



# NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL

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## Statement of Compliance Registry Criteria

### Summary

In preparation for becoming the Electric Reliability Organization (ERO), NERC has recently initiated a program to identify additional potential candidate organizations for its compliance registry. The program, conducted by NERC and the current NERC regional councils, will also confirm the functions and information now on file for currently-registered organizations.

This document describes how NERC will identify organizations — particularly smaller or relatively (electrically) isolated entities — that may be candidates for registration as load-serving entities, distribution providers, generation owners, generation operators, or transmission owners.

NERC and the regions must also identify the entities responsible for funding the implementation of the ERO; however, that will be done separately and is not addressed in this document.

### Background

In 2005, NERC and the regional councils conducted a voluntary organization registration program limited to balancing authorities, planning authorities, regional reliability organizations, reliability coordinators, transmission operators, and transmission planners. The list of the entities that were registered constitutes what NERC currently considers its compliance registry.

NERC has recently initiated a broader program to identify additional organizations potentially eligible to be included in the registry and to confirm the information of organizations currently on file. NERC believes this is a prudent activity at this time because:

- NERC was the only applicant to file with FERC for certification as the ERO created for the U.S. by the Energy Policy Act of 2005 (EPAAct) and FERC Order 672. NERC has also filed with Canadian authorities for similar recognition in their respective jurisdictions.
- FERC's Order 672 directs that owners, operators and users of the bulk power system shall be registered with the ERO and its designees (i.e., regional entities with delegated authority – regional entities).
- Anticipating that it will be certified as the ERO, NERC has also filed its current reliability standards with FERC and with Canadian authorities. Should these be substantially accepted and approved by FERC and appropriate Canadian authorities, they will no longer be voluntary, and organizations that do not fully comply with them may face penalties or other sanctions determined and levied by NERC or the regional entities.

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- NERC’s reliability standards include compliance requirements for additional reliability function types beyond the six types registered by earlier registration programs.
- NERC’s ERO application proposes extension and expansion of NERC’s current registration program<sup>1</sup> as the means by which NERC and the regional entities will plan, manage and execute reliability standard compliance oversight of owners, operators, and users of the bulk power system.
- Organizations listed in the compliance registry are subject to NERC’s and the regional entities’ compliance and enforcement programs.

## Statement of Issue

As the ERO, NERC intends to comprehensively and thoroughly protect the reliability of the grid. To support this NERC will include in its compliance registry each entity that it concludes is needed to accomplish that goal. However, the potential costs and effort of ensuring that every organization potentially within the scope of “owner, operator, and user of the bulk power system” becomes registered while ignoring their impact upon reliability, might be disproportionate to the improvement in reliability that would reasonably be anticipated from doing so.

In preparation for becoming the ERO, NERC wishes to identify additional organizations that may need to be listed in its compliance registry. Identifying these organizations is necessary and prudent at this time for the purpose of determining resource needs, both at the NERC and regional entity level, and to begin the process of communication with these entities regarding their potential responsibilities and obligations. NERC and the regional entities believe that primary candidate entities can be identified at this time, while other entities can be identified later, as and when needed. Selection principles and criteria for the identification of these initial entities are required.

## Resolution

NERC and the regional entities have identified two principles which they believe are key to the entity selection process. These are:

1. There needs to be consistency between regions (i.e., regional entity system footprints) and across the continent with respect to which entities are registered, and;
2. Any entity reasonably deemed material to the reliability of the bulk power system should be registered, irrespective of other considerations.

To address the second principle the regional reliability councils, working with NERC, will (presently) identify and (eventually<sup>2</sup>) register any entity that they deem material to the reliability of the bulk power system.

In order to promote consistency, NERC, the regional reliability councils and, once they are established, the regional entities and cross-border regional entities (CBREs), intend to use the following criteria as the basis for determining whether particular entities should be identified as

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<sup>1</sup>See: NERC ERO Application; Exhibit C; Section 500 – Organization Registration and Certification.

<sup>2</sup> NERC will be unable to require that entities be registered until it has been certified as the ERO.

candidates for registration. All organizations meeting or exceeding the criteria will be identified as candidates.

Load-serving Entity:

- 1) Load-serving entity peak load is > 25 MW and is directly connected to the bulk power system, or;
- 2) Load-serving entity is designated as the responsible entity for facilities that are part of a required regional under-frequency load shedding (UFLS) program designed, installed, and operated for the protection of the bulk power system, or;
- 3) Load-serving entity is designated as the responsible entity for facilities that are part of a required regional under-voltage load shedding (UVLS) program designed, installed, and operated for the protection of the bulk power system.

Distribution Provider:

- 1) Distribution provider system serving >25 MW of peak load that is directly connected to the bulk power system.
    - Exclusion: A distribution provider will not be registered based on this criterion if responsibility for data sharing and reporting to NERC and regional entities have been transferred by acceptable contract to another entity, such as an load-serving entity, balancing authority, transmission operator, G&T cooperative, or municipal joint action agency.
- Or;
- 2) Distribution provider is the responsible entity that owns, controls or operates facilities that are part of any of the following protection systems or programs designed, installed, and operated for the protection of the bulk power system:
    - a. a required regional UFLS program.
    - b. a required regional UVLS program.
    - c. a required regional special protection system.
    - d. a transmission protection system.
  - Exclusion: A distribution provider will not be registered based on these criteria if effective control and responsibility for maintenance and operation have been transferred by acceptable contract to another entity, such as an load-serving entity, balancing authority, transmission operator, G&T cooperative, or municipal joint action agency.

Generator Owner / Operator:

- 1) Individual generating unit > 20 MVA (gross nameplate rating) and is directly connected to the bulk power system, or;
- 2) Generating plant/facility > 75 MVA (gross aggregate nameplate rating) or when the entity has responsibility for any facility consisting of one or more units that are connected to the bulk power system at a common bus with total generation above 75 MVA gross nameplate rating, or;
- 3) Any generator, regardless of size, that is a black start unit material to and designated as part of a transmission operator entity's restoration plan, or;

- 4) Any generator, regardless of size, that is determined by the regional entity or CBRE to be material to the reliability of the bulk power system.
  - Exclusion: A generator owner/operator will not be registered based on these criteria if effective control and responsibility for maintenance and operation of the generator/generation have been transferred by acceptable contract to another entity, such as an load-serving entity, G&T cooperative or municipal joint action agency.

#### Transmission Owner:

- 1) An entity that owns an integrated transmission element associated with the bulk power system 100 kV and above, or lower voltage as defined by the regional entity/CBRE; or
- 2) An entity that owns a transmission element below 100 kV associated with a facility that is included on a critical facilities list that is defined by the regional entity/CBRE, or;
- 3) Ownership of radial transmission facilities serving only load with one transmission source are generally not included in this definition.

#### **Notes to the above Criteria**

1. The above are general criteria only. The regional entity or CBRE considering registration of an organization not meeting (e.g., smaller in size than) the criteria may propose registration of that organization if the regional entity or CBRE believes and can *reasonably demonstrate*<sup>3</sup> that the organization is a bulk power system owner, or operates, or uses bulk power system assets, and is material to the reliability of the bulk power system. Similarly, the regional entity or CBRE considering not registering an organization that meets the criteria may propose that the organization not be registered if the regional entity or CBRE believes and can reasonably demonstrate that the bulk power system owner, operator, or user does not have a material impact on the reliability of the bulk power system.
2. Organizations may challenge their registration within the compliance registry. Organizations not identified using the criteria may be nominated for registration. Organizations not identified using the criteria, but wishing to be registered, may request that they be registered. For further information refer to: NERC ERO Application; Exhibit C; Section 500 – Organization Registration and Certification; Part 1.3.
3. Distribution providers and load-serving entities meeting the criteria above may be exempt from registration if another entity (such as (i) a generation or transmission cooperative, or similar joint-action agency, or (ii) another balancing authority or transmission operator) is registered in lieu of each such load-serving entity or distribution provider registering individually, provided the entity registered accepts the reliability responsibilities through agreement or other mechanisms.
4. A given entity may be part of a class of entities that individually are unlikely to have a material impact on the reliability of the bulk power system, but that in aggregate could

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<sup>3</sup> The reasonableness of any such demonstration will be subject to review and remand by NERC itself, or by any agency having regulatory or statutory oversight of NERC as the ERO (e.g., FERC or appropriate Canadian authorities).

have such an impact. This is adequate grounds for registration of the entity and other entities in the class, irrespective of other considerations.

5. Organizations will be responsible to register and to comply with approved reliability standards to the extent that they are owners, operators, and users of the bulk power system. NERC's ERO application includes implicit proposal of the following principles regarding registration:
  - Organizations listed in the compliance registry are responsible and will be monitored, etc, for complying with approved mandatory reliability standards; NERC and REs will not monitor nor hold those not in the registry responsible for compliance with the standards.
  - Required compliance by a given organization to the standards will begin the later of (i) certification of NERC as the ERO; (ii) inclusion of that organization in the compliance registry, and (iii) approval by the appropriate governmental authority of mandatory reliability standards.

If NERC or a regional entity encounters an organization that is not listed in the compliance registry, but which should be subject to the reliability standards, NERC or the regional entity is obligated and will add that organization to the registry, subject to that organization's right to challenge.