NERC
NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

July 7, 2011

Mr. William Gallagher, Chairman
NERC Member Representatives Committee
104 Hampton Meadows
Hampton, New Hampshire 03842

**Re: Policy Input to NERC Board of Trustees**

Dear Bill:

Looking at the agenda for the August 3, 2011 Member Representatives Committee (MRC) meeting, I see three topics on which discussion and policy input will be helpful to the Board. As always, Board members welcome policy input from the committee members on any issue, whether cited here or not.

**Compliance Enforcement Improvement Initiatives (MRC 6)** — Compliance enforcement efficiency, including the exercise of enforcement discretion and reducing the size of the "violation caseload," has risen to the top of most everyone's priority list, including the FERC commissioners. NERC is actively working on several fronts to address this issue and will be sharing their ideas on a possible FERC filing to address this issue. Input from members of the MRC as well as the stakeholder community overall will be helpful to the Board and Board Compliance Committee as the proposed filing is developed.

**MRC BES/ALR Policy Issues Task Force Report to the Board (MRC 8) —** The Board asked the MRC to advise it on any policy issues that might emerge as NERC develops a new definition of Bulk Electric System (BES) in response to FERC Orders 743 and 743-A. I understand that a proposal may be emerging from the BES Standard Drafting Team (SDT) to change the BES threshold criteria for individual generating units from 20 MVA to 75 MVA, which has the potential to become a significant policy issue. Board members will be anxious to hear about the status of the SDT's efforts and how the proposed new definition is being received.

**Compliance Application Notices in the Context of Standards and Interpretations Development (MRC 9)** — NERC's Compliance Application Notices (CANs), designed to help explain what is expected during auditing and compliance monitoring of the Reliability Standards, are being received well by the industry in most cases. Some confusion has arisen, however, regarding the coordination of CANs with development of Standards Interpretations on the same subjects. The Board is interested to hear comments and reactions on this issue from the MRC.

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Thank you in advance for providing written comments to Dave Nevius, MRC secretary (dave.nevius@nerc.net) **by July 25, 2011** so they can be packaged and sent to the board members in advance of the meeting.

Thank you,

John Q. Anderson
NERC Board of Trustees Chairman

cc: NERC Board of Trustees
Member Representatives Committee