

Exhibit C

Order No. 672 Criteria

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In Order No. 672,¹ the Commission identified a number of criteria it will use to analyze Reliability Standards proposed for approval to ensure they are just, reasonable, not unduly discriminatory or preferential, and in the public interest. The discussion below identifies these factors and explains how the proposed Reliability Standards meet or exceed the criteria.

1. Proposed Reliability Standards must be designed to achieve a specified reliability goal and must contain a technically sound means to achieve that goal.²

The proposed Reliability Standards achieve the specific reliability goals of: (1) maintaining the coordination of Protection Systems installed to detect and isolate Faults on Bulk Electric System (“BES”) Elements, such that those Protection Systems operate in the intended sequence during Faults; and (2) requiring registered entities to provide training to their relevant personnel on Protection Systems and Remedial Action Schemes (“RAS”) to help ensure that the BES is reliably operated. The proposed Reliability Standards articulate clear objectives for each of the areas.

2. Proposed Reliability Standards must be applicable only to users, owners and operators of the bulk power system, and must be clear and unambiguous as to what is required and who is required to comply.³

The proposed Reliability Standards are clear and unambiguous as to what is required and who is required to comply, in accordance with Order No. 672. The proposed Reliability

¹ *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards*, Order No. 672, FERC Stats. & Regs. ¶ 31,204, *order on reh’g*, Order No. 672-A, FERC Stats. & Regs. ¶ 31,212 (2006).

² Order No. 672 at PP 321, 324.

³ Order No. 672 at PP 322, 325.

Standards clearly articulate the actions that applicable entities must take to comply with the standards.

3. A proposed Reliability Standard must include clear and understandable consequences and a range of penalties (monetary and/or non-monetary) for a violation.⁴

The Violation Risk Factors (“VRFs”) and Violation Severity Levels (“VSLs”) for the proposed Reliability Standards comport with NERC and Commission guidelines related to their assignment, as discussed further in Exhibit F. The assignment of the severity level for each VSL is consistent with the corresponding requirement. The VSLs do not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations. For these reasons, the proposed Reliability Standards include clear and understandable consequences in accordance with Order No. 672.

4. A proposed Reliability Standard must identify clear and objective criterion or measure for compliance, so that it can be enforced in a consistent and non-preferential manner.⁵

The proposed Reliability Standards contain measures that support each requirement by clearly identifying what is required to demonstrate compliance. These measures help provide clarity regarding the manner in which the requirements will be enforced, and help ensure that the requirements will be enforced in a clear, consistent, and non-preferential manner and without prejudice to any party.

⁴ Order No. 672 at P 326.

⁵ Order No. 672 at P 327.

5. Proposed Reliability Standards should achieve a reliability goal effectively and efficiently — but do not necessarily have to reflect “best practices” without regard to implementation cost or historical regional infrastructure design.⁶

The proposed Reliability Standards achieve the reliability goals effectively and efficiently in accordance with Order No. 672. The proposed Reliability Standards clearly articulate the objectives that applicable entities must meet and provide entities the flexibility to tailor their processes and plans required under the standard to best suit the needs of their organization.

6. Proposed Reliability Standards cannot be “lowest common denominator,” *i.e.*, cannot reflect a compromise that does not adequately protect Bulk-Power System reliability. Proposed Reliability Standards can consider costs to implement for smaller entities, but not at consequences of less than excellence in operating system reliability.⁷

The proposed Reliability Standards do not reflect a “lowest common denominator” approach. To the contrary, the proposed Reliability Standards contains significant benefits for the Bulk-Power System. The requirements of the proposed Reliability Standards help ensure that entities coordinate their Protection Systems with neighbors and are familiar with the operational functionality of the relevant Protection Systems and RAS.

7. Proposed Reliability Standards must be designed to apply throughout North America to the maximum extent achievable with a single Reliability Standard while not favoring one geographic area or regional model. It should take into account regional variations in the organization and corporate structures of transmission owners and operators, variations in generation fuel type and ownership patterns, and regional variations in market design if these affect the proposed Reliability Standard.⁸

The proposed Reliability Standards apply throughout North America and do not favor one geographic area or regional model.

⁶ Order No. 672 at P 328.

⁷ Order No. 672 at P 329-30.

⁸ Order No. 672 at P 331.

8. Proposed Reliability Standards should cause no undue negative effect on competition or restriction of the grid beyond any restriction necessary for reliability.⁹

The proposed Reliability Standards have no undue negative impact on competition. The proposed Reliability Standards require the same performance by each applicable entity. The standards do not unreasonably restrict the available transmission capability or limit use of the Bulk-Power System in a preferential manner.

9. The implementation time for the proposed Reliability Standard is reasonable.¹⁰

The proposed effective dates for the proposed Reliability Standards are just and reasonable and appropriately balance the urgency in the need to implement the standard against the reasonableness of the time allowed for those who must comply to develop and implement the necessary procedures and policies. The proposed implementation periods will allow applicable entities adequate time to meaningfully implement the requirements. The proposed effective dates are explained in the proposed Implementation Plan, attached as Exhibit B.

10. The Reliability Standard was developed in an open and fair manner and in accordance with the Commission-approved Reliability Standard development process.¹¹

The proposed Reliability Standards were developed in accordance with NERC's Commission-approved, ANSI- accredited processes for developing and approving Reliability Standards. Exhibit G includes a summary of the development proceedings, and details the processes followed to develop the proposed Reliability Standards. These processes included, among other things, comment and balloting periods. Additionally, all meetings of the drafting

⁹ Order No. 672 at P 332.

¹⁰ Order No. 672 at P 333.

¹¹ Order No. 672 at P 334.

team were properly noticed and open to the public. The initial and additional ballots achieved a quorum and exceeded the required ballot pool approval levels.

11. NERC must explain any balancing of vital public interests in the development of proposed Reliability Standards.¹²

NERC has identified no competing public interests regarding the request for approval of the proposed Reliability Standards. No comments were received that indicated the proposed Reliability Standards conflicts with other vital public interests.

12. Proposed Reliability Standards must consider any other appropriate factors.¹³

No other negative factors relevant to whether the proposed Reliability Standards are just and reasonable were identified.

¹² Order No. 672 at P 335.

¹³ Order No. 672 at P 323.