

Comment Form — Proposed Violation Risk Factor SAR

**Comment Form
Proposed Violation Risk Factor SAR**

This form is to be used to submit comments on the proposed Violation Risk Factor Standard Authorization Request (SAR). Comments must be submitted by **March 6, 2006**. You may submit the completed form by e-mailing it to: sarcomm@nerc.com with the words "Violation Risk Factor SAR Comments" in the subject line. If you have questions please contact Mark Ladrow at mark.ladrow@nerc.net or by telephone at 609-452-8060.

ALL DATA ON THIS FORM WILL BE TRANSFERRED AUTOMATICALLY TO A DATABASE. IT IS THEREFORE IMPORTANT TO ADHERE TO THE FOLLOWING REQUIREMENTS:

- DO:**
- Do enter text only, with no formatting or styles added.
 - Do use punctuation and capitalization as needed (except quotations).
 - Do use more than one form if responses do not fit in the spaces provided.
 - Do submit any formatted text or markups in a separate WORD file.

- DO NOT:**
- Do not insert tabs or paragraph returns in any data field.
 - Do not use numbering or bullets in any data field.
 - Do not use quotation marks in any data field.
 - Do not submit a response in an unprotected copy of this form.

Individual Commenter Information		
(Complete this page for comments from one organization or individual.)		
Name:	Ron Falsetti	
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NERC Region	Registered Ballot Body Segment	
<input type="checkbox"/> ERCOT	<input type="checkbox"/>	1 — Transmission Owners
<input type="checkbox"/> FRCC	<input checked="" type="checkbox"/>	2 — RTOs, ISOs, Regional Reliability Councils
<input type="checkbox"/> MRO	<input type="checkbox"/>	3 — Load-serving Entities
<input checked="" type="checkbox"/> NPCC	<input type="checkbox"/>	4 — Transmission-dependent Utilities
<input type="checkbox"/> RFC	<input type="checkbox"/>	5 — Electric Generators
<input type="checkbox"/> SERC	<input type="checkbox"/>	6 — Electricity Brokers, Aggregators, and Marketers
<input type="checkbox"/> SPP	<input type="checkbox"/>	7 — Large Electricity End Users
<input type="checkbox"/> WECC	<input type="checkbox"/>	8 — Small Electricity End Users
<input type="checkbox"/> NA — Not Applicable	<input type="checkbox"/>	9 — Federal, State, Provincial Regulatory or other Government Entities

Background Information:

As NERC moves forward to become the Electric Reliability Organization (ERO) and enforcement of the NERC reliability standards and the requirements contained within begins, there will be a need to determine and specify the relative risk the violation of each requirement poses to the bulk electric system. The requester proposes to develop, through the NERC standards development process, a matrix (Violation Risk Matrix) delineating the relative risks associated with the violation of each NERC standard requirement. This Violation Risk Matrix would be used for the initial basis for determining enforcement action for future violations. The requestor recognizes the current Reliability Standards Process Manual does not envision the use of this type of matrix, but if the consensus of the stakeholders approves the concept, a SAR would be initiated to make any required changes to the manual. Although significant additional information is provided below, the requester respectfully requests the comments included in response to this SAR be limited to the *scope* of the Violation Risk Factor SAR realizing additional comment time will be allotted with future posting as the content of the matrix is developed.

The definitions used for the purposes of rating each of the requirements are:

High Risk Requirement

- a. A requirement that, if violated, could directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an unacceptable risk of instability, separation, or cascading failures; or
- b. A requirement in a planning time frame that, if violated, could, under emergency, abnormal or restorative conditions anticipated by the preparations, directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.

Medium Risk Requirement

- a. A requirement that, if violated, could directly affect the electrical state or the capability of the bulk electric system, or the ability to effectively monitor and control the bulk electric system. However, violation of a medium risk requirement is unlikely to lead to bulk electric system instability, separation, or cascading failures; or
- b. A requirement in a planning time frame that, if violated, could, under emergency, abnormal or restorative conditions anticipated by the preparations, directly affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor, control, or restore the bulk electric system. However, violation of a medium risk requirement is unlikely, under emergency, abnormal or restoration conditions anticipated by the preparations, to lead to bulk electric system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.

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Lower Risk Requirement

- a. A requirement that, if violated, would not be expected to affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor and control the bulk electric system. A requirement that is administrative in nature; or
- b. 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 electric system, or the ability to effectively monitor, control, or restore the bulk electric system. A planning requirement that is administrative in nature.

Additional information on the Energy Policy Act of 2005 can be found at the FERC Web site <http://www.ferc.gov/legal/maj-ord-reg/fed-sta/ene-pol-act.asp>; additional information regarding NERC's transition to the ERO can be found at NERC's Web site at <http://www.nerc.com/about/ero.html>.

With the foregoing in mind, the requestor would like to receive industry comments on this SAR and to obtain the input of the industry prior to determining the final scope and of the SAR. Accordingly, we request your comments included on this form, e-mailed with the subject "Violation Risk Factor SAR Comments" by March 6, 2006.

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Question 1: Do you agree there is a reliability need for specifying the relative risks of each NERC standard requirement?

Yes

No

Comments

The IESO is in full agreement a need exists to specifically categorize the relative risk to the interconnected bulk power system of each NERC requirement with which to develop appropriate penalties or sanctions for violations. To not do so would otherwise imply all standards have equivalent implication to the BPS even those administrative in nature and would carry similar sanctions, if violated, which is, in our view, indefensible.

Question 2: Do you agree with the scope and applicability of the SAR?

Yes

No

Comments

It is unclear from the SAR what exactly is being proposed. Is it a proposal to (a) develop the matrix (or review and revise the initial set of risk factors), or, (b) to insert the risk factors already assigned by the ESDS and CCMC (but hasn't gone through public comment and balotting) to the standards already developed and to be developed over the next 5 years or both (a) and (b)? We see the need for industry consensus on the risk factors before they are inserted into the standards. Hence, we would support this SAR if the purpose is to cover at least (a), above.

Question 3: Do you agree with the definition proposed for "High"?

Yes

No

Comments

Given this definition, the risk levels assigned to some of the standard requirements appear to be questionable. Hence, we strongly suggest that the industry be provided the opportunity to review and revise as necessary the risk factor matrix.

Moreover, it remains unclear how long-term planning standards, specifically those related with assessments beyond one year if violated, could IN REAL-TIME, under emergency, abnormal or restorative conditions anticipated by the preparations, directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an

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unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition. These would need to be addressed with-in the short-term or operation planning time frames.

Question 4: Do you agree with the definition proposed for “Medium”?

Yes

No

Comments

Again, the industry needs a wholesale review of the risk factor matrix to agree on the risk level assigned to each and every standard requirement.

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Question 5: Do you agree with the definition proposed for “Lower”?

Yes

No

Comments

Same as Q4 above.

Question 6: Do you agree rating each requirement and basing the enforcement action in part on this weighting would result in clear and unambiguous signals to each responsible entity regarding the relative impact of non-compliance?

Yes

No

Comments

Provided the final ratings are accepted by the industry through due process and are meaningful

Question 7: Do you agree rating each NERC standard requirement and basing the enforcement action in part on this weighting would result in a fair basis for determining the base enforcement action?

Yes

No

Comments

This would only be one of the elements for establishing a fair basis for determining the base enforcement action. Other factors such as the immanency, frequency and scale of potential impact of a violation would also need to be considered. This may require the development of sub-levels within each of the high, medium and low risk level.

Question 8: Do you have any additional comments regarding the SAR that you believe should be addressed?

Yes

No

If yes, please share those comments in the space provided below.

