair process ensures that all interested and affected parties have an opportunity to participate in the development of a standard.

The Texas RE develops ERCOT-Specific Reliability Standards with due consideration of the following principles, in accordance with the steps outlined in this procedure. The process must ensure that any ERCOT-Specific Reliability Standard is technically sound and the technical specifications proposed would achieve a valuable reliability objective.

The standards development process has the following characteristics:

- **Open** - Participation in the development of an ERCOT-Specific Reliability Standard shall be open to all organizations that are directly and materially affected by ERCOT bulk power system reliability. There shall be no undue financial barriers to participation. Participation shall not be conditioned upon membership in ERCOT, and shall not be unreasonably restricted on the basis of technical qualifications or other such requirements. Meetings of drafting teams shall be open to ERCOT members and others.
- **Balanced** - The Texas RE Standards Development Process strives to have an appropriate balance of interests and shall not be dominated by any two interest categories and no single interest category shall be able to defeat a matter.
- **Inclusive** — Any entity (person, organization, company, government agency, individual, etc.) with a direct and material interest in the ERCOT Bulk Power System in the Texas RE area shall have a right to participate by: a) expressing a position and its basis, b) having that position considered, and c) having the right to appeal.
- **Fair due process** — The Texas RE Reliability Standards Development Process shall provide for reasonable notice and opportunity for public comment. At a minimum, the procedure shall include public notice of the intent to develop a standard, a public comment period on the proposed standard, due consideration of those public comments, and a ballot of interested stakeholders.
- **Transparent** — All actions material to the development of regional reliability standards shall be transparent. All standards development meetings shall be open and publicly noticed on the regional entity's Web site.
- Does not unnecessarily delay development of the proposed ERCOT-Specific Reliability Standard.

NERC has adopted reliability principles and market interface principles to define the purpose, scope, and nature of reliability standards. These principles are to be used to guide the development of reliability standards, including regional reliability standards. The NERC

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Board of Trustees may modify these principles from time to time, as necessary, to adapt its vision for reliability standards.

Each ERCOT-Specific Reliability Standard shall enable or support one or more of the reliability principles, thereby ensuring that each Standard serves a purpose in support of the reliability of the ERCOT bulk power system. Each Standard shall also be consistent with all of the reliability principles, thereby ensuring that no Standard undermines reliability through an unintended consequence.

While reliability standards are intended to promote reliability, they must at the same time accommodate competitive electricity markets. Reliability is a necessity for electricity markets, and robust electricity markets can support reliability. Recognizing that bulk power system reliability and electricity markets are inseparable and mutually interdependent, all ERCOT-Specific Reliability Standards shall be consistent with NERC's market interface principles. Consideration of the market interface principles is intended to ensure that standards are written such that they achieve their reliability objective without causing undue restrictions or adverse impacts on competitive electricity markets.

II. Regional Reliability Standard Characteristics and Elements

a. Characteristics of a Regional Reliability Standard

The following characteristics describe objectives to be considered in the development of ERCOT-Specific Reliability Standards:

1. **Applicability** — Each ERCOT-Specific Reliability Standard clearly identifies the functional classes of entities responsible for complying with the standard, with any specific additions or exceptions noted. Such functional classes include: Reliability Coordinators, Balancing Authorities, Transmission Operators, Transmission Owners, Generator Operators, Generator Owners, Interchange Authorities, Transmission Service Providers, Market Operators, Planning Authorities, Transmission Planners, Resource Planners, Load-Serving Entities, Purchasing-Selling Entities, and Distribution Providers. Each ERCOT-Specific Reliability Standard identifies the geographic applicability of the standard. A standard may also identify any limitations on the applicability of the standard based on electric facility characteristics.
2. **Reliability Objectives** — Each ERCOT-Specific Reliability Standard has a clear statement of purpose that describes how the standard contributes to the reliability of the ERCOT bulk power system.
3. **Requirement or Outcome** — Each ERCOT-Specific Reliability Standard states one or more requirements, which if achieved by the applicable entities, will provide for a reliable bulk power system, consistent with good utility practices and the public interest.

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4. **Measurability** — Each performance requirement is stated so as to be objectively measurable by a third party with knowledge or expertise in the area addressed by that requirement. Each performance requirement has one or more associated measures used to objectively evaluate compliance with the requirement. If performance can be practically measured quantitatively, metrics are provided to determine satisfactory performance.
5. **Technical Basis in Engineering and Operations** — Each ERCOT-Specific Reliability Standard is based upon sound engineering and operating judgment, analysis, or experience, as determined by expert practitioners in that particular field.
6. **Completeness** — Each ERCOT-Specific Reliability Standard is complete and self-contained. Supporting references may be provided with standards, but they are not part of the standard and do not impose mandatory requirements.
7. **Clear Language** - Each ERCOT-Specific Reliability Standard is stated using clear and unambiguous language. Responsible entities, using reasonable judgment and in keeping with good utility practice, are able to arrive at a consistent understanding of the required performance.
8. **Practicality** — Each ERCOT-Specific Reliability Standard establishes requirements that can be practically implemented by the assigned responsible entities within the specified effective date and thereafter.
9. **Consistent Terminology** — To the extent possible, ERCOT-Specific Reliability Standards use a set of standard terms and definitions that are approved through the regional standards development procedure.

Although ERCOT-Specific Reliability Standards have a common format and process, several types of standards may exist, each with a different approach to measurement:

- **Technical standards** are related to the provision, maintenance, operation, or state of electric systems, and will likely contain measures of physical parameters that are technical in nature.
- **Performance standards** are related to the actions of entities providing for or impacting the reliability of the bulk power system, and will likely contain measures of the results of such actions or qualities of performance of such actions.
- **Preparedness standards** are related to the actions of entities to be prepared for conditions that are unlikely to occur, but are nonetheless critical to reliability, and will likely contain measures of such preparations or the state of preparedness.

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b. Elements of a Regional Reliability Standard

To ensure uniformity of regional reliability standards, an ERCOT-Specific Reliability Standard shall consist of the elements identified in this section of the procedure. These elements are intended to apply a systematic discipline in the development and revision of standards. This discipline is necessary to achieving standards that are measurable, enforceable, and consistent.

All mandatory requirements of a regional reliability standard shall be within the standard. Supporting documents to aid in the implementation of a standard may be referenced by the standard but are not part of the standard itself.

Table 1 — Performance Elements of a Regional Reliability Standard

Identification Number	A unique identification number assigned in accordance with an administrative classification system to facilitate tracking and reference.
Title	A brief, descriptive phrase identifying the topic of the standard.
Applicability	Clear identification of the functional classes of entities responsible for complying with the standard, noting any specific additions or exceptions. If not applicable to the entire Texas RE area, then a clear identification of the portion of the bulk power system to which the standard applies. Any limitation on the applicability of the standard based on electric facility requirements should be described.
Effective Date and Status	The effective date of the standard or, prior to approval of the standard, the proposed effective date.
Purpose	The purpose of the standard. The purpose shall explicitly state what outcome will be achieved or is expected by this standard.
Requirement(s)	Explicitly stated technical, performance, and preparedness requirements. Each requirement identifies what entity is responsible and what action is to be performed or what outcome is to be achieved. Each statement in the requirements section shall be a statement for which compliance is mandatory.
Risk Factor(s)	The potential reliability significance of each requirement, designated as a High, Medium, or Lower Risk Factor in accordance with the criteria listed below: A High Risk Factor requirement (a) is one that, if violated, could directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk power system instability, separation, or a cascading sequence of failures, or could place the bulk power system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to normal condition.

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	<p>A Medium Risk Factor requirement (a) is a requirement that, if violated, could directly affect the electrical state or the capability of the bulk power system, or the ability to effectively monitor and control the bulk power system, but is unlikely to lead to bulk power system instability, separation, or cascading failures; or (b) is a requirement in a planning timeframe that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system, but is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk power system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.</p> <p>A Lower Risk Factor requirement is administrative in nature and (a) is a requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor and control the bulk power system; or (b) is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to affect the electrical state or capability of the bulk power system, or the ability to effectively monitor, control, or restore the bulk power system.</p>
Measure(s)	<p>Each requirement shall be addressed by one or more measures. Measures are used to assess performance and outcomes for the purpose of determining compliance with the requirements stated above. Each measure will identify to whom the measure applies and the expected level of performance or outcomes required demonstrating compliance. Each measure shall be tangible, practical, and as objective as is practical. It is important to realize that measures are proxies to assess required performance or outcomes. Achieving the measure should be a necessary and sufficient indicator that the requirement was met. Each measure shall clearly refer to the requirement(s) to which it applies.</p>

Table 2 — Compliance Elements of a Regional Reliability Standard

Compliance Monitoring Process	<p>Defines for each measure:</p> <ul style="list-style-type: none"> • The specific data or information that is required to measure performance or outcomes. • The entity that is responsible for providing the data or information for measuring performance or outcomes. • The process that will be used to evaluate data or information for the purpose of assessing performance or outcomes. • The entity that is responsible for evaluating data or information to assess performance or outcomes.
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	<ul style="list-style-type: none"> • The time period in which performance or outcomes is measured, evaluated, and then reset. • Measurement data retention requirements and assignment of responsibility for data archiving. • Violation severity levels.
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Supporting Information Elements

Interpretation	Any interpretation of regional reliability standard that is developed and approved in accordance with Section VI “Interpretation of Standards” in Appendix B of this procedure, to expound on the application of the standard for unusual or unique situations or to provide clarifications.
Implementation Plan	Each regional reliability standard shall have an associated implementation plan describing the effective date of the standard or effective dates if there is a phased implementation. The implementation plan may also describe the implementation of the standard in the compliance program and other considerations in the initial use of the standard, such as necessary tools, training, etc. The implementation plan must be posted for at least one public comment period and is approved as part of the ballot of the standard.
Supporting References	<p>This section references related documents that support reasons for, or otherwise provide additional information related to the regional reliability standard. Examples include, but are not limited to:</p> <ul style="list-style-type: none"> • Glossary of terms • Developmental history of the standard and prior versions • Notes pertaining to implementation or compliance • Standard references • Standard supplements • Procedures • Practices • Training references • Technical references • White papers • Internet links to related information

III. Maintenance of the Texas RE Reliability Standards Development Process

Significant changes to this process shall begin with the preparation of a SAR and be addressed using the same procedure as a request to add, modify, or delete an ERCOT-Specific Reliability Standard.

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The RSC has the authority to make ‘minor’ changes to this process as deemed appropriate by the RSC and subject to the RSC voting practices and procedures then in effect. The Reliability Standards Manager, on behalf of the RSC, shall promptly notify the ERCOT BOD of such ‘minor’ changes to this process for their review and concurrence at the next ERCOT BOD meeting.

IV. Maintenance of Regional Reliability Standards

The Reliability Standards Manager shall ensure that each Standard is reviewed at least once every five years from the effective date of the Standard or the latest revision to the Standard, whichever is the later. The review process shall be conducted by soliciting comments from the stakeholders. If no changes are warranted, the Reliability Standards Manager shall recommend to the ERCOT BOD that the Standard be reaffirmed. If the review indicates a need to revise or delete a Standard, a SAR shall be prepared and submitted in accordance with the standards development process contained in this process.

V. Urgent Action

Under certain conditions, the RSC may designate a proposed ERCOT-Specific Reliability Standard or revision to a standard as requiring urgent action. Urgent action may be appropriate when a delay in implementing a proposed standard or revision could materially impact reliability of the bulk power systems. The RSC must use its judgment carefully to ensure an urgent action is truly necessary and not simply an expedient way to change or implement a Standard.

A requester prepares a SAR and a draft of the proposed standard and submits both to the Reliability Standards Manager. The standard request must include a justification for urgent action. The Reliability Standards Manager submits the request to the RSC for its consideration. If the RSC designates the requested standard or revision as an urgent action item, then the Reliability Standards Manager shall immediately post the draft for pre-ballot review. This posting requires a minimum 30-day posting period before the ballot and applies the same voting procedure as detailed in Step 6.

Any ERCOT-Specific Reliability Standard approved as an urgent action shall have a termination date specified that shall not exceed one year from the approval date. Should there be a need to make the standard permanent the standard would be required to go through the full Standard Development Process. All urgent action standards require BOD, NERC, and FERC approval, as outlined for standards in the regular process.

Urgent actions that expire may be renewed using the urgent action process again, in the event a permanent standard is not adopted. In determining whether to authorize an urgent action standard for a renewal ballot, the RSC shall consider the impact of the standard on the reliability of the bulk power system and whether expeditious progress is being made toward a permanent replacement standard. The RSC shall not authorize a renewal ballot if there is insufficient progress toward adopting a permanent replacement standard or if the RSC lacks confidence that a reasonable completion date is achievable. The intent is to ensure that an

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urgent action standard does not in effect take on a degree of permanence due to the lack of an expeditious effort to develop a permanent replacement standard. With these principles, there is no predetermined limit on the number of times an urgent action may be renewed. However, each urgent action standard renewal shall be effective only upon approval by the ERCOT BOD, and approval by applicable governmental authorities.

Any person or entity, including the drafting team working on a permanent replacement standard, may at any time submit a standard request proposing that an urgent action standard become a permanent standard by following the full standards process.

VI. Interpretations of Standards

All persons who are directly and materially affected by ERCOT's Bulk Power System reliability shall be permitted to request an interpretation of a Standard. The person requesting an interpretation will send a request to the Reliability Standards Manager explaining the specific circumstances surrounding the request and what clarifications are required as applied to those circumstances. The request should indicate the material impact to the requesting party or others caused by the lack of clarity or a possibly incorrect interpretation of the standard.

The Reliability Standards Manager will assemble a team with the relevant expertise to address the clarification. The Interpretation Drafting Team (IDT) typically consists of members from the original SDT. The Reliability Standards Manager submits the proposed list of names of the IDT to the ROS. The ROS will either accept the recommendations of the Reliability Standards Manager or modify the IDT slate.

As soon as practical (not more than 45 days), the team will draft a written interpretation to the Standard addressing the issues raised. Once the IDT has completed a draft interpretation to the Standard addressing only the issues raised, the team will forward the draft interpretation to the Reliability Standards Manager. The Reliability Standards Manager will forward the draft interpretation to the Texas RE Director of Compliance. The Director of Compliance is to assess if the inclusion of the interpretation lessens the measurability of the Standard. In addition the Reliability Standards Manager will forward the interpretation to the ROS. Barring receipt of an opinion from either the Director of Compliance or ROS within 21 days, that the interpretation lessens measurability or is not technically appropriate for the Standard, respectively, the Reliability Standards Manager will forward the interpretation to the RSC. The RSC will determine if the interpretation is consistent with the Standard. The Reliability Standards Manager, on behalf of the RSC, will forward the interpretation to the ERCOT BOD for informational purposes as being appended to the approved Standard.

Note: In the event that the Director of Compliance determines that measurability is lessened, the Director of Compliance shall provide an explanation of his/her reasoning to the Reliability Standards Manager and IDT for inclusion in a subsequent reversion. The ROS shall in a similar manner provide an explanation of its reasoning if it determines that the interpretation makes the standard technically inappropriate. In either case, the IDT and Reliability Standards Manager will continue to re-circulate the interpretation as stated above.

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The interpretation will stand until such time as the Standard is revised through the normal process, at which time the Standard will be modified to incorporate the clarifications provided by the interpretation.

VII. Appeals

Persons who have directly and materially affected interests and who have been or will be adversely affected by any substantive or procedural action or inaction related to the development, approval, revision, reaffirmation, or withdrawal of an ERCOT-Specific Reliability Standard shall have the right to appeal. This Appeals Process applies only to this Standards Process.

The burden of proof to show adverse effect shall be on the appellant. Appeals shall be made within 30 days of the date of the action purported to cause the adverse effect, except appeals for inaction, which may be made at any time. In all cases, the request for appeal must be made prior to the next step in the process.

The final decisions of any appeal shall be documented in writing and made public.

The Appeals Process provides two levels, with the goal of expeditiously resolving the issue to the satisfaction of the participants:

Level 1 Appeal

Level 1 is the required first step in the appeals process. The appellant submits a complaint in writing to the Reliability Standards Manager that describes the substantive or procedural action or inaction associated with a Reliability Standard or the Standards Process. The appellant describes in the complaint the actual or potential adverse impact to the appellant. Assisted by any necessary staff and committee resources, the Reliability Standards Manager shall prepare a written response addressed to the appellant as soon as practical, but not more than 45-days after receipt of the complaint. If the appellant accepts the response as a satisfactory resolution of the issue, both the complaint and response will be made a part of the public record associated with the Standard.

Level 2 Appeal

If after the Level 1 Appeal the appellant remains unsatisfied with the resolution, as indicated by the appellant in writing to the Reliability Standards Manager, the Reliability Standards Manager shall convene a Level 2 Appeals Panel. This panel shall consist of five members total appointed by ERCOT's BOD. In all cases, Level 2 Appeals Panel Members shall have no direct affiliation with the participants in the appeal.

The Reliability Standards Manager shall post the complaint and other relevant materials and provide at least 30-days notice of the meeting of the Level 2 Appeals Panel. In addition to the appellant, any person that is directly and materially affected by the substantive or procedural

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action or inaction referenced in the complaint shall be heard by the panel. The panel shall not consider any expansion of the scope of the appeal that was not presented in the Level 1 Appeal. The panel may in its decision find for the appellant and remand the issue to the RSC with a statement of the issues and facts in regard to which fair and equitable action was not taken. The panel may find against the appellant with a specific statement of the facts that demonstrate fair and equitable treatment of the appellant and the appellant's objections. The panel may not, however, revise, approve, disapprove, or adopt a Reliability Standard. The actions of the Level 2 Appeals Panel shall be publicly posted.

In addition to the foregoing, a procedural objection that has not been resolved may be submitted to ERCOT's BOD for consideration at the time the BOD decides whether to adopt a particular Reliability Standard. The objection must be in writing, signed by an officer of the objecting entity, and contain a concise statement of the relief requested and a clear demonstration of the facts that justify that relief. The objection must be filed no later than 30-days after the announcement of the vote on the Standard in question.

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Appendix C – Sample Standard Request Form

ERCOT-Specific Reliability Standard Authorization Request

The tables below provide a representative example of information in a Regional Reliability Standard Authorization Request. The Reliability Standards Manager shall be responsible for implementing and maintaining the applicable form as needed to support the information requirements of the Texas RE Standards Process. The latest version of the form will be downloadable from the Texas RE's Standards Development Web page.

Texas RE Reliability Standard Authorization Request Form

Texas RE to complete

ID
Authorized for Posting
Authorized for Development

Title of Proposed Standard:
Request Date:

SAR Requestor Information

<i>Name:</i>	SAR Type (Check one box.)	
Company:	<input type="checkbox"/>	New Standard
Telephone:	<input type="checkbox"/>	Revision to Existing Standard
Fax:	<input type="checkbox"/>	Withdrawal of Existing Standard
Email:	<input type="checkbox"/>	Urgent Action

Purpose (Describe the purpose of the proposed regional reliability standard – what the standard will achieve in support of reliability.)

Industry Need (Provide a detailed statement justifying the need for the proposed regional reliability standard, along with any supporting documentation.)

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Brief Description (Describe the proposed regional reliability standard in sufficient detail to clearly define the scope in a manner that can be easily understood by others.)

Reliability Functions

The Standard will Apply to the Following Functions <i>(Check all applicable boxes.)</i>		
<input type="checkbox"/>	Reliability Coordinator	The entity that is the highest level of authority who is responsible for the reliable operation of the Bulk Electric System, has the Wide Area view of the Bulk Electric System, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The Reliability Coordinator has the purview that is broad enough to enable the calculation of Interconnection Reliability Operating Limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator's vision.
<input type="checkbox"/>	Balancing Authority	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.
<input type="checkbox"/>	Interchange Authority	Authorizes valid and balanced Interchange Schedules.
<input type="checkbox"/>	Planning Authority	The responsible entity that coordinates and integrates transmission facility and service plans, resource plans, and protection systems.
<input type="checkbox"/>	Transmission Service Provider	The entity that administers the transmission tariff and provides Transmission Service to Transmission Customers under applicable transmission service agreements.
<input type="checkbox"/>	Transmission Owner	The entity that owns and maintains transmission facilities.
<input type="checkbox"/>	Transmission Operator	The entity responsible for the reliability of its "local" transmission system, and that operates or directs the operations of the transmission facilities.
<input type="checkbox"/>	Transmission Planner	The entity that develops a long-term (generally one year and beyond) plan for the reliability (adequacy) of the interconnected bulk electric transmission systems within its portion of the Planning Authority Area.
<input type="checkbox"/>	Resource Planner	The entity that develops a long-term (generally one year and beyond) plan for the resource adequacy of specific loads (customer demand and energy requirements) within a Planning Authority Area.
<input type="checkbox"/>	Generator Operator	The entity that operates generating unit(s) and performs the functions of supplying energy and Interconnected Operations Services.
<input type="checkbox"/>	Generator Owner	Entity that owns and maintains generating units.
<input type="checkbox"/>	Purchasing-Selling Entity	The entity that purchases or sells, and takes title to, energy, capacity, and Interconnected Operations Services. Purchasing-Selling Entities may be affiliated or unaffiliated merchants and may or may not own generating facilities.

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<input type="checkbox"/>	Distribution Provider	Provides and operates the “wires” between the transmission system and the customer.
<input type="checkbox"/>	Load-Serving Entity	Secures energy and transmission service (and related Interconnected Operations Services) to serve the electrical demand and energy requirements of its end-use customers.

Reliability and Market Interface Principles

Applicable Reliability Principles (Check all boxes that apply.)

- 1. Interconnected bulk power systems shall be planned and operated in a coordinated manner to perform reliably under normal and abnormal conditions as defined in the NERC Standards.
- 2. The frequency and voltage of interconnected bulk power systems shall be controlled within defined limits through the balancing of real and reactive power supply and demand.
- 3. Information necessary for the planning and operation of interconnected bulk power systems shall be made available to those entities responsible for planning and operating the systems reliably.
- 4. Plans for emergency operation and system restoration of interconnected bulk power systems shall be developed, coordinated, maintained, and implemented.
- 5. Facilities for communication, monitoring, and control shall be provided, used, and maintained for the reliability of interconnected bulk power systems.
- 6. Personnel responsible for planning and operating interconnected bulk power systems shall be trained, qualified, and have the responsibility and authority to implement actions.
- 7. The security of the interconnected bulk power systems shall be assessed, monitored, and maintained on a wide-area basis.

Does the proposed Standard comply with all of the following Market Interface Principles? (Select ‘yes’ or ‘no’ from the drop-down box.)

Recognizing that reliability is an Common Attribute of a robust North American economy:

- 1. A reliability standard shall not give any market participant an unfair competitive advantage. Yes
- 2. A reliability standard shall neither mandate nor prohibit any specific market structure. Yes
- 3. A reliability standard shall not preclude market solutions to achieving compliance with that standard. Yes
- 4. A reliability standard shall not require the public disclosure of commercially sensitive information. All market participants shall have equal opportunity to access commercially non-sensitive information that is required for compliance with reliability standards. Yes

Detailed Description (Provide enough detail so that an independent entity familiar with the industry could draft a standard based on this description.)

Related Standards

Standard No.	Explanation

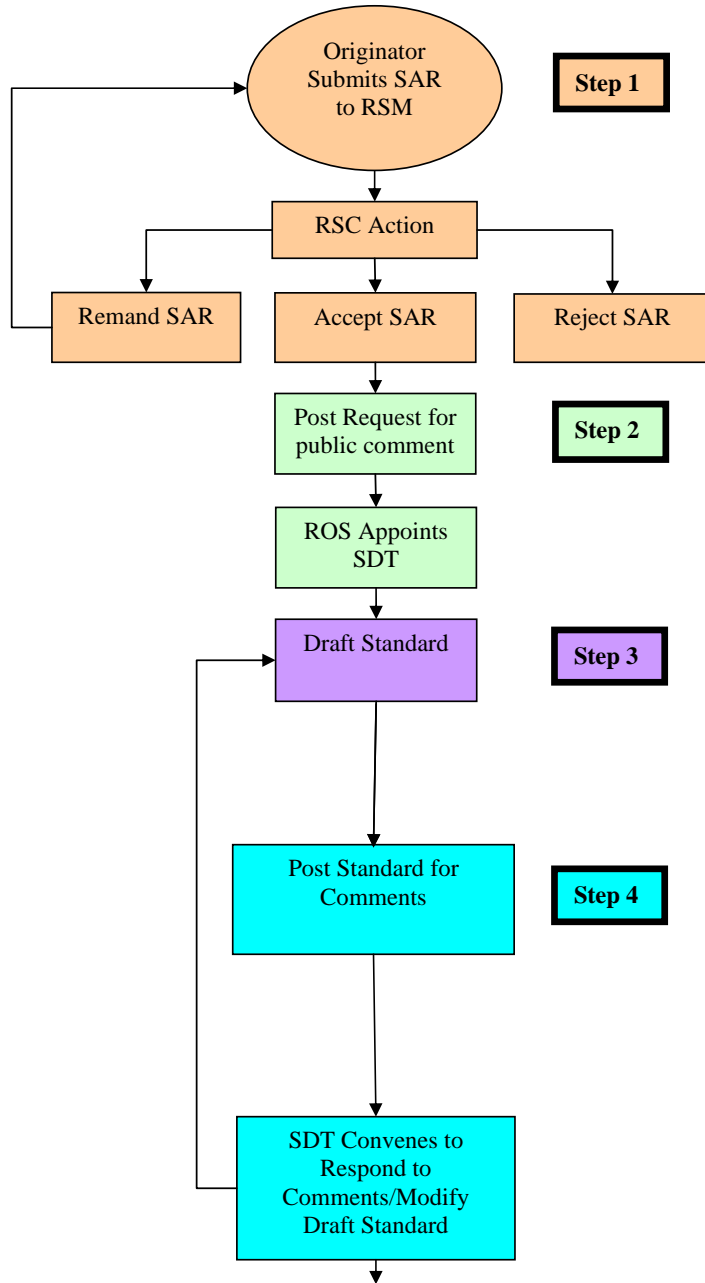
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Related SARs

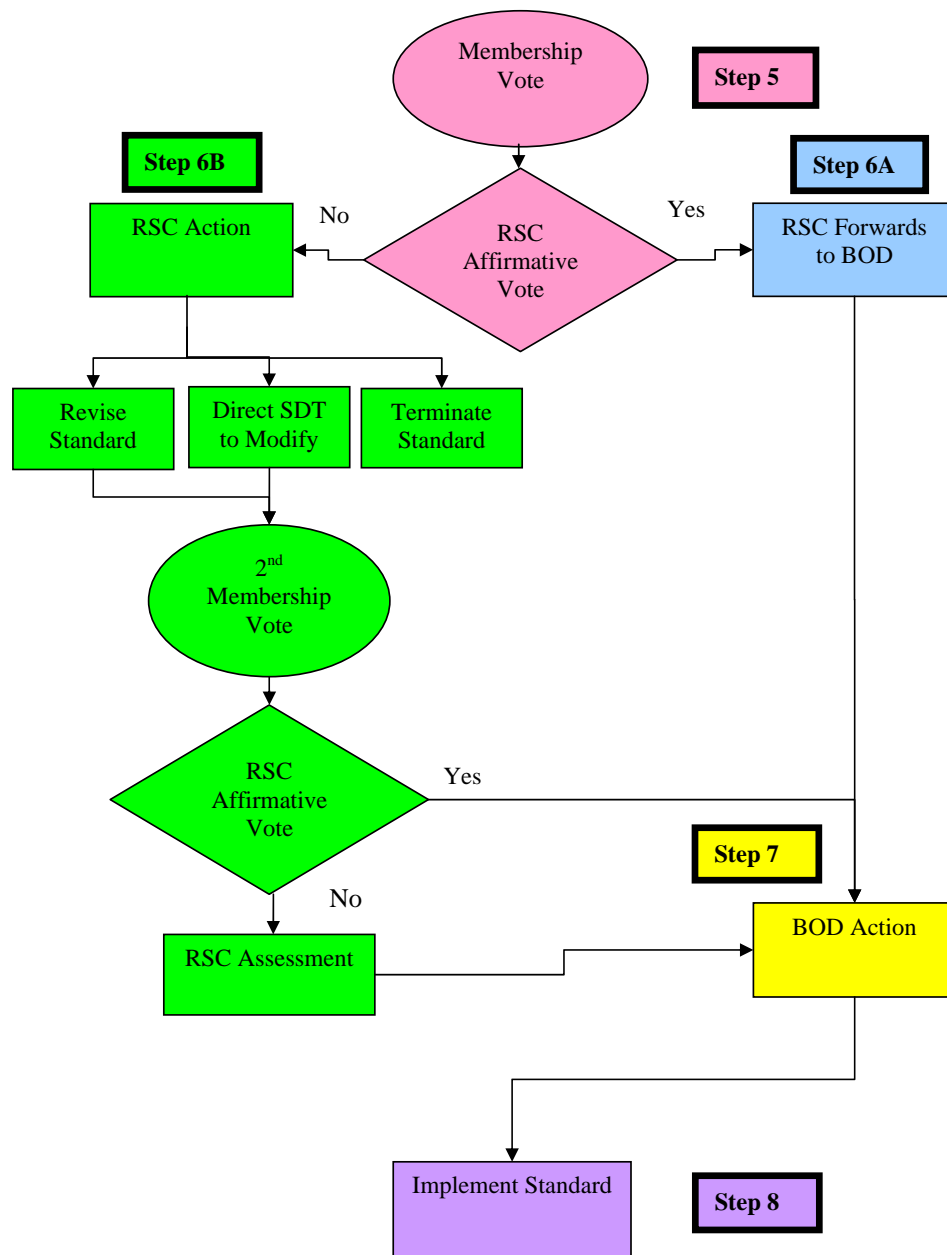
SAR ID	Explanation

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Appendix D – Process Flow Diagram



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