



MIDWEST RELIABILITY MATTERS

Fall 2009

Special points of interest:

- The importance of self-reporting (From the President)
- NERC 2009 LTRA and 2009 Scenario Assessment Reports (pages 2 & 3)
- NEW ITEM: Industry updates and events (page 3)
- NERC audit of MRO (Finance Section, page 4)

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Share your feedback!

Please let us know what information is important to you.

To submit story ideas or other suggestions for **Reliability Matters**, please contact [Jessie Mitchell](#) at 651-855-1733

From the President

Daniel P. Skaar

Mutual Respect and the Importance of Self-Reporting

At MRO, we have a healthy respect for those individuals who own, operate and use the Bulk Power System, and clearly see it as their responsibility to maintain and improve system reliability. We trust the industry has the same respect for our delegated accountabilities when it comes to ensuring system reliability.

Some Registered Entities ask us why we don't answer the question "If I do this, will I be compliant?" The reason we don't answer this question is because we are not the owner, operator, or user of your system. We cannot presume how to operate your system. We can, however, answer the question "how do I demonstrate compliance with this requirement?"

Self reporting, coupled with an effective compliance program which quickly "detects and corrects" potential violations, can be a *significant* mitigating factor in an enforcement action under the sanction guidelines and an investment in your reputation and a key reflection of your

character. To that extent, staff's character is also on the line when we decide to dismiss an alleged violation. It only takes one misguided dismissal to destroy our credibility and damage the public trust we are committed to uphold.

Just like those we serve, we won't take risks when it comes to our character or jeopardize the public trust. As Benjamin Franklin said, "it takes many good deeds to build a good reputation and only one bad deed to lose it."

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- Benjamin Franklin

In general, professionals in our industry want to do the right thing and keep the lights on, and we understand that you have a public service obligation too.

It's imperative that we each do our part to ensure reliability of the system and future success of the industry.

Compliance Department Updates

Wayne VanOsdol, VP Compliance

At the time of this report, MRO has discovered 117 alleged violations through the implementation of the Compliance Monitoring and Enforcement Program (CMEP). MRO has 27 compliance audits planned for 2009 and will complete all audits on time and as scheduled. As required by NERC, MRO conducted a CIP self-certification in July 31, 2009. In summary, there are:

- 84 entities in MRO where CIP-002 is applicable
- 84 entities have a methodology and have performed an assessment as required per CIP-002
- 26 entities have declared critical cyber assets
- 58 entities claim to not have critical cyber assets

NERC's annual plan requires the Regional Entities to conduct spot checks on the CIP-002 through CIP-009 Reliability Standards for all Table 1 entities by no later than December 31, 2010. MRO developed a CIP spot check schedule to ensure this requirement is completed. If you have not been notified, MRO staff will be contacting your company in order to finalize the CIP spot check schedule.

NERC's annual plan requires Regional Entities to conduct spot checks on certain operating and planning Reliability Standards. MRO began initiating these spot checks in June, based on the Reliability Standards and requirements as defined in NERC's 2009 Implementation plan and the functional registration applicability of the Registered Entities in MRO. Of the 200 spot checks MRO needs to complete based on the above, staff has performed compliance assessments on approximately 97% and will continue

Compliance Department Updates

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working on the remainder.

The initial notice for the 2009 annual self-certification process was sent to Registered Entities on August 18, 2009. The Compliance Data Management System (CDMS) was initiated on September 28, 2009 for accepting responses from Registered Entities. All applicable Registered Entities have until October 30, 2009 to respond.

The CMEP requires NERC to finalize the development of its 2010 annual plan by no later than October 1, 2009, and the Regional Entities must finalize their annual plan by no later than November 1, 2009. NERC's 2010 Annual Plan has been approved by the Commission. Based upon recommendations made by Regional Entities regarding Event Analysis and Tracking, Reliability Performance, NERC management,

and the risk based approach (first utilized in the 2009 plan) the plan now identifies 55 Reliability Standards including 554 requirements to be reviewed in the 2010 compliance audit process. This is an increase from the 49 Reliability Standards and 418 requirements in the 2009 compliance audits.

MRO staff continues to work with the other Regional Entities and NERC on the Multiple Region Registered Entity (MRRE) project which involves the consolidation of compliance monitoring for certain Registered Entities that are registered in multiple regions.

MRO will host a compliance workshop in the Twin Cities on December 2, 2009. Please watch for announcements.

The MRO Compliance Department can be reached at compliance@midwestreliability.org

Operations Department Updates

STANDARDS

By Carol Gerou, Standards Manager

UFLS Standard Update. Under Frequency Load Shed (UFLS) Standard Drafting Teams (STD) continue to work on a continent wide standard as well as a Regional Standard. The continent wide standard continues to be debated due to details of the various performance characteristics and Regional differences. Regional standards development continues in many Regions, either focusing on variances to the continent wide standard or on development of specific regional standard language.

Currently, the draft continent wide standard is scheduled to be posted later this fall with the NERC SDT responses to industry comments from the last posting. One recent development is that standard EOP-003 (Load shedding Plans) will be revised and posted with the third draft of the continent wide UFLS standard. The goal of revising EOP-003 will be to remove redundancy between the two standards since the existing Standard EOP-003 includes a requirement for automatic UFLS. The revised EOP-003 will continue to cover planning for automatic Under Voltage Load Shed.

The MRO SDT is continuing to work on the MRO Regional Standard as well as developing a variance to the continent wide standard. The MRO UFLS SDT has developed a comparison table which compares the six regional draft standards to the latest continent wide standard. By preparing the Regional comparison table and monitoring the continent wide standard development, the MRO SDT will be able to either move forward with a Regional standard or to submit a variance to the continent wide standard as this effort moves toward completion.

ASSESSMENTS

John Seidel, Assessments Manager

The NERC 2009 *Long Term Reliability Assessment* will be published later this year. This report provides an independ-

ent review of the reliability of the North American electric system; identifying trends, emerging issues, and potential concerns. NERC's projections are based on data and perspectives from the users, owners, and operators of the bulk power system. Each of the eight NERC Regions provided a detailed self-assessment for their respective Region, including high-level resource planning and operational challenges, transmission requirements, and overall system characteristics considered in maintaining bulk power system reliability.



Highlights of the *Long Term Reliability Assessment* include:

- Economic Recession and Demand Side Management leads to decreased demand and greater reserve margins
- Significant new Renewable Resources will come online
- Natural Gas is expected to replace coal as the leading fuel for Capacity by 2011
- Transmission siting and construction must accelerate to meet plans and maintain bulk power system reliability
- The industry faces transformational change including these Emerging Reliability Issues:
 - Transmission siting
 - Pending Climate legislation
 - Integration of Variable Generation
 - Cyber Security

Over the coming ten years, the North American electric industry will face a number of significant emerging reliability issues. The confluence of these issues will drive a transformational change for the industry, potentially resulting in a dramatically different resource mix, a new global market of emissions trading, a new model for customer interaction with their utility, and a new risk framework built to address growing cyber security

Assessments

Continued from page 2

concerns. These elements of change are critically interdependent and industry action must be closely coordinated to ensure reliability as it moves forward. For this reason, NERC is paying significant attention to address reliability considerations of Emerging and Standards Issues.

Look for the NERC 2009 LTRA report to be posted in early November on the [NERC Reliability Assessments](#) website.

The NERC 2009 *Scenario Assessment* will also be published later this year. This report is a scenario-based reliability assessment based on significant changes to the supply mix. It is a supplemental report to the *2009 Long-Term Reliability Assessment*. For the assessment, the reliability impacts and consequences of a deployment of resources beyond that reflected in the *Long-Term Reliability Assessment* is provided by accelerating the integration of renewable resources to serve 15% of energy needs.

Highlights of the *Scenario Reliability Assessment* include:

- More Energy Efficiency included in Load Forecasts
- Significant changes in resource mix needed to meet *Scenario Case* targets
- More than double the amount of transmission identified in the *Reference Case* needed to reliably integrate new generating resources
- Increased penetration of variable generation may indicate a need for increased operating and planning reserve margins to maintain bulk power system reliability

Over 100,000 MW of additional variable generation is included to meet the *Scenario Case* targets. These resource additions cause Reserve Margins to increase in most Regions. However, with the integration of additional variable generation, higher reserve margins may be needed to provide sufficient ancillary services to support the uncertainty and availability associated with these types of resources.

Look for the NERC 2009 Scenario Assessment to be posted in early November on the [NERC Reliability Assessments](#) website.

INDUSTRY UPDATES AND EVENTS

NERC Three Year Performance Assessment. On July 20, 2009, NERC filed its Three-Year Electric Reliability Organization Performance Assessment with the Federal Energy Regulatory Commission in the United States and with governmental authorities across Canada. Efforts to respond to recommendations are underway. More information can be found at <http://www.nerc.com/page.php?cid=1%7C8%7C303>

Electromagnetic Pulse (EMP) and Geomagnetic Storm Events. NERC has established a partnership with the U.S. Department of Energy (DOE) to review the impacts of high impact, low frequency (HILF) events on the bulk power system. This effort will be closely coordinated with Canadian governmental authorities under the direction of the HILF event Steering Committee. Tentative dates for the first workshop is November 10-11th in Washington, DC. More information can be found at [http://www.nerc.com/fileUploads/File/CIP/EMP-Geomagnetic-Exec-Brief\(1\).pdf](http://www.nerc.com/fileUploads/File/CIP/EMP-Geomagnetic-Exec-Brief(1).pdf)

NERC Reliability and Standards Workshop. As part of its efforts to continue to provide educational opportunities for its stakeholders, NERC will hold its 2009 Reliability Standards and Compliance Workshop in Dallas, TX on October 14-15. The session will cover the status and outlook of:

- Current and expected reliability standards development projects
- Standards development processes and oversight
- Regulatory issues related to NERC as the ERO
- Various perspectives on standards development in an ERO environment

To Register: http://www.nerc.com/news_pr.php?npr=386

FERC Issues fourth annual report on Demand Response and Advanced Metering. This report fulfills a requirement of the Energy Policy Act of 2005 (EPAAct 2005) section 1252(e)(3)1

that the Federal Energy Regulatory Commission (FERC or Commission) prepare and publish an annual report, by appropriate region, that assesses electricity demand response resources, including those available from all consumer classes. The full report can be found at: <http://www.ferc.gov/legal/staff-reports/sep-09-demand-response.pdf>

Secretary Chu Presents Smart Grid Vision and Announces \$144 Million in Recovery Act Funding to Transition to the Smart Grid. Washington, DC – In his keynote speech to the GridWeek 2009 Conference, U.S. Energy Secretary Steven Chu detailed his vision for implementing the smart grid and modernizing America's electrical system: a stronger, smarter, more efficient electricity infrastructure that will encourage growth in renewable energy sources, empower consumers to reduce their energy use, and lay the foundation for sustained, long-term economic expansion.

The full news article can be found at http://www.oe.energy.gov/news_room_and_events/1243.htm

NERC, in conjunction with Energy Central, is hosting a series of Webinars regarding CIP Compliance. The North American Electric Reliability Corporation (NERC) and Energy Central are working together to offer a series of six educational webcasts on compliance with NERC's Critical Infrastructure Protection (CIP) standards. For more information on the series, see NERC's press release at http://www.nerc.com/news_pr.php?npr=398.

To register for the series, visit Energy Central's website at <http://www.energycentral.com/events/20734/>

For more information on upcoming energy-related and industry events. Please visit Energy Central's website at: <http://www.energycentral.com/events/conferences>

Finance Department Updates

Sue Clarke, VP of Administration and Finance

NERC Audit of MRO.

As required by the Regional Delegation Agreement, NERC shall review the implementation of the compliance enforcement program (CMEP) to ensure that:

- The program meets all applicable legal requirements;
- Actual practices reflect the requirements; and
- The program is administered pursuant to the Delegated Authority promotes consistent interpretations across North America of Reliability Standards and comparable levels of sanctions and penalties to violations of Reliability Standards constituting comparable levels of threat of the bulk power system.

In addition, NERC must audit, in general, the Regional Entity, to assure all delegated functions are carried out in a non-discriminatory manner. Rather than separate the general and CMEP audits, NERC has chosen to combine these efforts as they audit each of the Eight Regional Entities. The four Regional Entities which have affiliations with Registered Entities or functions (TRE, WECC, SPP and FRCC) are being audited by the Commission and will be audited later by NERC.

As of this date, NERC has completed the off-site and on-site audit work and MRO staff expects a final report from NERC between 12/02/09 and 01/05/2010.

Year to Date Financials and End of Year Projections.

MRO staff projects actual and budget will be in line with budgeted costs. Staff and the MRO Finance and Audit Committee will be preparing a new estimate later in October .

MRO Receives Approval on MRO's Supplemental 2009 Business Plan and Budget.

MRO staff received notification of NERC and FERC approval (US portion) of MRO's supplemental budget and funding request filing concerning the 2009 business plan and budget dated October 2, 2009. NERC has prepared and sent out the invoices to MRO's LSEs on October 5, 2009, payable to NERC November 25, 2009 (30 days).

For questions or comments relating to the above mentioned items, please contact [Sue Clarke](#), VP of Finance and Administration.

For questions pertaining to accounts payable, receivable or expense reimbursement requests, please contact [Regina Davis](#), Accountant and HR Specialist at 651-855-1706.

MRO ANNOUNCEMENTS



MRO Critical Infrastructure Protection Workshop. The MRO Security Committee will be hosting it's annual CIP workshop on **Tuesday, December 1st, 2009** at the Holiday Inn Select in Bloomington, MN. Topics will include TFE details and processes, EMP and other HILF

events, and lessons learned from CIP Spot Checks.

This workshop is open to industry attendees and will benefit anyone responsible for implementing CIP Standards. The agenda, registration form, and additional details will be available soon on the MRO website at <http://www.midwestreliability.org/meetings.html>

MRO Reliability and Compliance Workshop. The second 2009 Reliability and Compliance Workshop has been scheduled for **Wednesday, December 2nd, 2009** at the Holiday Inn Select in Bloomington, MN. Dave Hilt, NERC Vice President and Director of Compliance, will be a guest speaker.

The Midwest Compliance Forum will also host it's workshop at the same location the following day.

More information regarding the MRO workshop agenda and registration will be available soon on the MRO website at

<http://www.midwestreliability.org/meetings.html>

MRO Annual Member and Board Meeting. The Annual member and board meeting is scheduled for Thursday, **December 3rd, 2009** at the Holiday Inn Select in Bloomington, MN. This meeting is open to the members and stakeholders of Midwest Reliability Organization, as well as the general public..

The agenda and registration information will be available soon on our website at <http://www.midwestreliability.org/meetings.html>

MRO Enforcement Staff Schedules a Regional Mock Hearing. Scheduled for Wednesday, January 27, 2010 in Washington DC. A contested violation "mock hearing" will be presented, complete with an active Hearing Officer and Hearing Body. Both parties will present their case, the Hearing Officer will make rulings (perhaps going so far as to require the Hearing Body to take action), and he will provide a recommended decision. Mock Hearing attendance is limited to NERC and Regional Staff. A Q&A session will follow for those in attendance.

For more information, contact [Sara Patrick](#), Regulatory Affairs, Counsel and Enforcement Director.

Meeting and event details are regularly posted on the meeting page of MRO's website. Please visit us at <http://www.midwestreliability.org>



MRO Employee Contact List:

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General & Executive

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 651-681-1731
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 651-855-1733

Finance

[Sue Clarke, VP of Finance & Accounting](#)
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[Steen Fjalstad, CIP Audit Specialist](#)
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[Jennifer Matz](#)
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[Salva Andiappan, Principal Engineer](#)
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[Adam Flink, Staff Engineer](#)
 651-855-1719
[Dan Jesberg, Staff Engineer](#)
 651-855-1738
[Laura Elsenpeter, Staff Engineer](#)
 651-855-1704
[Bill Kunkel, Senior Engineer](#)
 651-855-1717

Standards

[Carol Gerou, Standards Manager](#)
 651-855-1735

Information Technology

[Clark Liu, IT Manager](#) (and CIP Program Manager)
 651-855-1744
[Victoria Carey, IT Specialist](#)
 651-855-1729
[Bruce Wagar, IT Analyst](#)
 651-855-1746

After Hours Emergency Line
651-734-8355

MRO Calendar of Events

Date	Time	Group	Location
September 2009			
September 1	8:30-3:30	Compliance Committee	Holiday Inn Select
September 2	8:30-3:30	Reliability Assessment Committee	Holiday Inn Select
September 3	10:00-3:00	Standards Committee	MRO Offices
September 24	8:00-3:00	Board of Directors	Holiday Inn Select Bloomington, MN (see weblink at left)
October 2009			
October 27	9:00-4:00	Model Building Subcommittee	Holiday Inn Select
November 2009			
November 17	8:30-3:30	Compliance Committee	
November 17	12-5	PRS Subcommittee Meeting	HIS
November 18	8-4	PRS Subcommittee Meeting	HIS
November 18	8:30-3:30	Reliability Assessment Committee	TBD
November 19	10:00-3:00	Standards Committee	MRO Offices
December 2009			
December 1	9:00-5:30	Critical Infrastructure Protection Workshop	Holiday Inn Select Bloomington, MN (see weblink at left)
December 2	TBD	Reliability & Compliance Workshop	Holiday Inn Select Bloomington, MN (see weblink at left)
December 3	8:00-3:30	Board of Directors	Holiday Inn Select Bloomington, MN (see weblink at left)

Employee News:

Jo Anne McNabb has transferred from the Operations Department into Compliance as the Compliance Administrator

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Three new employees have been added to the MRO line-up:

Jennifer Matz
 Operations Administrator

Steen Fjalstad
 CIP Audit Specialist

Jeff Crabtree
 CIP Audit Specialist

Please welcome these individuals to MRO!

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For other open positions within MRO, please visit the career page on our [website](http://www.midwestreliability.org)

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