



March 22, 2007

TO: NERC Stakeholders

Ladies and Gentlemen:

Game Plan for Mandatory Standards Implementation 2007

Following FERC's approval of 83 reliability standards proposed by NERC in 2006, and in anticipation of the start of mandatory compliance with those standards in the coming weeks, communication of NERC's schedule of activities, expectations, and goals for a successful implementation is more important than ever. This letter is the first in what will likely be a series of updates on the remaining steps in the process.

NERC will continue its development and implementation plans for standards and compliance, along with associated activities in reliability readiness evaluation, and education and training. The specific date for beginning enforcement will be known shortly¹, and NERC will be ready to implement and enforce mandatory reliability standards when that date occurs. Between today and the effective date, the compliance program will continue to actively monitor compliance with the subset of the reliability standards now approved by the Commission. NERC does not plan to actively monitor compliance with 24 standards proposed by NERC in 2006 that remain pending before the Commission until such time as the Commission approves them. However, these standards remain approved by NERC and considered a matter of good utility practice.

Other activities in the **compliance** area are:

1. We must work together to complete the organization registration effort. The regions are providing changes to the registration list – anticipated by the end of this month – and NERC will be issuing letters during the first two weeks of April notifying organizations they are registered and subject to compliance with all FERC approved reliability standards.
2. Compliance in Canada and timing will depend on and be governed by the requirements of each province. FERC's order applies only to entities operating in the United States. Compliance in Canada will continue to be handled as it is under the existing laws of the various provinces.
3. NERC expects registered entities to be in full compliance with all approved standards and ready for evaluations, assessments and compliance enforcement activities by NERC and the Regional Entities.

¹ Order No. 693 states the approved reliability standards will take effect 60 days after publication in the Federal Register. That has not yet occurred.

4. NERC will provide the final organizational registration list to FERC and post it on the NERC Web site.
5. The regions are holding a series of compliance workshops from now into June. NERC is supporting those workshops.
6. Compliance auditor training for audit team leaders will be completed before June 1. Sign-up for those training session is taking place now.
7. NERC will complete development of the compliance data management system so that NERC and the Regional Entities can use it to collect and manage compliance information. This system is in testing with the regions now and will be implemented for reporting of violations by the regions.
8. Pre-existing approved mitigation plans will be allowed to extend beyond the effective date of mandatory enforcement if the mitigation plan has been accepted by the region.
9. Communication of compliance results will continue in newsletter form and via public posting of violations. The compliance workshops will also provide a forum for information exchange and program updates.
10. Direct contact from NERC and the Regional Entities with the registered entities will also take place on an as-needed basis.

During the next two months, the **standards development program** will continue on its work plan and to complete an urgent action process to finalize 22 violation risk factors not addressed in earlier balloting. An additional set of violation risk factors will be assigned using the routine standard development process. Also, Order 693 identifies some improvements to the 83 approved standards, as well as improvements to a number of other standards still pending at the Commission. NERC is directed to pursue these changes, while considering stakeholder comments offered in the standards NOPR and final rule, through NERC's approved standards development process. So far, we have identified five major milestones:

1. Complete Regional definitions of the bulk electric system including supporting documentation. (90 day filing)
2. Develop procedures for joint action agencies, generation and transmission cooperatives, and other similar organizations to accept compliance responsibility for its members if so desired. (no specific date given)
3. Informational filing to the Commission on short- and long-term data gathering plans and processes. (90 day filing)
4. Modify the standards development work plan to incorporate Commission directives and consider stakeholder comments offered in Order 693 and the NOPR. (90 day filing)
5. Post the revised standards development work plan on the standards web page.

Of considerable importance is the deadline for the modification of available transmission capability (ATC) related standards as directed in the Open Access Transmission Tariff Order No. 890. The ATC drafting team is pressing urgently forward to meet an early October completion target date. Now more than ever, NERC asks your continued support for the resources needed to ensure this date is met.

Clearly, coordination and education programs will continue past the date when enforcement of the mandatory reliability standards starts. NERC expects the Regional Entities will be ready to start operation under the delegation agreements following approval of those agreements by the Commission. NERC anticipates the Commission may act on the delegation agreements in April. It is

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likely NERC and the regional entities will need to make a compliance filing after the Commission issues its order on the delegation agreements.

NERC stands ready to assist the Regional Entities in their initial compliance efforts and expects continued exceptional performance and responsiveness of the NERC staff to any changes required or to problems encountered.

NERC's focus over the next two months will be to prepare for a smooth and successful transition to mandatory compliance with approved standards, while continuing to work on further standards development, readiness evaluation and education, and training activities. We look forward to working with all segments of the stakeholder community in this effort.

Sincerely,

A handwritten signature in cursive script, reading "David A. Whitley". The signature is written in a dark ink and is positioned centrally below the word "Sincerely,".