Exhibit C

Order No. 672 Criteria

Exhibit C — Order No. 672 Criteria — Proposed Reliability Standard TPL-001-5

Order No. 672 Criteria

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 Standard has met or exceeded 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 purpose of proposed Reliability Standard TPL-001-5 is to establish Transmission system planning performance requirements within the planning horizon to develop a Bulk Electric System (BES) that will operate reliably over a broad spectrum of System conditions and following a wide range of probable Contingencies.

Reliability Standard TPL-001-5 requires applicable entities to perform an annual Planning Assessment of its portion of the BES covering a number of System conditions and Contingencies described in the standard. Proposed Reliability Standard TPL-001-5 enhances reliability by providing for more comprehensive consideration of Protection System single points of failure, known outages, and the unavailability of long lead-time equipment in planning studies. Specifically, proposed Reliability Standard TPL-001-5 improves upon currently effective Reliability Standard TPL-001-4 by revising the existing Table 1 planning and extreme events to require a more complete, risk-based analysis of how the failure of a non-redundant component of a Protection System would affect a planning entity's System. These revisions are based on recommendations following the analysis of data collected under request for data under

[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 P 321, 324.

Section 1600 of the NERC Rules of Procedure. The proposed standard also addresses the Commission's standard modification directives from Order No. 786 by: (i) requiring a more comprehensive analysis of known outages in planning studies; and (ii) requiring entities to consider, in Stability analysis, the impacts of the possible unavailability of long lead time equipment, consistent with the entity's spare equipment strategy.

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 Standard is clear and unambiguous as to what is required and who is required to comply, in accordance with Order No. 672. Proposed Reliability Standard TPL-001-5 continues to apply to Planning Coordinators and Transmission Planners. The proposed standard clearly articulates the actions that each entity must take to comply.

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 proposed Reliability Standard TPL-001-5, as reflected in **Exhibit A,** are substantively unchanged from currently effective Reliability Standard TPL-001-4. The VRFs and VSLs comport with NERC and Commission guidelines related to their assignment. The VSLs are consistent with the corresponding Requirements and 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 Standard includes clear and understandable consequences in accordance with Order No. 672.

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[3] Order No. 672 at P 322, 325.

[4] Order No. 672 at P 326.

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 Standard includes Measures that support the proposed standard's Requirements by clearly identifying what is required and how the Requirements will be enforced. These Measures, which remain substantively unchanged from the Measures in currently effective Reliability Standard TPL-001-4, help provide clarity regarding how 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.

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 Standard achieves its reliability goals effectively and efficiently in accordance with Order No. 672. The proposed standard provides for more comprehensive planning studies, thereby contributing to a more reliable BES. First, the proposed standard provides for a more complete consideration of factors for selecting which known outages will be included in Near-Term Transmission Planning Horizon studies. The revisions reflected in proposed Reliability Standard TPL-001-5 effectively address the Commission's concern that the exclusion of known outages of less than six months in TPL-001-4 could result in outages of significant facilities not being studied and account for variations in regional practices. Second, the proposed Reliability Standard provides for a more comprehensive analysis of the potential impacts of Protection System single points of failure. Third, the proposed standard requires the entity assess the impact of the possible unavailability of long lead time equipment, consistent with the entity's spare equipment strategy, in its Stability analysis. Consistent with the currently

[5] Order No. 672 at P 327.

[6] Order No. 672 at P 328.

effective standard, entities retain flexibility to select appropriate mitigation measures in the event System performance issues are identified. The proposed standard thereby achieves its reliability goal effectively and efficiently.

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 Standard does not reflect a "lowest common denominator" approach. To the contrary, the revisions reflected in proposed Reliability Standard TPL-001-5 provide significant benefits for the reliability of the Bulk Power System by providing for more comprehensive planning studies: The proposed Reliability Standard does not sacrifice excellence in operating system reliability for costs associated with implementation of the Reliability Standard.

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 Standard applies throughout North America and does not favor one geographic area or regional model.

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 Standard has no undue negative effect on competition. The proposed Reliability Standard requires the same performance by each of applicable entity. The

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7 Order No. 672 at PP 329, 330.

8 Order No. 672 at P 331.

9 Order No. 672 at P 332.

proposed Reliability Standard does not unreasonably restrict the available generation or 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 date for the proposed Reliability Standard is just and reasonable and appropriately balances the urgency in the need to implement the proposed Reliability Standard against the reasonableness of the time allowed for those who must comply to develop necessary procedures, software, facilities, staffing or other relevant capability. NERC proposes an effective date for TPL-001-5 that is the first day of the first calendar quarter that is 36 months after regulatory approval. Reliability Standard TPL-001-4 would be retired immediately prior to the effective date of TPL-001-5.

Under the TPL-001-5 implementation plan, entities have additional time to come into compliance with certain Requirements related to the study of single points of failure on Protection Systems. Specifically, planning entities would have an additional 24 months after the effective date of the standard to develop Corrective Action Plans under Requirement R2, Part 2.7 for the Table 1 Category P5 planning event involving the non-redundant components of a Protection System specified in Footnote 13 items a, b, c, and d. Further, entities shall have an additional 72 months after the effective date of the standard to comply with the underlined part of Requirement R2, Part 2.7 that states: "Revisions to the Corrective Action Plan(s) are allowed in subsequent Planning Assessments but the planned System shall continue to meet the performance requirements in Table 1."

The proposed effective date and phased compliance dates are reflected in the proposed implementation plan, attached as **Exhibit B**.

[10] Order No. 672 at P 333.

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 Standard was developed in accordance with NERC's Commission-approved, ANSI-accredited processes for developing and approving Reliability Standards. **Exhibit G** includes a summary of the Reliability Standard development proceedings, and details the processes followed to develop the proposed Reliability Standard. These processes included, among other things, comment periods, pre-ballot review periods, and balloting periods. Additionally, all meetings of the standard drafting team were properly noticed and open to the public.

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 Standard. No comments were received indicating the proposed Reliability Standard is in conflict with other vital public interests.

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

No other factors relevant to whether the proposed Reliability Standard is just, reasonable, not unduly discriminatory or preferential were identified.

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11 Order No. 672 at P 334.

12 Order No. 672 at P 335.

13 Order No. 672 at P 323.