

NEW YORK STATE RELIABILITY COUNCIL, L.L.C.
(“NYSRC”)
POLICY NO. 4 - 4
PROCEDURE FOR MONITORING COMPLIANCE
WITH THE NYSRC RELIABILITY RULES

1.0 Introduction

The mission of the New York State Reliability Council (NYSRC) is to promote and preserve the reliability of the New York State Power System. Achievement of the NYSRC mission requires monitoring and assuring compliance with the NYSRC Reliability Rules (Reliability Rules). This NYSRC Policy No. 4 describes the NYSRC reliability compliance monitoring procedure and the relative responsibilities of the NYSRC and the New York Independent System Operator (NYISO) for meeting the requirements of this Policy.

The Reliability Compliance Monitoring Subcommittee (RCMS) is a standing subcommittee of the NYSRC Executive Committee. It has the responsibility to perform independent compliance monitoring and oversight review functions, and to report to the NYSRC Executive Committee for approval of its conclusions with respect to each compliance review.

The compliance monitoring procedure is implemented primarily through an annual NYSRC Reliability Compliance Program developed by the RCMS. In addition to this Program, the NYSRC may trigger special compliance reviews as determined by the NYSRC. This Policy also covers compliance reviews related to Implementation Plans associated with new or modified Reliability Rules (See Section 4.7).

The NYSRC Reliability Compliance Program is designed to be consistent with North America Electric Reliability Council (NERC) and Northeast Power Coordinating Council (NPCC) compliance programs, including related activities and schedules. The NYSRC Reliability Compliance Program is also intended to be coordinated with these programs, and avoid duplication of NERC and NPCC compliance activities.

2.0 Responsibilities for Compliance with the NYSRC Reliability Rules

In accordance with the NYISO/NYSRC Agreement, the NYSRC Reliability Rules must be complied with by all market participants engaged in electric power transactions on the New York State Power System and the NYISO. Further, the NYISO is responsible for compliance with all Reliability Rules, including those

identified in the NYSRC Rules as requiring actions by market participants, and has the responsibility of securing market participant compliance with said Rules via its procedures, tariffs and service agreements.

3.0 Objectives of the NYSRC Reliability Compliance Program

The purpose of the NYSRC's reliability compliance monitoring procedure is to assess compliance with the Reliability Rules. The NYSRC Reliability Compliance Program is intended to achieve the following objectives:

- a) Assessment of NYISO compliance with those NYSRC Reliability Rule requirements for which the NYISO has a direct compliance responsibility as specified in the Reliability Rules.
- b) Assessment of NYISO compliance with NYSRC Reliability Rule requirements for which the NYISO must certify market participant compliance with respect to required market participant actions as specified in the Reliability Rules.
- c) Oversight compliance review of NERC Reliability Standards and NPCC Criteria for which the NYISO has a compliance reporting obligation.

4.0 Compliance Review Process

4.1 Applicability and Monitoring Responsibilities of NYSRC Reliability Rules

The Reliability Rules include the following Classes:

Class 1 Rules: NERC Reliability Standards

Class 2 Rules: NPCC Reliability Criteria

Class 3 Rules: Rules prepared by the NYSRC that are applicable to the New York Control Area (NYCA) and are more specific or stringent than NERC Standards and NPCC Criteria, recognizing special New York State system characteristics of reliability needs. These Rules include Local Reliability Rules that apply to the New York City and Long Island zones.

Class 3 Rules are developed by the NYSRC in accordance with NYSRC Policy 1, *Procedure for Reviewing, Developing, Modifying, and Disseminating NYSRC Reliability Rules*.

The Reliability Compliance Program recognizes that:

- The NYISO must comply with all NYSRC Reliability Rules. Many NYSRC Reliability Rules require market participant actions in order for the NYISO to achieve compliance. Required market participant actions are specified in the NYSRC Reliability Rules. The NYSRC is responsible for monitoring NYISO compliance with these Rules.
- The NYISO must also comply with certain NERC reliability standards and NPCC Criteria. NPCC is responsible for monitoring NYISO compliance with these standards and criteria. The NYSRC has an oversight role concerning these NPCC compliance reviews.

Section 4.5 describes these compliance review roles as they specifically apply to the NYSRC and NYISO.

4.2 NYSRC Functional Responsibilities

NYSRC's compliance monitoring responsibility is implemented by the RCMS and the NYSRC Executive Committee.

4.2.1 Reliability Compliance Monitoring Subcommittee

The RCMS shall submit that year's NYSRC Reliability Compliance Program to the NYSRC Executive Committee for review and approval in January and February of each year. The Reliability Compliance Program shall include a schedule and responsibilities for each Reliability Rule assessment. Once it is approved by the NYSRC Executive Committee, the RCMS is responsible for managing the Reliability Compliance Program, making periodic reports to the NYSRC Executive Committee, and requesting NYSRC Executive Committee approval when necessary.

In addition to managing the Reliability Compliance Program, RCMS may from time to time initiate special compliance reviews, including those related to Reliability Rule Implementation Plans (see Sections 4.6 and 4.7).

The RCMS may seek technical assistance for its compliance review from experts within the NYISO and NYSRC member organizations, and from consultants.

The compliance review process conducted by the RCMS shall include utilization of "Compliance Templates" which have been prepared under an open review process described in NYSRC Policy 1. The Compliance Templates set forth the requirements for achieving full compliance with a measurement associated with one

or more Reliability Rules, as well as factors which may contribute to non-compliance. Results of the RCMS compliance reviews shall state either full compliance or a level of non-compliance with Reliability Rules, in accordance with the Compliance Templates, and may include a mitigation plan in situations in which the NYISO is found to be non-compliant. The *Compliance Template Manual for the NYSRC Reliability Rules* (which is posted on the NYSRC Web site, “nysrc.org”) contains the Compliance Templates along with other useful information for evaluating compliance with the Reliability Rules. The RCMS compliance review process shall recognize that, although economic efficiency is an important operating and planning objective, Reliability Rules must always be observed.

4.2.2 Findings of Non-Compliance

After the RCMS has conducted a compliance assessment, it will document the assessment. In cases when the NYISO is found in non-compliance with the Reliability Rules, RCMS shall draft a non-compliance letter to the NYISO in accordance with guidelines in the Compliance Template Manual. The draft shall be transmitted to the NYSRC Executive Committee for approval.

The NYSRC Executive Committee shall notify the NYISO of instances of non-compliance in this letter, describing the basis for the proposed non-compliance finding and any proposed mitigation plan. The type of letter to be used to communicate non-compliance will be based on the level of non-compliance, as specified in the *Compliance Template Manual*. The NYISO shall be given notice that a draft non-compliance letter has been transmitted to the Executive Committee. If the NYISO informs the Executive Committee that it believes that the draft non-compliance letter is not justified or should be modified, the NYISO shall be accorded a reasonable opportunity to present its position to the Executive Committee before the Executive Committee acts on the draft non-compliance letter. If the NYSRC and the NYISO have a dispute concerning NYSRC compliance assessment results, the NYSRC Executive Committee will discuss the issue with the NYISO and, if necessary, may invoke the Dispute Resolution process described in Article 5 of the NYISO/NYSRC Agreement.

4.2.3 Non-Compliance Due to Actions or Inactions of Market Participants

Certain measurements define market participant responsibilities which are required for maintaining compliance with related Reliability Rules. The NYISO shall establish procedures where appropriate to secure compliance by market participants with these measurements.

If the NYISO cannot certify that a market participant has taken the actions required of it by the Reliability Rules, the NYISO is subject to a finding of non-compliance in accordance with the Compliance Templates. The RCMS will report the non-compliance of the NYISO to the Executive Committee along with a recommendation as to whether a non-compliance letter should be issued to the NYISO, and the basis for its recommendation. The RCMS report shall indicate whether the non-compliance event has been addressed or the non-compliance condition is continuing, and whether the NYISO has taken all reasonable action to secure compliance with the Reliability Rules. The latter will be judged based on whether the NYISO has implemented the procedures set forth in the section below. If it has, the Executive Committee shall issue a finding in writing that the NYISO has taken all reasonable action to secure compliance with the Reliability Rules.

NYISO Procedures for Reviewing and Securing Compliance by Market Participants with the Reliability Rules

In the event that the NYISO determines that a market participant has not acted in accordance with a Reliability Rule, the NYISO shall issue a non-compliance letter to that market participant pursuant to NYISO procedures, with a copy to the NYSRC. The non-compliance letter shall direct the market participant to come into compliance with the Reliability Rules within a period determined by the NYISO to be reasonable and consistent with reliable operation of the bulk power system. The letter shall refer to the market participant's obligation to comply with the Reliability Rules pursuant to the NYISO's tariffs, procedures and service agreements, and the possible consequences of non-compliance. Should the market participant not comply within the timeframe established by the NYISO, the NYISO shall send the market participant additional non-compliance letters, as provided for in its procedures, confirming the market participant's continued non-compliance. When a market participant has failed to comply with the NYISO's repeated requests, or when the NYISO concludes that the market participant's non-compliance poses a risk to the reliability of the bulk power system, the NYISO shall report the market participant's non-compliance in writing to the

NYSRC Reliability Compliance Monitoring Subcommittee, the NYSRC Executive Committee, and the New York Public Service Commission (PSC). The report shall describe the NYISO's due diligence in seeking to secure compliance by the market participant, including the actions it has taken under its tariffs, procedures and service agreement to secure the market participant's compliance, and a statement that further action by the NYISO is not possible or would be inappropriate. The report shall request that the PSC consider appropriate action to bring the market participant into compliance. The report should describe any resolution the NYISO has been able to achieve with the market participant. The NYISO shall publish non-compliance letters on its website consistent with NYISO procedures.

4.3 Reliability Compliance Program Notification

By February of each year, the RCMS shall notify and review with the NYISO, that year's Reliability Compliance Program. This review shall include the types of NYISO actions and documentation (procedures, data, etc.) which will be required to demonstrate compliance with a particular measurement as well as reporting due dates. NYISO comments during this review will be considered. For special triggered reviews, the NYISO shall be notified by the RCMS a minimum of three (3) weeks prior to its due date.

If market participant action is required to comply with a new or modified Reliability Rule, it is the NYISO's responsibility to notify market participants of appropriate required actions and to ensure market participant compliance.

4.4 Reporting Requirements

As specified in Section 4.3 the NYISO shall provide to the NYSRC required compliance documentation that must be included in the reporting entity's submission. This information is normally included in Compliance Template Manual (see Section 4.2.1). Compliance documentation must be submitted to the NYSRC by the due dates included on the Reliability Compliance Program schedule.

The NYISO shall furnish reports to the RCMS, in accordance with NYSRC schedules, including the above compliance documentation. The NYISO's compliance reports to the RCMS shall include results of NYISO reviews of market participant compliance with the Reliability Rules. For certain assessments, formal presentations may be requested by the RCMS.

4.5 Types of NYSRC Reliability Compliance Review Roles

As stated in Section 4.1, the NYSRC has both a compliance monitoring role and an oversight role in its compliance reviews.

4.5.1 Compliance Monitoring Role

The NYSRC, through the RCMS, has the responsibility of monitoring compliance by the NYISO with all NYSRC Reliability Rules. Compliance monitoring consists of reviewing compliance documents provided by the NYISO as described in Section 4.4, using Compliance Templates described in Section 4.2. The RCMS has the option of requesting self-certification forms from the NYISO as an alternative to furnishing complete compliance documentation. The NYISO certifies in these forms that it maintains the required documentation, which would be available to the NYSRC, if requested.

If the NYISO is found to be non-compliant, the NYSRC will work with the NYISO to initiate mitigation measures as required.

4.5.2 Oversight Review Role

Section 4.1 indicates that the NYSRC has an oversight role associated with NPCC assessments of NYISO compliance with NERC Standards and NPCC Criteria.

For these oversight reviews the NYSRC shall (1) ensure that the NYISO provides the NPCC with proper compliance documentation, and (2) review NPCC compliance monitoring results, and follow up on any mitigation actions mandated by the NPCC.

4.6 Frequency of Compliance Reviews

4.6.1 NYSRC Reliability Rules

The RCMS shall schedule compliance reviews, as part of the Program, for all NYSRC Reliability Rules for which the NYISO has reporting responsibilities. Compliance reviews for each Reliability Rule shall be scheduled at least once every three (3) years.

In addition to scheduled reviews, the RCMS may trigger special compliance reviews whenever deemed necessary by the NYSRC.

4.6.2 NERC Standards and NPCC Criteria

The NPCC schedules compliance reviews for all NERC Standards and NPCC Criteria applicable to NPCC Areas (including the NYISO) and market participants. The compliance review schedule for NYSRC Reliability Rules shall be coordinated with the NPCC schedule.

4.7 Reliability Rule Implementation Plan

When a new or revised Reliability Rule is adopted by the NYSRC, an Implementation Plan will be prepared by the RCMS. The Implementation Plan will describe the actions to be taken by the NYISO in order to implement the new or revised Rule and indicate when initial NYSRC compliance reviews will be scheduled. The RCMS will conduct a compliance review of the various Implementation Plans.

Approved by the NYSRC Executive Committee: November 9, 2007

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Issued by: P. Donald Raymond, Secretary

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