



MIDWEST RELIABILITY ORGANIZATION

Statement of Activities, Achievements, and Effectiveness in Carrying Out its Delegated Responsibilities

BACKGROUND

The Federal Energy Regulatory Commission's ("FERC" or "Commission") Regulations at 18 C.F.R. §39.3(c) require the North American Electric Reliability Corporation (NERC) to submit an assessment of its performance three years from the date of NERC's certification by the Commission, and every five years thereafter. The initial performance assessment is due to be filed with the Commission by July 20, 2009; however, the Regional Delegation Agreements (when the Regional Entities were approved by the Commission) expire in May 2010.

The Commission's regulations also specify that NERC's three year performance assessment shall include (among other information) NERC's evaluation of the effectiveness of each Regional Entity incorporating recommendations of NERC, users, owners and operators of the bulk power system, and other interested parties, for improvement of the Regional Entity's performance of its delegated functions; and the Regional Entity's response to such an evaluation and recommendations.

To initiate the process of preparing the three-year assessment, each Regional Entity was asked to prepare a document describing its activities and achievements, its own assessment of its effectiveness, and any recommendations for improvements, in performing its delegated responsibilities. The principal focus of this document should be the Reliability Standards Development and Organization Registration, Compliance Monitoring and Enforcement programs (the Regional Entity should also include a discussion of its activities in the other four statutory program areas), and should cover activities from January 1, 2007 through March 31, 2009. This document was subsequently updated through May 31, 2009.

Additionally, NERC, in conjunction with the Regional Entities, requested feedback from Registered Entities and other stakeholders through a performance survey. This survey was conducted through March 2009. Although the survey was designed as a feedback mechanism for NERC, there were opportunities for Registered Entities and stakeholders to comment and provide suggestions on Regional Entities' performance. While there were few specific comments for MRO, they are included as part of this self assessment.

OVERVIEW

MRO is a non-profit organization (IRC 501(c)(6) based in Minnesota that is dedicated to ensuring the reliability of the bulk power system in the north central region of North America. As one of the eight Regional Entities in North America operating under delegated authority from regulators in the United States and Canada, MRO is responsible for:

1. Developing, proposing and implementing reliability standards.
2. Enforcing compliance with those standards.





3. Providing seasonal and long-term assessments of the bulk power system's ability to meet demand for electricity.
4. Providing an appeals process for enforcement matters.
5. Provide dispute resolution process for business matters.

The MRO region covers roughly one million square miles spanning the provinces of Saskatchewan and Manitoba, the states of North Dakota, Minnesota, Nebraska, and the majority of the territory in the states of South Dakota, Iowa and Wisconsin. The region includes more than 100 organizations that are involved in the production and delivery of power to more than 20 million people. These organizations include municipal utilities, cooperatives, investor-owned utilities, a federal power marketing agency, Canadian Crown Corporations, independent power producers and others who have interests in the reliability of the bulk power system.

MRO was formed in 2002 and began operations in 2005. MRO is governed by a balanced stakeholder board with independent oversight and appropriate procedures to ensure that the standards developed and enforced by MRO are fair and administered in a non-discriminatory fashion. MRO is the successor organization to the Mid-Continent Area Power Pool (MAPP) and Mid-America Interconnected Network (MAIN); both former voluntary regional reliability councils of NERC.

I. Reliability Standards Development

- A. Describe Regional Entity's activities and accomplishments in regional reliability standards development since January 1, 2007. Include discussion of improvements to activities and operations since January 1, 2007.**

The MRO Standards Committee was formed in the initial year of MRO operations in 2005. The Standards Committee is responsible for the MRO Regional Reliability Standards Process Manual approved by the Board of Directors and Federal Energy Regulatory Commission (Commission) in 2007.

Because MRO is a cross-border Regional Entity which operates in three jurisdictions (i.e., the United States, Manitoba, and Saskatchewan), it is important that reliability standards are recognized in all three jurisdictions and remands are quickly addressed by NERC and MRO. MRO has received recognition from the authorities in Saskatchewan and Manitoba through agreements, and as of the date of this report, no remands have been requested.

MRO is currently proposing the following regional reliability standards:

- RES-501-MRO-02 — Planned Resource Adequacy Assessment,
- PRC-502-MRO-02 — Power System Stabilizer Requirement,
- TPL-503-MRO-02 — System Performance, and
- TPL-504-MRO-02 — Sub synchronous Resonance ("SSR") Assessment

The above standards have been drafted and are being reviewed to ensure the requirements are clear, include all of the compliance elements, and follow a standard format.





MRO will propose the following Regional Reliability Standards as part of the NERC standards work plan to support four NERC reliability standards with the “fill-in-the-blank” criteria:

- BAL-002 - Disturbance Control Performance (Operating Reserve – Spinning)
- PRC-002 - Define and Document Disturbance Monitoring Equipment
- PRC-006 - Development and Documentation of Regional UFLS Programs
- PRC-012 - Special Protection System Review Procedure

B. Explain how the Regional Entity has the ability to develop regional standards and has a standards development process that provides for openness, due process and balancing of interests.

The MRO standards development process, as approved by NERC and FERC as Exhibit C to the MRO Regional Delegation Agreement with NERC, meets the requirements set forth in Section 215 of the Federal Power Act and the related rules. Participation in the process is open to all organizations in the MRO region. Organizations have the right to participate in meetings and activities, have their opinions considered as part of that process, and appeal decisions of MRO. These organizations also have the right to register and vote on a regional reliability standard proposed by MRO. Notice of all meetings of the MRO Standards Committee and drafting teams are provided on the MRO website, and MRO provides a monthly standards newsletter to brief stakeholders on standards development. To view a copy of MRO’s standards newsletter, please follow this link: [://www.midwestreliability.org/STA_newsletter.html](http://www.midwestreliability.org/STA_newsletter.html)

MRO Standards Development Process parallels the “ANSI” and NERC processes, which provides for a balance of interests containing seven industry segments. Approval of a MRO Regional Reliability Standard or revision to a MRO Regional Reliability Standard requires:

- a quorum, which is established by at least 4 of the Segments submitting a response with an affirmative vote, a negative vote, or an abstention; and
- An affirmative vote from at least two-thirds of the segments participating in the vote. Each segment vote is determined by the majority of the votes cast in the segment, either affirmative or negative. Abstentions and non-responses are not counted.

MRO’s standards development process ensures due process by providing public notice of the intent to develop a Regional Reliability Standard on the Reliability Standards Voting Process (RSVP) application. This web application automates the voting, commenting and tracking of any proposed standard in order to maintain a record of its development. The tracking site allows all interested parties to submit comments during the commenting period and provides an appeals process.

C. State Regional Entity’s assessment of its own effectiveness in reliability standards development since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed.





MRO's effectiveness in reliability standards development has steadily improved since its inception in 2005. Upon its formation, MRO performed a detailed analysis of its predecessor's regional processes and requirements for standards. Once this process was complete, MRO educated the broader stakeholder groups of the Standards Development Process under the new, mandatory standards regime established by Section 215 of the FPA.

MRO developed an on-line application known as "RSVP" (discussed above), to track and provide a record of the regional standards development process. The application greatly improves how standards are presented and evaluated by stakeholders and allows MRO staff to collect comments from across the geographical footprint. Votes are also easily compiled from ballot body members. The application is available for use by other Regional Entities.

MRO staff has participated in both NERC and MRO workshops in 2007 and 2008 to better communicate and educate stakeholders about standards development and the pending impact to the bulk power system.

MRO is currently proposing four Regional Reliability Standards that are being developed in a coordinated effort with NERC and the other Regional Entities and are included in NERC's three-year standards development work plan. MRO believes that Regional Reliability Standards can be developed more easily if NERC provides guidance on the basic requirements necessary for all of the Regional Reliability Standards. In the future, there may be a shift from developing Regional Reliability Standards to developing regional variances to NERC standards. The due process and public review of variances should be subject to the same development process as Regional Reliability Standards.

D. State any proposals of Regional Entity to improve its effectiveness in reliability standards development

The MRO Standards Committee is primarily responsible for assuring that the standards development process is effective. This balanced committee meets frequently to review its effectiveness and establish improvement plans.

MRO believes that the priority needs to be on North American-wide and Interconnection-wide reliability standards. NERC and the Regional Entities should refocus their collective efforts on expediting the "fill in the blank" standards and place a hold on any non-emergency reliability standards. The speed at which the industry can absorb new standards is resource limited. The priority should be to fix the "fill in the blank" standards (those standards not originally accepted by the Commission), and standards that address emerging issues or risks found through Event Analysis.

MRO sees a benefit in adding linkages between assessments and compliance and standards development. These benefits include a better understanding of compliance requirements and addressing emerging issues that may require accommodation in future standards (e.g. issues identified in long term assessments). MRO staff provides the necessary forums to assure there is sufficient information sharing.

In addition, MRO communicates relevant information to Registered Entities and other stakeholders by providing standard workshops, webcasts, and other communications.





II. Organization Registration and Compliance Monitoring and Enforcement Program

- A. Describe Regional Entity's activities and accomplishments in OC/CMEP since January 1, 2007. Include discussion of improvements to activities and operations since January 1, 2007. This description should emphasize quantitative information, e.g.: Staffing; numbers of registered entities registered; numbers of workshops, seminars, training and education sessions, etc. conducted; numbers of compliance audits conducted and reports processed; numbers of other compliance processes conducted and processed, e.g., spot-checks, self-certifications, etc.; numbers of notices of violation issued and processed; numbers of mitigation plans processed.**

The MRO 2007 Compliance Monitoring and Enforcement Program (CMEP) activities included the following initiatives.

- Entity registration was a large initiative utilizing the NERC Compliance Registration Criteria to identify owners, operators, and users of the bulk power system. The MRO registry expanded from 35 to 120 Registrants by year end.
- Compliance and Enforcement Flow Charts were developed by reverse engineering the CMEP program document. The flow charts have proven to be an effective tool for training Registrants and MRO staff on the CMEP processes.
- There were nine audits performed by MRO staff. MRO does not use contractors or consultants as auditors at this time.
- MRO had a total of 133 pre-June 18th violations. 113 violations were confirmed and mitigation plans were approved while the other 20 were dismissed.
- MRO held one reliability workshop in May 2007. All material presented at the workshop was made available to the Registered Entities unable to attend.
- The annual self-certification was performed in the fourth quarter of 2007 and resulted in approximately 500 submittals requiring additional review by MRO staff. The 2007 self-certification resulted in the discovery of 31 alleged violations.
- MRO compliance staff participated in both NERC and Regional working groups with the overall objective of increasing consistency between all regions and enhancing transparency with the Registered Entities.
- The MRO 2008 Annual Implementation Plan was developed and submitted to NERC by the November 1, 2007 deadline. NERC approved the plan.

The 2008 Compliance Monitoring and Enforcement Program (CMEP) activities included the following initiatives:

- There were 17 audits performed using a refined method of reviewing the compliance evidence submitted by Registered Entities. All compliance audit reports were developed and submitted to the Registered Entity and to NERC within the defined CMEP timing criteria.





- The Compliance Data Management System (CDMS) 4.0 went into production in March, and MRO received positive feedback from Registered Entities pertaining to the new and improved compliance information management tool.
- Entity registration continues to be an ongoing effort. In addition, MRO initiated a project in 2008 where staff performs an inventory of the bulk power system generation facilities and transmission elements that meet NERC Compliance Registration Criteria. This project was completed in first quarter of 2009. All pre-June 18, 2007 violations were validated for completion and officially closed in May 2008.
- MRO held two reliability workshops in 2008 that were attended by eighty-two percent of MRO's Registered Entities. Materials presented at both workshops were made available to the Registered Entities unable to attend.
- In July, 2008, a self-certification was performed by all MRO Registered Entities for the CIP-002 through CIP-009 Reliability Standards. MRO submitted the summary report to NERC prior to the required deadline. MRO received an action plan from those Registered Entities identified as behind schedule pursuant to the defined timeline found in the CIP standard implementation plan. MRO continues to track the status of these action plans.
- The annual self-certification resulted in approximately 750 submittals requiring additional review by MRO staff and has resulted in the discovery of two alleged violations. MRO believes the overall improvement of the self-certification results from 2007 to 2008 is a result of the educational workshops provided by MRO and of the experience gained by Registered Entities operating under the CMEP.
- MRO compliance staff participated in NERC and Regional working groups with the overall objective of increasing consistency between all regions and enhancing the transparency with the Registered Entities.
- The MRO Compliance Committee monitors MRO staff in the implementation of the CMEP. The committee is currently working on the development of metrics to be used for measuring the performance and quality of work performed by MRO.
- MRO compliance staff received the required NERC auditor training in 2008. In addition, MRO (in conjunction with the other Regional Entities) worked with an outside vendor to develop a more hands-on, detailed auditor training course based on the authoritative audit principles. To date, all MRO compliance staff has received this new and improved training.
- MRO created and implemented a new process called 'Incident Reviews' to supplement its efforts regarding the CMEP. MRO established its responsibility to review and assess incidents (such as disturbances) that occur on the Bulk Power System (BPS) to determine if the system responded as expected, and whether the Registered Entities involved responded prudently according to the Reliability Standards and good utility practice in protecting BPS reliability. The possible outcomes of an Incident Review include: no further action; escalation to a formal Compliance Violation Investigation (CVI); or a possible alleged violation of a Reliability Standard. A non-public report is provided to the Registered Entities, NERC, and if applicable, the Commission. MRO staff





will initiate an “incident inquiry review” once they become aware of a system incident, disturbance, or event. This process was implemented six times since inception.

The 2009 Compliance Monitoring and Enforcement Program activities include the following initiatives:

- MRO initiates spot-checks on a monthly, quarterly, and annual basis. In addition to performing spot checks in 2009 as described in the NERC Implementation Plan, the MRO 2009 plan calls for accelerated, more frequent “random” spot checks of Registered Entities, subject to staffing priorities.
- The MRO 2009 Annual Implementation Plan was developed and submitted to NERC by the November 3rd deadline. MRO is using the 2009 NERC audit questionnaire in the development of the MRO 2009 audit “packet” that is included in the sixty-day notice of an audit to the Registered Entity.
- MRO completed the second CIP-002 through CIP-009 self-certification in January 2009 with reports completed in March 2009. MRO is currently preparing to implement the third CIP self-certification in July 2009.
- Compliance assessment, mitigation, and validation are a continuous effort. The following represents the status of alleged violations from June 18, 2007 through May 31, 2009.

97 total violations

- 97 violations reported to NERC (as of May 31, 2009)
- 4 violations processed through settlement
- 13 violations in settlement discussions
- 20 violations dismissed
- 53 violations have been resolved through completed mitigation plans which were validated as complete by MRO staff
- 1 violation declared as “mitigation complete” by Registered Entity, but validation remains pending by MRO staff
- 26 violations remain open and are within the CMEP timing criteria

| Violation Timeframe | Number of Possible Alleged Violations | Number of Dismissed Alleged Violations | Number of Violations with Notice of Alleged Violations | Number of Violations with Notices of Confirmed Violations Filed with NERC | Number of Violations Resolved through Completed Mitigation Plans |
|--------------------------|---------------------------------------|--|--|---|--|
| 2007 Pre-June 18 | 133 | 20 | 0 | 0 | 113 |
| 2007 Post-June 18 | 46 ¹ | 8 | 37 | 37 | 38 |
| 2008 | 30 ² | 11 | 14 | 11 | 14 |
| 2009 YTD | 21 | 1 | 0 | 0 | 1 |

¹ Includes 1 violation resolved through settlement

² Includes 3 violations resolved through settlement

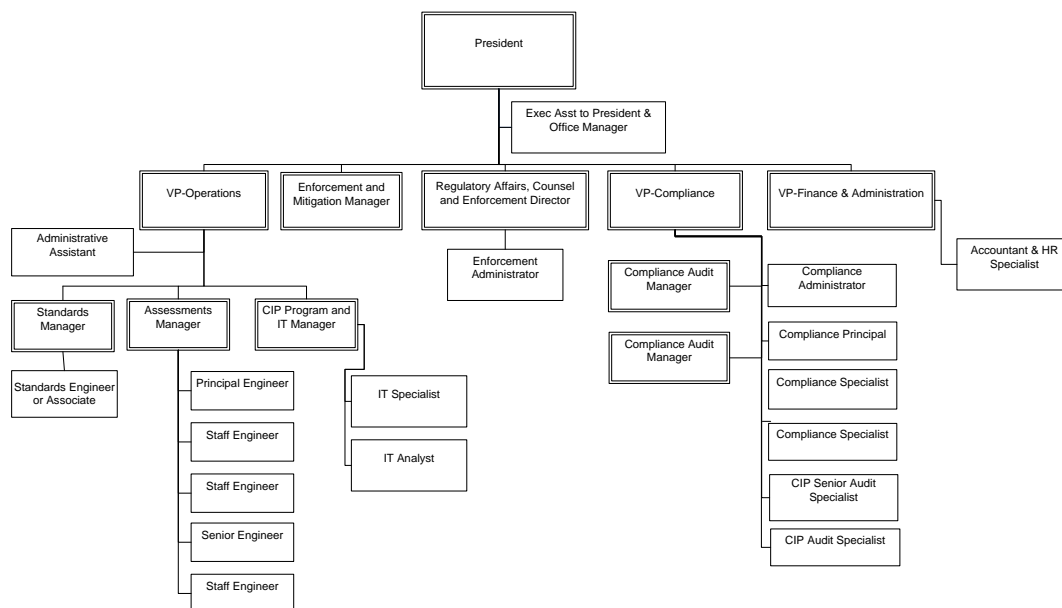




| Standards Most Frequently Violated | Frequency | % to Total |
|--|-----------|------------|
| PRC-005-1 Trans. And Gen. Protection System Maint. and Testing | 24 | 25% |
| CIP-001-1 Sabotage Reporting Procedures | 10 | 10% |
| CIP-004-1 Personnel and Training | 10 | 10% |
| FAC-003-1 Vegetation Management Program | 10 | 10% |
| PRC-004-1 Anal. And Mitigation of Trans. And Gen. Protect. Sys. Mis. | 6 | 6% |

Staffing. MRO increased its staffing in 2008. MRO staff performs all processes associated with the compliance and enforcement program. MRO does not use outside consultants or contractors at this time for auditing purposes. As previously noted, MRO does not use stakeholders in any compliance and enforcement determinations, including audits or other discovery methods. MRO added a Director of Regulatory Affairs and Enforcement in 2008, an Enforcement Administrator and Senior Critical Infrastructure Protection Audit Specialist in 2009, and established an Enforcement and Mitigation Manager position in 2009. In addition, MRO will be adding two positions in the compliance area to address the increased work load. MRO Compliance and Enforcement staff follows the structure illustrated below:

Midwest Reliability Organization
April 6, 2009



Date Updated: 04/06/09





Organization Registration. Registration is an ongoing effort. In 2007, MRO sponsored several conference calls, WebEx and a workshop which included new and prospective entities and encouraged asset owners and operators to identify prospective Registered Entities. In addition, MRO specifically reached out to smaller entities which were not part of the previous voluntary construct. A project pertaining to the identification of transmission elements and generator facilities is currently underway by MRO. MRO has expanded registration to include an inventory of the elements of the bulk power system and has identified all elements and facilities that meet NERC registration criteria for the bulk power system. This is an extensive project, however, MRO believes it is necessary to complement the functional registration and establish a more accurate, complete registry.

In performing this process, MRO has found a number of jointly owned facilities which will result in the development of additional Joint Registration Organizations. MRO has been attentive in developing processes to allocate or assign CMEP responsibility where a Registered Entity's operating boundary crosses multiple Regional Entity boundaries. This multi-Region Registered Entity (MRRE) project will eliminate redundancy where Registered Entities will have a designated "host" Regional Entity who will act as a lead coordination point for the Registered Entity. The project also includes identifying a "host" for Purchasing Selling Entity (PSE)-only Registered Entities, and where the Purchasing Selling Entity has one primary office and yet is registered in all eight regions.

B. Describe how the Regional Entity has the ability to enforce reliability standards and to provide for an adequate level of bulk power system reliability in its Region.

MRO is following the requirements as defined by the CMEP Rules of Procedure (ROP), and the delegation agreement between MRO and NERC. These documents provide the foundation for monitoring and enforcing reliability standards across the region. MRO has been adequately staffed to carry out its responsibilities under the CMEP. Many MRO staff members responsible for implementation of the CMEP have previous employment experience within the industry, specifically within the MRO Region, and have extensive knowledge of the operation of the bulk power system.

MRO is a cross-border Regional Entity and operates in three jurisdictions: Manitoba, Saskatchewan, and the United States. In the United States, MRO has a Delegation Agreement which stipulates its authority on enforcement of Reliability Standards. In Manitoba, MRO and NERC executed an Interim Agreement which specifies aspects of enforcing Reliability Standards. In Saskatchewan, MRO and NERC have approved a Memorandum of Understanding which was effective December 11, 2008.

MRO recognizes that in operating in three distinct jurisdictions, staff must use care in performing its responsibilities consistent with the applicable agreements. MRO has worked to establish process flowcharts to assist in understanding the unique characteristics in the jurisdiction and they can be found at:

[://www.midwestreliability.org/COMP_audit_information.html](http://www.midwestreliability.org/COMP_audit_information.html)





C. Describe how the Regional Entity has fair and impartial procedures for enforcing reliability standards

An important foundation for effectively enforcing reliability standards is to ensure that the organization itself is free of conflicts and able to render impartial enforcement decisions. The following facts assure that MRO is properly aligned to preserve the public trust in its conduct of enforcement decisions:

1. MRO is not affiliated with any bulk power system operators, owners, or users.
2. MRO governance structure meets the requirements set forth in Section 215(e)(4) of the Federal Power Act and has the necessary procedures in place to assure a stakeholder Board does not impair or otherwise impede the ability of staff to render impartial enforcement decisions. MRO has established rules that assure balance in its decision-making committees and subordinate organization structures to assure that no two industry sectors can control any action and no one industry sector can veto any action. MRO has adopted and implemented the uniform CMEP as approved by the Commission which provides for fair and impartial procedures for enforcing Reliability Standards.
3. MRO employs trained staff, or independent consultants as necessary who are free of perceived or real conflicts, subject to NERC's code of conduct, and consistent with NERC rules in the performance of any enforcement methods under the Compliance Monitoring and Enforcement Program. Employees are subject to these rules as a condition of employment, and consultants are subject to these same rules through independent agreements. Stakeholders do not participate in any discovery methods or enforcement determinations (except as permitted through the hearing procedures in the CMEP). In addition, MRO, through Commission requirements, recognizes Generally Accepted Government Auditing Standards (GAGAS) (July 2007 Revision), in particular paragraph 2.05.

2.05 The ethical principles that guide the work of auditors who conduct audits in accordance with GAGAS are:

- a. the public trust;*
- b. integrity;*
- c. objectivity;*
- d. proper use of government information, resources, and position;*
- e. professional behavior.*

Although MRO is not a government auditor, MRO recognizes that its position must be used for the purposes intended through its delegated authority and that misuse of this position would undermine MRO's ability to impartially enforce reliability standards and otherwise carry out its responsibilities consistent with maintaining the public trust. All MRO staff is under the same confidentiality, conflict, and code of conduct rules and is expected to report any possible alleged violation regardless of their responsibilities at MRO.

MRO emphasizes the training of its staff in order to sufficiently carry out its responsibilities. In addition to NERC training, MRO and the rest of the Regional Entities supplemented the NERC training with third party training to provide the necessary skill set for staff. For example,





experienced operational and engineering personnel are usually best suited to perform discovery work required by the CMEP, but most need the necessary training in due process and audit and investigation techniques.

MRO has segregated its compliance (e.g. discovery) from enforcement activities. Once a possible or alleged violation is discovered, MRO staff responsible for discovery meets with enforcement staff to review facts and circumstances in order for enforcement staff to derive an enforcement decision consistent with the NERC Sanction Guidelines. In addition, there is a review of the Reliability Standard and the Commission's guidance (e.g. Order 693), if applicable, on the particular Reliability Standard to assure the interpretation is consistent with NERC and Commission guidance. MRO staff reviews the Reliability Standards and the Commission Orders prior to discovery activities.

If a Registered Entity believes it is being treated unfairly during the conduct of discovery, MRO encourages the Registered Entity to escalate the matter to senior management at MRO. While MRO recognizes its duty to carry out its responsibilities to protect reliability of the bulk power system, MRO respects those who operate the system and will allow them to discuss matters directly with senior management. This provides an effective "check and balance" of MRO's staff conduct in discovery and can be a source for improvements in the performance of the work, while setting the expectation to the Registered Entity that staff must carry out its responsibilities consistent with the delegated authority. After discovery, Registered Entities are informed of the due process protections highlighted in the CMEP. MRO, through its various workshops, has provided education to the Registered Entities on their due process protections once an alleged violation has been discovered.

D. State Regional Entity's assessment of its own effectiveness in OC/CMEP since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed

MRO's effectiveness has significantly improved since the inception of mandatory Reliability Standards. The rigor, quality, and professionalism, using Government Auditing Standards (July 2007 Revision) as a benchmark for audits, for example, has increased based upon informal comments from MRO and other staff from Registered Entities and Regions.

The quality and professionalism of the compliance program implementation by MRO has improved primarily due to enhanced training of staff. As a result, MRO staff is more knowledgeable of NERC Rules of Procedure, CMEP, and GAO auditing techniques and practices. This administrative knowledge, coupled with existing industry experience, provides a very credible, seasoned group of professionals to enforce Reliability Standards in the region. In addition, the Registered Entities are more aware of their obligations and requirements related to meeting the applicable Reliability Standards and primarily due to education and training, the Registered Entities have improved documentation, procedures, and processes resulting in overall improved quality of evidence demonstrating compliance.

In addition, MRO provides quarterly CMEP reports to stakeholders on CMEP activities and key findings. To view a copy of MRO's quarterly CMEP reports, please follow this link: [://www.midwestreliability.org/COMP_cmepe_updates.html](http://www.midwestreliability.org/COMP_cmepe_updates.html)





MRO reviews the feedback from its workshops and responds to areas for improvement. MRO held the first of its 2009 Reliability and Compliance workshops on March 25, 2009. The attendees included 137 participants from over 73% of MRO's Registered Entities. The workshop presented an overview of the MRO Delegation Agreement activities with a focus on the Critical Infrastructure Protection Standards and demonstrating compliance for protection system (PRC standards). Suggestions and comments regarding the format and content of the workshop may be found at [://www.midwestreliability.org/events_4.html](http://www.midwestreliability.org/events_4.html)

E. State any proposals of Regional Entity to improve its effectiveness in OC/CMEP.

MRO has proposed the development of processes to enhance the Registry where a Registered Entity's operating boundary crosses Regional Entity boundaries. This multi-Region Registered Entity (MRRE) project will eliminate redundancy where Registered Entities will have a designated "host" Regional Entity as it pertains to the implementation of the CMEP. Please refer to the "Organization Registration" section above.

MRO enhanced its auditing techniques (statistical and random sampling, extensive evidence review prior to on-site audits to determine priority and/or possible risk areas) and has also enhanced the auditor training by studying the GAO requirements and developing more extensive training with an expert third party consultant. MRO and the other Regional Entities are proposing the development of additional training modules to increase the knowledge base of staff performing responsibilities under the delegated authority.

MRO proposed the implementation of a defined audit process pertaining to the Coordinated Function Registration, (for example, the Midwest ISO Balancing Authority (BA) certification process). MRO believes that an audit must be performed using the Reliability Standard requirement matrix as approved by the functional certification team to assure that there are no "gaps" in responsibilities in meeting requirements of the Reliability Standards.

MRO staff actively participates in working groups and other forums where compliance and enforcement staff from NERC and the regions work together in the identification of compliance program enhancements. MRO stakeholders are encouraging the formation of a "forum", which will be funded by those Registered Entities in the MRO region who have a common interest to share lessons learned with one another. This group was proposed by a stakeholder at the last workshop on March 25, 2009, and will not be affiliated with MRO.

III. Other Program Areas

A. Reliability Readiness Evaluation and Improvement Program

1. Describe Regional Entity's activities and accomplishments in Reliability Readiness Evaluation and Improvement since January 1, 2007, including discussion of improvements in this area.

MRO has been a co-leader, along with a NERC representative, on a number of Readiness Evaluations in 2007 and 2008 at Registered Entities including American Transmission Company, Lincoln Electric System, Southern Minnesota Municipal Power Agency, Manitoba





Hydro, Minnesota Power, and Saskatchewan Power Company. A Readiness Evaluation is a process that probes all facets of a company's functions and could potentially focus on any NERC standard, especially if the Registered Entity is failing to meet requirements of a Reliability Standard. In particular, a Readiness Evaluation focuses on how well the Registered Entity is performing the functions for which it is registered and includes practical recommendations to enhance its operations.

MRO and NERC used a Readiness Evaluation of Saskatchewan Power Company to review its operations to certify that it was capable of performing the functions of a Reliability Coordinator and the other functions it has registered for on the NERC compliance registry.

- 2. State Regional Entity's assessment of its own effectiveness in Reliability Readiness Evaluation and Improvement since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed.**

MRO participated in a number of Readiness Evaluations and followed up on recommendations that resulted from the evaluations to insure they were implemented or considered. This is a valuable program as each entity has an opportunity for an evaluation. In MRO's judgment, the value of the program as designed declined following the initial review and as other efforts in the CMEP area accomplished similar goals.

- 3. [Discussion of proposed improvements not needed, since this program is being phased on in the first quarter of 2009.]**

With the elimination of the Readiness Evaluation program, MRO has dedicated more resources to analyze events, incidents inquiries and reviews. MRO staff believes that thorough analysis of system disturbances through Event Analysis and informal means such as incident inquiries represents valuable lessons on bulk power system reliability. Recommendations resulting from Event Analysis, such as the September 18th, 2007 event, are valuable to assure that the Registered Entities are addressing key findings resulting from these analyses.

B. Training, Education and Operator Certification

- 1. Describe Regional Entity's activities and accomplishments in Training, Education and Operator Certification since January 1, 2007, including discussion of improvements in this area.**

MRO recently acquired a web-based training system called System Operator Training Solution (SOTS). SOTS is a web based training application built to meet the complete needs for both individuals and companies for the power system operator continuing education program as designed by NERC. The program includes over 130 training modules developed by a training development company on topics which support System Operator training needs. The SOTS application will be deployed later in 2009.

MRO has organized annual standards workshops as a way to engage the stakeholders within MRO and provide information and education about the Reliability Standards development.





In 2007, one workshop was held in the spring and was well attended by Registered Entities. The focus of this workshop was to introduce the standards development program to the stakeholders. Topics included:

- Basic elements of the mandatory reliability standards regime
- Distinction between Regulatory-approved standards and NERC-approved standards
- Standards process overview

In 2008, a second workshop was held and drew about 75 attendees from the MRO Registered Entities. The focus of this workshop was basic education about the standards program. Topics included:

- Overview of the regional standards development process and potential standards
- Key standards to be developed in the NERC three year work plan, including important “fill in the blank” standards
- Web Site tutorials for Registered Entities
- Open panel discussion

Attendees from both workshops provided positive feedback on the opportunities to learn about the standards development process.

MRO has also organized several Compliance Seminars in the past two years.

MRO’s first Compliance Seminar was held on May 31, 2007. Attendance included 135 representatives from 82% of entities registered in the Region. The focus of the seminar was preparing for and training on the NERC Compliance Monitoring and Enforcement Program (CMEP) for the upcoming start of mandatory compliance with the Regulatory Approved Standards.

In 2008, building on feedback from Registered Entities, MRO held two seminars. Total attendance for the seminars was 210 representatives from over 86% of MRO’s Registered Entities. Topics covered included elements of a strong compliance program, a general overview of the NERC CMEP, tools used by MRO to track compliance, preparation for the CIP Self Certification, and enforcement processes. Preparing for a Compliance Audit was the focus of a panel discussion of three MRO Registered Entities that had recently participated in the audit process.

For 2009, MRO plans to hold two seminars. Each seminar will focus on specific discovery methods outlined in the NERC CMEP. Panel presentations will focus on steps taken by Registered Entities to build strong compliance programs. In the first workshop of 2009, a review of protection system requirements and CIP requirements was provided to the Registered Entities.

The 2009 seminars will also include topics related to standards development, reliability assessments, and more detailed critical infrastructure protection reviews. MRO is dedicated





to the continued delivery of training that meets the ever-changing needs of the electric industry.

- 2. State Regional Entity's assessment of its own effectiveness in Training, Education and Operator Certification since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed.**

Much of MRO's training and education is directed at primary functional areas that MRO is responsible for through the delegation agreement. The workshops, webinars, and conference calls to support these responsibilities are normally done in conjunction with NERC. MRO works with NERC regarding Operator Certification. In addition, the new System Operator Training System (SOTS) program will provide an effective means for continuous training for the Registered Entities.

MRO-sponsored seminars have been very well attended. Attendees have provided positive and constructive feedback on the topics and have shared ideas on future seminars. MRO structured the 2009 seminars based on feedback from Registered Entities and the anticipated CMEP implementation plans.

- 3. State any proposals of Regional Entity to improve its effectiveness in Training, Education and Operator Certification.**

Refer to Items 1 and 2 above.

MRO would like to spend the majority of its time on "prevention" by educating and training Registered Entities on the CMEP, Reliability Standards, and requirements. A compliance program which meets the criteria in NERC Sanction Guidelines and Commission's Policy Statement on Compliance dated October 18, 2008 is an essential element to consider for a Registered Entity's compliance activities. Reliability workshops and other outreach type programs support "prevention". A new Registered Entity forum group called the Mid-Continent Compliance Forum (MCCF) was created at the MRO March 2009 workshop. The first meeting is scheduled to be held in July where MRO compliance and enforcement staff will provide information and address questions.

C. Reliability Assessment and Performance Analysis Program

- 1. Describe Regional Entity's activities and accomplishments in Reliability Assessment and Performance Analysis since January 1, 2007, including discussion of improvements in this area.**

The Reliability Assessment area of NERC has undergone several changes in the past few years and has realized many improvements as a result. For example, NERC and its Regional Entities have worked closely to improve on the definitions and criteria for how future generation should be included in the long-term assessment. A realistic estimate of future generation is critical for predicting accurate reserve margins. MRO has embraced these new definitions and has communicated these new definitions and processes to the recipients of





the assessment data requests. This helps to assure that data is provided consistently throughout the region, and provided only once for accuracy.

The MRO region continues to collect reliability assessment data from its individual Registered Entities. Although this takes more effort, it allows MRO to have a high level of granularity that is often needed in the assessment process. It also helps us to investigate and verify the data more quickly if there is an unexpected change from the previous year.

The MRO region has the potential for a significant increase in wind generation installations. As of June 1, 2008, the MRO region had 4,000 MW of nameplate wind generation and the nameplate capacity has increased by 25% within 6 months (as of December 1, 2008). The generation interconnection queue holds over 38,000 MW of additional wind generation. In response to this, MRO formed a wind generation modeling task force. A wind generation modeling manual was created to help educate the regional data reps on how best to submit wind generation data to the Model Building Subcommittee. Additional progress is still needed within the industry regarding wind generation modeling, particularly development of dynamics models. MRO will closely track this effort as tools and improvements are made in this area to assure that models reflect wind generation as accurately as possible. MRO will also make every effort to collect proprietary IPP wind generation data for modeling accuracy.

MRO has coordinated with the ReliabilityFirst Organization, the Regional Coordinator covering much of the Midwest, and other Registered Entities to provide NERC with an assessment of serving 15% of energy with variable generation (i.e. wind) as requested in the NERC 2008 LTRA Scenario Assessment. The information for this assessment consists of data submittal and narrative information. The data portion of this assessment was submitted in May 2009, and the narrative section will be submitted in July 2009.

In March 2007, MRO completed a full review of its regional Under Frequency Load Shedding (UFLS) program. Potential improvements to the existing program and opportunities to increase coordination with generation protection were identified and MRO recommended they be incorporated into the regional UFLS standard that is currently being drafted.

MRO has formed the Protective Relay Subcommittee as a result of the 2003 Northeast Blackout and to effectively manage the NERC PRC standards that resulted. Key responsibilities of this group include: reviewing transmission and generation mis-operations on a quarterly basis, reviewing new and existing Special Protection Systems to meet NERC criteria, and establishing regional criteria for disturbance monitoring equipment. This group is also working on a regional procedure to effectively manage system disturbance analyses.

On September 18, 2007, the MRO region experienced a system cascading event which ultimately resulted in two islanding conditions, loss of load and generation, and UFLS. MRO, jointly with its members, Registered Entities, and NERC staff completed a comprehensive analysis of this system disturbance. Roughly 30 recommendations were developed from the lessons learned. These recommendations will be sent to appropriate entities through either the NERC Alert procedure or through MRO staff correspondence. MRO staff will provide





quarterly reports to the Board on the progress of addressing the recommendations. A public version of the Event Analysis report can be found at [.midwestreliability.org](http://midwestreliability.org).

2. State Regional Entity's assessment of its own effectiveness in Reliability Assessment and Performance Analysis since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed.

MRO has been staffed to meet the requirements of the Reliability Assessment area since January 1, 2007. Each seasonal and long-term assessment has been accurately performed and has been submitted to NERC within the due dates. MRO staff has accurately responded to all data requests in a timely manner, meeting the due dates specified by NERC, and MRO provides support to the NERC Reliability Assessment process by actively participating in the various NERC groups that develop the assessments.

MRO staffing has increased since January 1, 2007 to meet the growing demands in the area of Reliability Assessments, and this increase has created more balance in the use of external, independent consultants and staff. MRO expects to be able to perform the Reliability Assessment responsibilities more effectively by utilizing staff to actively participate on the various NERC groups that support Reliability Assessments and Performance Analysis. In addition, MRO staff will take an active role in tracking industry alerts and recommendations from NERC and MRO.

3. State any proposals of Regional Entity to improve its effectiveness in Reliability Assessment and Performance Analysis.

The responsibilities within the NERC and Regional Entity Reliability Assessment area continue to grow each year. New NERC groups are being established under the NERC Planning and Operating Committees and existing NERC groups are taking on additional responsibilities. Staff from the Regional Entities is required to support these group efforts. Additional staff is also required for the increase in data requests that are expected to occur, to establish reliability metrics and to perform additional assessments. MRO is committed to meeting all of the requirements and needs associated with Reliability Assessments and Performance Analysis. By adding staff in 2009, MRO will be able to actively participate in the NERC groups as required to help assure reliability for the region.

One way to help the Regional Entities become more effective in assessing reliability would be to reassign the remaining fill-in-the-blank standards (that presently apply to the Regional Reliability Organizations) to the appropriate Registered Entity (often the Planning Authority or Reliability Coordinator). This would eliminate the confusion as to what the Regional Entity's role is in relation to NERC Reliability Standards and Reliability Assessments.

D. Situational Awareness and Infrastructure Security Program

MRO is working with the other Regional Entities and NERC to establish the tools which will enhance the ability of MRO to perform this program. Currently, Reliability Coordinators provide the means for situational awareness across North America. MRO staff is included on the pertinent e-mail exploders and other communications means. MRO has budgeted the necessary funding to deploy the available Situational Awareness tool(s) by July 1, 2009.





1. Describe Regional Entity's activities and accomplishments in Situational Awareness and Infrastructure Security since January 1, 2007, including discussion of improvements in this area.

NERC identifies its Situational Awareness and Infrastructure Security (SAIS) mission as:

1. Maintain a high level awareness of conditions on the bulk power system and rapidly communicate substantive changes in those conditions to relevant parties.
2. Understand emerging threats and vulnerabilities to the reliability of the bulk power system and direct activities to mitigate them.
3. Develop and maintain tools that meet the needs of our overall reliability mission as the international ERO.

The Regional Entities play an important role in helping NERC meet its goals and objectives in the Situational Awareness area. MRO has been an active participant working with NERC to clarify roles and responsibilities on a going-forward basis. Current Situational Awareness activities include, but are not limited to, the following:

1. Compile a list of Situational Awareness information currently collected by NERC, Regional Entities, and others such as Reliability Coordinators and Regional Transmission Organizations. Define what is currently shared with FERC and in what form.
2. Share the catalog of information with FERC and describe the benefits and drawbacks of the Situational Awareness information. With FERC, identify the information necessary to meet its Situational Awareness needs. Develop protocols and procedures to accomplish the Situational Awareness information exchange with FERC, with a careful eye to protecting confidential information.
3. Evaluate existing Situational Awareness tools and recommend rapid deployment alternatives, including the proposed NERC tool for this purpose (budgeted for deployment by July 1, 2009).
4. Implement a feedback mechanism to ensure the goals of the Situational Awareness information exchange continue to be met.

2. State Regional Entity's assessment of its own effectiveness in Situational Awareness and Infrastructure Security since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed.

MRO is a cross border Regional Entity responsible for implementing the duties and assignments as described in the Delegation Agreement with NERC. MRO does not perform functions beyond the Delegation Agreement (i.e., such as performing the Reliability Coordinator function etc.). However, MRO is dedicated to the situational awareness and infrastructure security initiative and acknowledges the importance of; maintaining a high level awareness of conditions on the bulk power system and rapidly communicating substantive changes in those conditions to relevant parties; understanding emerging threats and vulnerabilities to the reliability of the bulk power system and directing activities to





mitigate them; and providing assistance in the development of tools that meet the needs of the overall reliability mission of NERC, as the international ERO.

There are three Reliability Coordinators in the MRO region. The Reliability Coordinators and the individual transmission operators have provided information to MRO on events, unusual operating conditions and potential operating issues so that MRO staff has the appropriate “awareness”. The upcoming plans for implementing a situational awareness tool will greatly increase MRO’s access to information, preparedness to address issues, and ability to provide timely information to others, including regulators.

In late 2008, the MRO Board approved the creation of a Security Committee. The work of this committee is just getting started, however, we believe this committee will improve or enhance situational awareness and infrastructure security by providing a forum for Registered Entities responsible for adhering to the cyber and physical reliability standards to openly discuss and exchange ideas and concepts.

3. State any proposals of Regional Entity to improve its effectiveness in Situational Awareness and Infrastructure Security.

MRO will continue to work with NERC and regulatory staff to successfully implement the Situation Awareness tool(s) as necessary. MRO will continue to participate on the NERC/Regional Entity Situation Awareness communication team to ensure plans and protocols for communicating Situational Awareness information between and among NERC, FERC, Regions, and other relevant stakeholders are consistent and coordinated. This includes the identification and deployment of any applications necessary to rapidly exchange situational awareness-related information and foster collaboration with information sharing partners. Examples include; working with NERC to develop and implement an industry notification system; creating and maintaining e-mail lists organized by subject matter expertise; and working with Critical Information Protection Committee to define and implement a new web-based threat and incident reporting system. The MRO Security Committee has the overall objective of providing a forum for Registered Entities to discuss issues and concerns related to cyber and physical security within the MRO region.

E. Budgeting

1. Describe Regional Entity’s activities and accomplishments in the development and submission of its annual business plan and budget, beginning with the 2007 business plan and budget.

MRO successfully obtained NERC and FERC approval of the United States-portion of its 2007 and 2008 business plans and budgets and eventual approval of its 2009 business plan and budget. Similar to the other Regional Entities and NERC, MRO has been able to improve its budgeting estimates and processes since submission of its 2007 business plan and budget, primarily because the expectations of Regional Entities have become clearer over the past two years and MRO has gained experience in performing Regional Entity duties.





MRO followed NERC guidance and used NERC templates when it prepared its 2007 business plan and budget. At the time the 2007 Regional Entity budgets were developed, however, NERC and FERC expectations about Regional Entity performance was just beginning to evolve. No Regional Entity had experience in performing the duties under the Regional Delegation Agreement. MRO's 2007 business plan and budget was developed in accordance with NERC guidance, but the budget projected higher than the actual expenditures. The primary reason for this positive variance was the budget anticipated a full year of operations, but (a) MRO's Delegation Agreement was not conditionally approved by FERC until April 2007; and (b) per FERC Order, the implementation of mandatory standards did not begin until June 2007. Because of this, MRO delayed increasing its staffing until mid-2007 and the implementation of its capital (hardware and software) projects until 2008. In addition, MRO had a more difficult time than anticipated in locating and hiring qualified staff, so it experienced unintended vacancies through mid-2008.

Since 2007, MRO gained experience as it performed its Regional Entity duties in accordance with its Delegation Agreement, the NERC Rules of Procedure, NERC guidance, and FERC orders. All MRO employees track their time using electronic timesheets that incorporate the functional categories in the NERC Chart of Accounts and separate time spent on non-statutory duties.

As MRO's experience as a Regional Entity has grown, the time tracking system has captured the amount of time MRO employees spend working in each functional area. This allows MRO to more accurately budget for future periods. MRO acknowledges that the expectations and requirements of MRO and the other Regional Entities will likely continue to evolve over the next few years, but MRO's budget procedures and time tracking system should continue to help MRO to produce quality budget projections.

MRO followed all NERC guidance and templates in preparing its 2008 business plan and budget. Because MRO was required to prepare and obtain board approval for the business plan and budget in mid-2007 and the reliability standards became mandatory in June 2007, MRO still had only a partial year of experience at the time of the 2008 budget preparation. The 2008 budget development process was improved because (a) MRO, NERC, and the other Regional Entities had the benefit of FERC orders on the 2007 budgets; and (b) NERC, MRO, and the other Regional Entities met to discuss and gain general consensus on the budget requirements, given the short history of the Regional Entity organizations.

MRO makes it a priority to diligently and effectively communicate with NERC regarding all required financial reports. MRO will continue to keep this as a priority and will continue to provide all required financial reports on or before the date due.

In 2008, MRO established a separate interest-bearing escrow account for the segregation of any fines and penalties, to ensure such monies are not commingled with operating funds.

MRO's 2009 business plan and budget improved over its previous budgets due to a significant gain in performance experience and the benefit of understanding the time required for all of its Regional Entity duties. Further, NERC and the Regional Entities spent even more time meeting and discussing the NERC templates and the procedures to be





followed by the Regional Entities in their budgeting process, which improved the consistency of the business plans and budgets.

MRO followed all NERC guidance and templates in preparing its 2009 business plan and budget and was required to obtain MRO Board approval before the final submission to NERC. In addition to process improvements made by NERC for the 2009 business plan and budget process, MRO leveraged improvements made to its time-tracking and financial operations implemented in 2008 to further improve the process for 2009. MRO has and will continue to make improvements to its financial function and it is confident that these changes will enhance future budget requests.

The MRO Board and MRO Finance and Audit Committee (FAC) play an important role in assuring cost accountability for the MRO Regional business plan and budget. MRO FAC reviews the budget requests and evaluates for reasonableness and cost efficiency. MRO staff employed a zero-based budgeting methodology. Each request for resources was evaluated and justified to ensure that resource requests were efficient and matched the departmental plan for the coming year. Once MRO staff and MRO Finance and Audit Committee had reached consensus, the Business Plan and Budget was recommended to the MRO Board of Directors for approval. For the 2009 Business Plan and Budget, the process with the MRO Finance and Audit Committee extended from mid-April 2008 through the end of May 2008. Efficiencies should be gained through experience of staff and MRO Finance and Audit Committee in developing future business plans and budget.

The MRO Board approved the 2009 Business Plan and approved a motion to include comments on the NERC 2009 Business Plan and Budget. The MRO Board is concerned with preventing future sharp increases in the NERC and Regional Entity budget by proactively reducing potential duplications and “scope creep.” The NERC Finance and Audit Committee has also asked NERC and the Regional finance managers to review the idea of joining NERC and the regions in creating a larger buying group which should be able to command more favorable purchasing terms. There have been some informal discussions to gauge interest and expect more formal actions later this year.

MRO staff and the MRO Finance and Audit Committee compare the organization’s statement of activities on a year to date basis each quarter against plan, and explain material variances and emerging trends which may have a material impact on the financials. MRO routinely forecasts expenses for the balance of the fiscal year and performs a monthly closing of its accounts; this ensures that MRO maintains fiscal discipline and vigilance in its adherence to the business plan and budget while performing its responsibilities under the delegation agreement. For 2008, MRO audited actual financials were within 1% of budget, total actual costs and budgeted costs were \$5,325,525 and \$5,331,488, respectively, resulting in an underage of \$5,963.

- 2. State Regional Entity’s assessment of its own effectiveness in developing its business plans and budgets and in the submission of its business plans and budgets in a consistent manner with NERC and the other Regional Entities.**





MRO's effectiveness in developing and submitting business plans and budgets in a consistent manner with NERC and the other Regional Entities has steadily improved with each filing. For all of its submitted business plans and budgets, MRO has followed NERC guidance and templates, attended all scheduled budgeting meetings with NERC and the other Regional Entities, and had numerous discussions with NERC and the other Regional Entities regarding the preparation of the business plans and budgets. As NERC and Regional Entity experience has grown, NERC improved its processes and templates and hosted more discussions with the Regional Entities to try to improve the consistency of the business plans and budgets. Overall, MRO's business plan and budget was very consistent with NERC guidance and the other Regional Entities.

MRO will continue to work with the other Regional Entities to strive for even greater consistency in budgeting and in the creation of uniform metrics. The improvement in the consistency of the nine start-up entity business plans and budgets, as expectations and duties for these entities have continued to evolve over the past two years is encouraging. Due to the varying structures of the Regional Entities, there are differences in how each organization prepares its respective operating budget, however, particularly in light of the October 16, 2008 FERC Order on the 2009 business plans and budgets, the Regional Entities will continue to discuss and harmonize any remaining differences with NERC and each other.

3. State any proposals of the Regional Entity to improve its effectiveness in submitting effective, adequate and consistent business plans and budgets.

- MRO suggests that NERC and the Regional Entities use generally accepted accounting principles to increase the level of consistency in the business plans and budgets. Although NERC has required the "cash basis" for reporting its quarterly financials, rather than GAPP, MRO believes that this potentially can mislead the readers of the financials as many would expect the financials to be in accordance with GAAP. Following GAAP and accrual-based accounting would require NERC and each Regional Entity to prepare an operating budget and a separate capital expenditures budget.
- MRO suggests that NERC and the Regional Entities standardize a chart of accounts. Towards that end, MRO adopted the NERC chart of accounts in the last quarter of 2008. MRO further suggests that NERC and the Regional Entities develop and implement a standardized definition and allocation of indirect costs and costing system (e.g. job costing) to track costs for each functional area under Section 215.
- MRO suggests that NERC and the Regional Entities adopt conservative procedures as it relates to accounting and financial management. Although NERC did not require all Regional Entities to establish interest bearing escrow or escrow-like accounts for the collection of financial penalties, MRO believes that these funds should be completely segregated from operating cash until such time as the rules permit them to be used in operations and until any appeals proceedings have been completed. MRO does not believe the creation of such an account is burdensome and, quite the contrary, MRO believes that this makes it much easier to account for these funds and is much more transparent and consistent with the public trust aspect of MRO's responsibilities.
- MRO plans to further enhance its existing time-tracking system with additional details to better track labor and expenses to statutory functions and Registered Entities. Since





well over half of MRO's costs are labor-related, such an enhanced system would be a useful management tool.

- MRO strongly encourages NERC and the Regional Entities to establish annual budget meetings to assure that there is a proper level of delineation of costs between NERC and the Regional Entities. For example, in certain areas, more centralization would occur where common functions can be shared or pooled to be more efficient. Also, a more intimate understanding of costs between NERC and the Regional Entities will prevent unnecessary duplications of costs and efforts.

