

**PROCEDURE FOR REQUESTING AND RECEIVING
TECHNICAL FEASIBILITY EXCEPTIONS
TO NERC CRITICAL INFRASTRUCTURE PROTECTION STANDARDS**

APPENDIX 4D TO THE RULES OF PROCEDURE

Effective: January 30, 2014

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1.0 INTRODUCTION

1.1 Purpose

This Appendix to the Rules of Procedure of the North American Electric Reliability Corporation (NERC) provides the procedure by which a Responsible Entity may request and receive an exception from Strict Compliance with the terms of a Requirement of certain NERC Critical Infrastructure Protection (CIP) Standards on the grounds of technical feasibility or technical limitations. Such an exception is referred to herein as a Technical Feasibility Exception (TFE). This Appendix is intended to implement authorization granted by FERC to allow such exceptions to Applicable Requirements of CIP Standards.¹

1.2 Authority

This Appendix is a NERC Rule of Procedure and an Electric Reliability Organization Rule. As such, this Appendix has been approved by (i) the NERC Board of Trustees and (ii) FERC. Any future revisions to this Appendix must be adopted in accordance with Article XI, section 2 of the NERC *Bylaws* and Section 1400 of the NERC *Rules of Procedure*, including approval by the NERC Board of Trustees and by FERC, in order to become effective.

1.3 Scope

This procedure for requesting and obtaining approval of TFEs is applicable only to those Requirements of CIP Standards CIP-002 through CIP-009 that (i) expressly provide either (A) that compliance with the terms of the Requirement is required where or as technically feasible, or (B) that technical limitations may preclude compliance with the terms of the Requirement, or (ii) FERC has directed should be subject to this procedure. As of the effective date of this Appendix, in the United States the Applicable Requirements are:

CIP-005-3: R2.4, R2.6, R3.1 and R3.2

CIP-006-3c: R1.1, including the Interpretation in Appendix 2

CIP-007-3: R2.3, R3, R4, R5.3, R 5.3.1, R 5.3.2, R 5.3.3, R6 and R6.3

Subsequent versions of these Requirements that are approved by FERC will continue to be Applicable Requirements, without the need to amend this Appendix to reflect the new version number of the CIP Standards, (i) if the subsequent versions continue to expressly provide either (A) that compliance with their terms is required where or as technically feasible or (B) that

¹ *Mandatory Reliability Standards for Critical Infrastructure Protection*, 122 FERC ¶ 61,040 (2008) (*Order No. 706*), at PP 157-222.

technical limitations may preclude compliance with the terms of the Requirement²; or (ii) so long as FERC does not direct that the subsequent versions are no longer Applicable Requirements. Other Requirements of CIP Standards may become Applicable Requirements as the result of revisions to the CIP Standards in accordance with the NERC *Bylaws* and *Rules of Procedure* including Appendix 3A, *Standards Process Manual*, or as a result of FERC directive. NERC shall maintain a current list of Applicable Requirements on its website.

1.4 Obligations of Canadian Entities and Cross-Border Regional Entities

A Responsible Entity that is a Canadian Entity seeking a TFE shall work with the Regional Entity, NERC, and Applicable Governmental Authorities, to the extent permitted under Canadian federal or provincial laws, and without being obligated to authorize the disclosure of information prohibited by Canadian federal or provincial law from disclosure to FERC or other Applicable Governmental Authorities in the U.S., to comply with the requirements of this Appendix. A Canadian Entity shall not be required to subject itself to United States federal or state laws not otherwise applicable to the Canadian Entity in order to utilize this Appendix to obtain a TFE. Cross-Border Regional Entities shall implement this TFE Procedure in a manner consistent with their memoranda of understanding with Canadian Entities and Canadian Applicable Governmental Authorities concerning compliance monitoring and enforcement activities in particular provinces.

2.0. DEFINITIONS

For purposes of this Appendix, capitalized terms shall have the definitions set forth in Appendix 2 to the Rules of Procedure. For ease of reference, the definitions of the following terms that are used in this Appendix are also set forth below:

2.1 Annual Report: The report to be filed by NERC with FERC and other Applicable Governmental Authorities in accordance with Section 13.0 of this Appendix.

2.2 Applicable Requirement: A Requirement of a CIP Standard that (i) expressly provides either (A) that compliance with the terms of the Requirement is required where or as technically feasible, or (B) that technical limitations may preclude compliance with the terms of the Requirement; or (ii) is subject to this Appendix by FERC directive.

2.3 Canadian Entity: A Responsible Entity that is organized under Canadian federal or provincial law.

2.4 Critical Infrastructure Protection Standard or CIP Standard: Any of NERC Reliability Standards CIP-002 through CIP-009.

² *Order No. 706* at P 157 and note 65 and P 178.

2.5 Classified National Security Information: Required Information that has been determined to be protected from unauthorized disclosure pursuant to Executive Order No. 12958, as amended, and/or the regulations of the NRC at 10 C.F.R. §95.35; or pursuant to any comparable provision of Canadian federal or provincial law.

2.6 CMEP: The NERC *Uniform Compliance Monitoring and Enforcement Program* (Appendix 4C to the NERC *Rules of Procedure*) or the Commission-approved program of a Regional Entity, as applicable.

2.7 Compliant Date: The date by which a Responsible Entity is required to be in compliance with an Applicable Requirement of a CIP Standard.

2.8 Confidential Information: (i) Confidential Business and Market Information; (ii) Critical Energy Infrastructure Information; (iii) personnel information that identifies or could be used to identify a specific individual, or reveals personnel, financial, medical, or other personal information; (iv) work papers, including any records produced for or created in the course of an evaluation or audit; (v) investigative files, including any records produced for or created in the course of an investigation; (vi) Cyber Security Incident Information; provided, that public information developed or acquired by an entity shall be excluded from this definition; or (vii) any other information that is designated as Confidential Information in Section 11.0 of this Appendix.

2.9 Covered Asset: A Cyber Asset or Critical Cyber Asset that is subject to an Applicable Requirement.

2.10 Delegate: A person to whom the Senior Manager of a Responsible Entity has delegated authority pursuant to Requirement R2.3 of CIP Standard CIP-003-1 (or any successor provision).

2.11 Effective Date: The date, as specified in a notice disapproving a TFE Request or terminating an approved TFE, on which the disapproval or termination becomes effective.

2.12 Eligible Reviewer: A person who has the required security clearances or other qualifications, or who otherwise meets the applicable criteria, to have access to Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information, as applicable to the particular information to be reviewed.

2.13 Expiration Date: The date on which an approved TFE expires.

2.14 FERC: The United States Federal Energy Regulatory Commission.

2.15 FOIA: The U.S. Freedom of Information Act, 5 U.S.C. §552.

2.16 Hearing Procedures: Attachment 2 to the NERC or Regional Entity CMEP, as applicable.

2.17 Material Change: A change in facts that modifies Required Information in connection with an approved TFE. Examples of a Material Change could include, but are not limited to an

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increase in device count (but not a decrease), change in compensating measures, change in statement of basis for approval for the TFE, a change in the Expiration Date of the TFE, or a Responsible Entity achieving Strict Compliance with the Applicable Requirement.

2.18 Material Change Report: A report submitted by the Responsible Entity to the Regional Entity in the event there is a Material Change to the facts underlying an approved TFE pursuant to Section 4.0.

2.19 NRC: The United States Nuclear Regulatory Commission.

2.20 NRC Safeguards Information: Required Information that is subject to restrictions on disclosure pursuant to 42 U.S.C. §2167 and the regulations of the NRC at 10 C.F.R. §73.21-73.23; or pursuant to comparable provisions of Canadian federal or provincial law.

2.21 Protected FOIA Information: Required Information, held by a governmental entity, that is subject to an exemption from disclosure under FOIA (5 U.S.C. §552(e)), under any similar state or local statutory provision, or under any comparable provision of Canadian federal or provincial law, which would be lost were the Required Information to be placed into the public domain.

2.22 Responsible Entity: An entity that is registered for a reliability function in the NERC Compliance Registry and is responsible for complying with an Applicable Requirement, as specified in the “Applicability” section of the CIP Standard.

2.23 Required Information: The information required to be provided in a TFE Request, as specified in Section 4.0 of this Appendix.

2.24 Senior Manager: The person assigned by the Responsible Entity, in accordance with CIP Standard CIP-003-1 Requirement R2 (or subsequent versions), to have overall responsibility for leading and managing the Responsible Entity’s implementation of, and adherence to, the CIP Standards.

2.25 Strict Compliance: Compliance with the terms of an Applicable Requirement without reliance on a Technical Feasibility Exception.

2.26 Technical Feasibility Exception or TFE: An exception from Strict Compliance with the terms of an Applicable Requirement on grounds of technical feasibility or technical limitations in accordance with one or more of the criteria in Section 3.0 of this Appendix.

2.27 TFE Request: A request submitted by a Responsible Entity in accordance with this Appendix for an exception from Strict Compliance with an Applicable Requirement.

3.0. BASIS FOR APPROVAL OF A TECHNICAL FEASIBILITY EXCEPTION

3.1. A Responsible Entity may request and obtain approval for a TFE on the grounds that Strict Compliance with an Applicable Requirement, evaluated in the context or environment

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of the Responsible Entity's Covered Asset that is the subject of the TFE Request:

- (i) is not technically possible or is precluded by technical limitations; or
- (ii) is operationally infeasible or could adversely affect reliability of the Bulk Electric System to an extent that outweighs the reliability benefits of Strict Compliance with the Applicable Requirement; or
- (iii) while technically possible and operationally feasible, cannot be achieved by the Responsible Entity's Compliant Date for the Applicable Requirement, due to factors such as, for example, scarce technical resources, limitations on the availability of required equipment or components, or the need to construct, install or modify equipment during planned outages; or
- (iv) would pose safety risks or issues that, in the determination of the Regional Entity, outweigh the reliability benefits of Strict Compliance with the Applicable Requirement; or
- (v) would conflict with, or cause the Responsible Entity to be non-compliant with, a separate statutory or regulatory requirement applicable to the Responsible Entity, the Covered Asset or the related Facility that must be complied with and cannot be waived or exempted; or
- (vi) would require the incurrence of costs that, in the determination of the Regional Entity, far exceed the benefits to the reliability of the Bulk Electric System of Strict Compliance with the Applicable Requirement, such as for example by requiring the retirement of existing equipment that is not capable of Strict Compliance with the Applicable Requirement but is far from the end of its useful life and replacement with newer-generation equipment that is capable of Strict Compliance, where the incremental risk to the reliable operation of the Covered Asset and to the Reliable Operation of the related Facility and the Bulk Electric System of continuing to operate with the existing equipment is minimal in the determination of the Regional Entity.

3.2. A TFE does not relieve the Responsible Entity of its obligation to comply with the Applicable Requirement. Rather, a TFE authorizes an alternative (to Strict Compliance) means of compliance with the Applicable Requirement through the use of compensating measures and/or mitigating measures that achieve at least a comparable level of security for the Bulk Electric System as would Strict Compliance with the Applicable Requirement.

3.3. The burden to justify approval of a TFE Request in accordance with the provisions of this Appendix is on the Responsible Entity. It is the responsibility of the Regional Entity, subject to oversight by NERC as provided in this Appendix, to make all determinations as

to whether a TFE Request has met the criteria for approval.³ NERC and the Regional Entities shall carry out the activities described in Section 11.0 of this Appendix to provide consistency in the review and approval or disapproval of TFE Requests across Regional Entities and across TFE Requests.

3.4. A TFE Request may be approved without a specified Expiration Date, however, in the event of a Material Change to the facts underlying an approved TFE, the Responsible Entity shall submit a Material Change Report providing continuing justification for the TFE or verifying Strict Compliance with the Applicable Requirement has been achieved.

4.0. FORM, CONTENTS AND SUBMISSION OF A TFE REQUEST OR MATERIAL CHANGE REPORT

4.1. Submissions for a TFE Request or Material Change Report by Class

A Responsible Entity may seek a TFE for class-based categories of devices. A list of permissible class-based categories of devices will be maintained on NERC's website. In addition, a Responsible Entity may use one submission to request a TFE from the same Applicable Requirement for multiple, similar Covered Assets (either at the same location or at different locations within the geographic boundaries of a Regional Entity) on the same basis, with the same compensating measures and/or mitigating measures, and with the same proposed Expiration Date, the TFE Requests for all the Covered Assets may be included in one submission.

4.2. Form and Format of TFE Request or Material Change Report

A TFE Request or a Material Change Report shall consist of the following Required Information:

- (i) Category (pursuant to Section 4.1 or "other")
- (ii) Device ID (assigned by the Responsible Entity)
- (iii) Physical location of device
- (iv) Actual or estimated date in which device is placed into production
- (v) Proposed TFE Expiration Date (if any)

³ If a Regional Entity that is a Responsible Entity seeks a TFE in its role as a Responsible Entity, the Regional Entity shall submit its TFE Request to, as applicable, NERC or the Regional Entity that has assumed, by agreement approved by NERC and FERC, compliance monitoring and enforcement responsibilities with respect to the first Regional Entity's registered functions, as applicable. In such case NERC or the second Regional Entity, as applicable, will perform the duties and responsibilities of the "Regional Entity" specified in this Appendix.

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- (vi) Actual TFE Expiration Date (if any)
- (vii) CIP Standard
- (viii) Applicable Requirement
- (ix) Whether the TFE is also filed with other Regional Entities (if yes, which ones)
- (x) Basis for approval (pursuant to Section 3.0)
- (xi) Compensating and mitigating measures
- (xii) Date of completion of compensating and mitigating measures (if in progress, estimated completion date and time schedule)
- (xiii) Whether the TFE is related to a Self-Certification or Self-Report
- (xiv) Whether the has TFE has been previously approved
- (xv) TFE I.D., if known

A statement, signed and dated by the Responsible Entity's Senior Manager or Delegate, that the Senior Manager or Delegate has read the TFE Request or Material Change Report and approved the proposed compensating measures and/or mitigating measures and the implementation plan, and that on behalf of the Responsible Entity that the Responsible Entity believes approval of the TFE Request or Material Change Report is warranted pursuant to the criteria specified in Section 3.1 of this Appendix.

A sample submittal will be maintained on NERC's website. Additional information may be requested by the Regional Entity as necessary or appropriate. At the discretion of the Regional Entity, information may be verified at a subsequent Compliance Audit or Spot Check or other form of monitoring.

A removal of a device from a TFE containing multiple devices of the same class does not require the filing of a Material Change Report. The information can be communicated during the next required submittal associated with the same class.

At the time of the first (a) initial TFE Request or (b) Material Change Report that is required to be submitted after approval of this Appendix 4D, a Responsible Entity will submit a complete submittal in the form contemplated in this section to reflect previously approved and pending TFEs as well as any new information being submitted. This one-time submittal will be followed by the maintenance of the TFE information associated with such Responsible Entity, either through additional TFE Requests or Material Change Reports pertaining to TFE Requests

already approved. The submittal of this baseline TFE submittal will not reopen any TFEs already approved under the old process or restart the review process of pending TFEs.

4.3. [Deleted]

4.4 Access to Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information Included in Required Information

4.4.1. Upon reasonable advance notice from a Regional Entity or NERC, and subject to Section 4.4.2, the Responsible Entity must provide the Regional Entity or NERC (i) with access to Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information included in the TFE Request, and (ii) with access to the Covered Asset(s) and the related Facility(ies) for purposes of making a physical review and inspection.

4.4.2. If the Responsible Entity is prohibited by law from disclosing any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information to any person who is not an Eligible Reviewer (such as, for example, the restriction on access to Classified National Security Information specified in Section 4.1 of Executive Order No. 12958, as amended), then such Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information shall only be reviewed by a representative or representatives of the Regional Entity or NERC (which may include contractors) who are Eligible Reviewers.

4.4.3. The Regional Entity or NERC, as applicable, will work cooperatively with the Responsible Entity to access Protected FOIA Information in a way that does not waive or extinguish the exemption of the Protected FOIA Information from disclosure.

4.5 [Deleted]

5.0 REVIEW AND APPROVAL/DISAPPROVAL OF TFE REQUESTS OR MATERIAL CHANGE REPORTS

5.1. Identification of TFE Requests or Material Change Reports

5.1.1. Upon receipt of a TFE Request or Material Change Report, the Regional Entity (i) will assign a unique identifier to the TFE Request or Material Change Report.

5.1.2. The unique identifier assigned to the TFE Request or Material Change Report will be in the form of XXXX-YYY-TFEZZZZZ, where “XXXX” is the year in which the TFE Request is received by the Regional Entity (*e.g.*, “2009”); “YYY” is the acronym for the

Regional Entity within whose Region the Covered Asset is located⁴; and “ZZZZZ” is the sequential number of the TFE Requests received by the Regional Entity in that year. In the case of a Material Change Report, “-AZ” will be added to the end of the identifier, where “Z” is the number of the Material Change Report to the TFE.

5.2 Review of TFE Request or Material Change Report for Approval or Disapproval

5.2.1 The Regional Entity shall review a TFE Request or Material Change Report to determine if it should be approved in accordance with Section 3.1 of this Appendix, or disapproved. As part of its review, the Regional Entity may request access to and review the Required Information, including any Confidential Information, Classified National Security Information, NRC Safeguards Information, and Protected FOIA Information that is necessary to support the TFE Request; may conduct one or more physical inspections of the Covered Asset(s) and the related Facility(ies); may request additional information from the Responsible Entity; and may engage in discussions with the Responsible Entity concerning possible revisions to the TFE Request or Material Change Report.

5.2.2. The Regional Entity shall complete its review of the TFE Request or Material Change Report and make its determination of whether the TFE Request or Material Change Report is approved or disapproved, and issue a notice (in accordance with Sections 5.2.4 or 5.2.5) stating the TFE Request is approved or disapproved, within 60 days after receipt of the TFE Request. In addition, the Regional Entity may extend the 60-day time period for individual TFE Requests or Material Change Reports by issuing a notice to the Responsible Entity, with a copy to NERC, stating the revised date by which the Regional Entity will issue its notice approving or disapproving the TFE Request or Material Change Report.

5.2.3. The Regional Entity may approve or disapprove the TFE Request or Material Change Report in whole or in part, even if the TFE Request or Material Change Report is for two or more Covered Assets subject to the same Applicable Requirement or if it covers class-based categories of devices.

5.2.4. If the Regional Entity approves the TFE Request or Material Change Report, the Regional Entity shall issue a notice to the Responsible Entity, with a copy to NERC, stating that the TFE Request or Material Change Report is approved.

5.2.5. If the Regional Entity disapproves the TFE Request or Material Change Report, the Regional Entity shall issue a notice to the Responsible Entity, with a copy to NERC, stating that the TFE Request or Material Change Report is disapproved and stating the reasons for the disapproval. In its notice disapproving a TFE Request, the Regional Entity may also, but is not

⁴ The acronyms to be used are: FRCC (Florida Reliability Coordinating Council); MRO (Midwest Reliability Organization); NPCC (Northeast Power Coordinating Council); RFC (ReliabilityFirst Corporation); SERC (SERC Reliability Corporation); SPP (Southwest Power Pool Regional Entity); TRE (Texas Regional Entity/Texas Reliability Entity); and WECC (Western Electricity Coordinating Council).

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required to, state any revisions to the TFE Request the Regional Entity has identified, based on its review of the TFE Request, that, if made by the Responsible Entity, would result in approval of the TFE Request. Such revisions may include, but are not limited to, changes to the Responsible Entity's proposed (i) compensating measures and/or mitigating measures, (ii) implementation schedules, or (iii) Expiration Date.

5.2.6. A notice disapproving a TFE Request or Material Change Report shall state an Effective Date, which shall be no less than sixty-one (61) calendar days and no more than ninety-one (91) calendar days after the date of issuance of the notice, unless the Regional Entity determines there are exceptional circumstances that justify a later Effective Date. If the Regional Entity determines the Effective Date should be more than ninety-one (91) calendar days after the date of issuance of the notice due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice. Following the Effective Date, the Responsible Entity is subject to issuance of a Notice of Alleged Violation by the Regional Entity with respect to the Applicable Requirement that was the subject of the disapproved TFE Request or Material Change Report, unless the Responsible Entity has achieved Strict Compliance with the Applicable Requirement. Provided, that if the Effective Date occurs prior to the Responsible Entity's Compliant Date for the Applicable Requirement, then the Responsible Entity is not subject to issuance of a Notice of Alleged Violation until the Compliant Date. A Notice of Alleged Violation issued with respect to the Applicable Requirement shall be processed in accordance with Sections 5.0, 6.0 and 7.0 of the CMEP.

5.2.7 Within thirty (30) calendar days after issuing a notice approving or disapproving a TFE Request or Material Change Report, the Regional Entity shall submit a report to NERC setting forth the basis on which the Regional Entity approved or disapproved the TFE Request or Material Change Report. If the Regional Entity has disapproved the TFE Request or Material Change Report and determined there were exceptional circumstances justifying an Effective Date more than ninety-one (91) days after the date of issuance of the notice, the Regional Entity's report to NERC shall include a description of such exceptional circumstances.

5.2.8 A Responsible Entity may submit to NERC information that the Responsible Entity believes demonstrates that the approval or disapproval by a Regional Entity of a TFE Request or Material Change Report submitted by the Responsible Entity constitutes an inconsistent application of the criteria specified in Section 3.1 as compared to other determinations of TFE Requests or Material Change Reports made by the same Regional Entity or another Regional Entity for the same type of Covered Assets, and with such submission may suggest that NERC request the Regional Entity to reconsider its approval or disapproval of the TFE Request or Material Change Report. A Responsible Entity's submission to NERC under this Section 5.2.8 shall be in writing and shall set forth (i) the TFE Request or Material Change Report for which the Responsible Entity received a determination that the Responsible Entity believes represents an inconsistent application of the criteria specified in Section 3.1 (using the identifier assigned to the TFE Request or Material Change Report pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval or disapproval of the TFE Request or Material Change Report, and (iii) a description of the inconsistency in determinations that the Responsible Entity believes has occurred, including specific reference(s) to any other determinations of TFE Requests or Material Change Reports for the same type of Covered Assets that the Responsible

Entity believes constitutes inconsistent application of the criteria specified in Section 3.1. The Responsible Entity's submission shall provide a clear and compelling demonstration that inconsistent applications of the criteria specified in Section 3.1 have occurred in the determinations of two or more TFE Requests or Material Change Reports for the same type of Covered Assets made by the same Regional Entity or two or more Regional Entities. NERC will provide a copy of the Responsible Entity's submission to the Regional Entity that approved or disapproved the TFE Request or Material Change Report that is the subject of the submission. NERC will review the Responsible Entity's submission and the reports submitted by the Regional Entity or Regional Entities pursuant to Section 5.2.7 with respect to the TFE Requests or Material Change Reports that are the subject of the Responsible Entity's submission, and may decide, in accordance with Section 5.2.9, to request the Regional Entity to reconsider its determination. NERC will send a written notice to the Responsible Entity stating that NERC has determined to request reconsideration by the Regional Entity or has determined not to request reconsideration by the Regional Entity, as applicable.

5.2.9 NERC may request the Regional Entity to reconsider the approval or disapproval of a TFE Request or Material Change Report, solely on the grounds that the approval or disapproval would result in inconsistent application of the criteria specified in Section 3.1 as compared to determinations made on TFE Requests or Material Change Reports for the same type of Covered Assets by the same Regional Entity or a different Regional Entity. Requests for reconsideration on any other grounds are not allowed. A request for reconsideration shall be submitted in writing to the Regional Entity and shall set forth (i) the TFE Request or Material Change Report that is the subject of the request for reconsideration (using the identifier assigned to the TFE Request or Material Change Report pursuant to Section 5.1.2), (ii) a copy of the Regional Entity's notice of approval or disapproval of the TFE Request or Material Change Report, and (iii) a description of the inconsistency in determinations on which NERC relies as the basis for the request for reconsideration, including specific reference(s) to other determinations of TFE Requests or Material Change Reports for the same type of Covered Asset that NERC believes constitutes inconsistent application of the criteria specified in Section 3.1. The Regional Entity shall consider the request for reconsideration and shall issue a notice to NERC and the affected Responsible Entity(ies) approving, disapproving or rejecting the TFE Request or Material Change Report in accordance with Section 5.2.4, Section 5.2.5, Section 5.2.6 and/or Section 9.2, as applicable, within one hundred twenty (120) days following receipt of the request for reconsideration. A determination on a request for reconsideration approving or disapproving a TFE Request or Material Change Report shall be effective prospectively only, from its Effective Date, provided, that if a Regional Entity receives a request for reconsideration of the disapproval of a TFE Request or Material Change Report prior to the Effective Date of the notice of disapproval, the Regional Entity shall issue a notice to the affected Responsible Entity pursuant to Section 5.2.6, as applicable, suspending the Effective Date pending determination of the request for reconsideration.

5.3 No Findings of Violations or Imposition of Penalties for Violations of an Applicable Requirement for the Period a TFE Request or Material Change Report is Being Reviewed

The Responsible Entity shall not be subject to imposition of any findings of violations, or

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imposition of Penalties or sanctions for violations, for failure to be in Strict Compliance with an Applicable Requirement that is the subject of a TFE Request or Material Change Report, for the period from:

- (i) the date that is sixty (60) calendar days after submission of the TFE Request or Material Change Report,
to:
- (ii) (A) the date of the Regional Entity's notice that the TFE Request or Material Change Report is approved, or (B) the Effective Date of the Regional Entity's notice that the TFE Request or Material Change Report is disapproved, whichever is applicable.

Provided, that:

- (1) while a TFE Request or Material Change Report is undergoing review, the Regional Entity shall not issue a Notice of Alleged Violation to the Responsible Entity for being noncompliant with the Applicable Requirement that is the subject of the TFE Request or Material Change Report during the period on and after the TFE Request or Material Change Report was submitted;
- (2) if the TFE Request or Material Change Report is approved, the Responsible Entity shall not be subject to imposition of any findings of violations, or imposition of Penalties or sanctions for violations, for failure to be in Strict Compliance with an Applicable Requirement that is the subject of the TFE Request or Material Change Report, during the period from submission of the TFE Request to the date of the Regional Entity's notice that the TFE Request or Material Change Report is approved; and
- (3) if the TFE Request or Material Change Report is disapproved, and is found by the Regional Entity, NERC or FERC to have been fraudulent or submitted not in good faith, the provisions of this Section 5.3 shall not apply, the Responsible Entity shall be subject to imposition of findings of violations and imposition of Penalties or sanctions for violations, for failure to be in Strict Compliance with the Applicable Requirement that was the subject of the TFE Request or Material Change Report, for the entire period subsequent to the date the TFE Request or Material Change Report was submitted, and the Responsible Entity's fraudulent or not-in-good-faith submission of the TFE Request or Material Change Report shall be an aggravating factor in determining the amounts of Penalties or sanctions to be imposed on the Responsible Entity for such violations.

6.0 IMPLEMENTATION AND REPORTING BY THE RESPONSIBLE ENTITY PURSUANT TO AN APPROVED TFE OR MATERIAL CHANGE REPORT

6.1. The Responsible Entity will be required to implement compensating measures

and/or mitigating measures as described, and in accordance with the time schedule(s) set forth, in the approved TFE.

6.2. In the event the TFE has been approved with an Expiration Date, the Responsible Entity will be required to implement steps, or conduct research and analysis, towards achieving Strict Compliance with the Applicable Requirements and eliminating the TFE, as described, and in accordance with the time schedule set forth, in the approved TFE.

6.3. [Deleted]

6.4. [Deleted]

6.5. If there is a Material Change in the facts underlying approval of the TFE, the Responsible Entity shall submit a Material Change Report to the Regional Entity, within sixty (60) calendar days of identification or discovery of the Material Change, supporting the continuing need and justification for the approved TFE or verifying that the Responsible Entity has achieved Strict Compliance with the Applicable Requirement pursuant to Section 4.0. The Regional Entity may extend the period for submittal of the Material Change Report upon request and with good cause shown.

6.6. [Deleted]

6.7. [Deleted]

6.8. If a Responsible Entity fails to implement or maintain a compensating measure or mitigating measure or fails to conduct research or analysis towards achieving Strict Compliance, in accordance with the approved TFE; or fails to submit one or more reports by the required submission date, the Responsible Entity (i) is required to file a Self-Report in accordance with Section 3.5 of the CMEP, and (ii) will be subject to issuance of a Notice of Alleged Violation for noncompliance with the Applicable Requirement that is the subject of the approved TFE. Any such Notice of Alleged Violation shall be processed in accordance with Sections 5.0, 6.0 and 7.0 of the CMEP.

7.0 AMENDMENT OF A PENDING TFE REQUEST

A Responsible Entity may amend a pending TFE Request that is under review by a Regional Entity, for the purpose of providing additional or revised Required Information during the 60-day review period. Submission of an amendment to a pending TFE Request may, in the Regional Entity's discretion, extend the time period for the Regional Entity's review of the TFE Request but does not require the restart of the approval process.

8.0 COMPLIANCE AUDIT REQUIREMENTS RELATING TO APPROVED TFE

8.1. Following approval of a Responsible Entity's TFE Request, subsequent Compliance Audits of the Responsible Entity may include audit of (i) the Responsible Entity's implementation and maintenance of the compensating measures and/or mitigating measures

specified in the approved TFE, in accordance with the time schedule set forth in the approved TFE, and (ii) the Responsible Entity's implementation of steps and conduct of research and analyses towards achieving Strict Compliance with the Applicable Requirement, in accordance with the time schedule set forth in the approved TFE. These topics shall be included in such Compliance Audits regardless of whether a Compliance Audit was otherwise scheduled to include the CIP Standard that includes the Applicable Requirement.

8.2 The first Compliance Audit of the Responsible Entity subsequent to the Expiration Date shall include audit of the Responsible Entity's Strict Compliance with the Applicable Requirement that was the subject of the approved TFE. This topic shall be included in such Compliance Audit regardless of whether it was otherwise scheduled to include the CIP Standard that includes the Applicable Requirement.

9.0 TERMINATION OF AN APPROVED TFE

9.1. An approved TFE shall remain in effect unless it terminates on its Expiration Date, it is terminated at an earlier date pursuant to this Section 9.0, the Responsible Entity achieves Strict Compliance with the Applicable Requirement or there is a material misrepresentation by the Responsible Entity as to the facts relied upon by the Regional Entity in approving the TFE.

9.2. The Responsible Entity may terminate an approved TFE by submitting a notice to the Regional Entity stating that the Responsible Entity is terminating the TFE and the Effective Date of the termination.

9.3. A Regional Entity or NERC may terminate an approved TFE based on the results of a Spot Check initiated and conducted pursuant to the CMEP to determine whether the approved TFE should be terminated prior to its Effective Date or should be revised to impose additional or different requirements or to advance the Expiration Date to an earlier date. Following issuance to the Responsible Entity of a draft Spot Check report concluding that the approved TFE should be terminated or revised (including by advancement of the Expiration Date), and opportunity for the Responsible Entity to submit comments on the draft Spot Check report, the Regional Entity or NERC, if it has determined that the approved TFE should be terminated or revised, shall issue a notice of termination to the Responsible Entity (with a copy to NERC if the notice is issued by the Regional Entity) stating the Effective Date of termination of the approved TFE. The Effective Date shall be no less than sixty-one (61) calendar days and no more than ninety-one (91) calendar days after the date of issuance of the notice of termination, unless the Regional Entity determines there are exceptional circumstances that justify a later Effective Date. If the Regional Entity determines the Effective Date should be more than ninety-one (91) calendar days after the issuance of the notice of termination due to exceptional circumstances, the Regional Entity shall include a detailed statement of the exceptional circumstances in the notice of termination.

9.4. The Responsible Entity shall not be subject to imposition of any findings of violations, or imposition of Penalties or sanctions for violations, for failure to be in Strict

Compliance with an Applicable Requirement that is the subject of a TFE that has been terminated, until the Effective Date of the notice of termination.

10.0 HEARINGS AND APPEALS PROCESS FOR RESPONSIBLE ENTITY

The Responsible Entity may raise issues relating to the disapproval of its TFE Request or the termination of the approved TFE in the hearing concerning the Notice of Alleged Violation, proposed Penalty or sanction, or Mitigation Plan components.

11.0 CONSISTENCY IN APPROVAL AND DISAPPROVAL OF TFE REQUESTS AND MATERIAL CHANGE REPORTS

11.1. NERC and the Regional Entities will engage in the activities specified in this Section 11.0 for the purpose of assuring consistency in the review, approval and disapproval of TFE Requests and Material Change Reports (i) among the Regional Entities, (ii) among different types of Covered Assets that are subject to the same Applicable Requirement, (iii) with respect to the application of the criteria specified in Section 3.1 for approval of TFE Requests or Material Change Reports, including the comparison of safety risks and costs of Strict Compliance to reliability benefits of Strict Compliance, and (iv) with respect to the types of mitigating measures and compensating measures that are determined to be appropriate to support approval of TFE Requests or Material Change Reports. In appropriate cases, NERC will submit a request for reconsideration to a Regional Entity in accordance with Section 5.2.9.

11.2. The activities in which NERC and the Regional Entities will engage for the purposes stated in Section 11.1 will include, but not be limited to, the following activities:

1. [Deleted]
2. NERC will maintain, as Confidential Information, based on reports submitted by Regional Entities, a catalogue of the types of Covered Assets for which TFE Requests or Material Change Reports from the various Applicable Requirements have been approved and disapproved. The catalogue will be accessible to the Regional Entities for their use in connection with their substantive reviews of TFE Requests or Material Change Reports.
3. NERC and the Regional Entities will form a committee comprised of NERC and Regional Entity representatives involved in the review of TFE Requests or Material Change Reports and other Critical Infrastructure program activities, which shall be charged to review approved and disapproved TFE Requests or Material Change Reports for consistency and to issue such guidance to the Regional Entities, as Confidential Information, as the committee deems appropriate to achieve greater consistency in approval and disapproval of TFE Requests or Material Change Reports in the respects listed in Section 11.1. The committee shall include persons with appropriate subject matter expertise for the responsibilities and activities of the committee.

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4. NERC will submit to the FERC and to other Applicable Governmental Entities an annual informational report containing the following information concerning the manner in which Regional Entities have made determinations to approve or disapprove TFE Requests or Material Change Reports based on the criteria of Section 3.1:
 - (i) whether any issues were identified during the period covered by the informational report with respect to the consistency of the determinations made based on the criteria in Section 3.1, either within a Regional Entity or among Regional Entities;
 - (ii) a description of any such identified consistency issues;
 - (iii) how each consistency issue was resolved;
 - (iv) the numbers of TFE Requests or Material Change Reports for which reconsideration was requested pursuant to Section 5.2.9 based on purported inconsistencies in determinations applying the criteria in Section 3.1 and the numbers of such requests which resulted in TFE Requests or Material Change Reports being approved or disapproved; and
 - (v) whether NERC has developed or is in a position to develop a uniform framework for Regional Entities to use to appraise the reliability benefits of Strict Compliance when making determinations based on the criteria in Section 3.1(iv) and (vi).

The first such informational report shall cover the period through June 30, 2011, and shall be filed with FERC and other Applicable Governmental Entities no later than September 28, 2011. Subsequent annual informational reports shall cover the period from July 1 through June 30 and shall be filed within 90 days following the end of the period covered by the report.

If NERC determines it is necessary to include any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information in an informational report in order to satisfy the information requirements specified above, such Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information shall be contained in a separate non-public, confidential appendix to the informational report. Prior to submitting to FERC or another Applicable Governmental Authority a non-public, confidential appendix that provides specific Confidential Information, Classified National Security Information, NRC Safeguards Information, or Protected FOIA Information of a particular Responsible Entity and identifies the Responsible Entity or one of its Facilities by name, NERC shall provide at least twenty-one (21) days advance notice to the Responsible Entity. The non-public, confidential appendix shall be submitted to FERC and other Applicable Governmental Authorities in accordance

with their procedures for receiving confidential, proprietary and other protected information.

12.0 CONFIDENTIALITY OF TFE REQUESTS, MATERIAL CHANGE REPORTS AND RELATED INFORMATION

Except as expressly stated in this Section 12.0, the submission, review, and approval/disapproval of TFE Requests or Material Change Reports, and the implementation and termination of approved TFEs, shall be maintained as confidential. The following Documents are Confidential Information and shall be treated as such in accordance with Section 1500 of the NERC *Rules of Procedure*:

- (i) All TFE Requests and amendments or Material Change Reports submitted, filed or made available by the Responsible Entity;
- (ii) All notices issued by a Regional Entity or NERC pursuant to this Appendix;
- (iii) All requests for Documents or information made by a Regional Entity or NERC pursuant to this Appendix;
- (iv) All submissions of Documents and information by a Responsible Entity to a Regional Entity or NERC pursuant to this Appendix;
- (v) All post-approval reports submitted by a Responsible Entity pursuant to this Appendix;
- (vi) All correspondence, notes, drawings, drafts, work papers, electronic communications, reports and other Documents generated by a Regional Entity or NERC in connection with a TFE Request or Material Change Report, including (without limiting the scope of this provision) in connection with reviewing a TFE Request or Material Change Report and supporting Documents and information submitted, filed or made available by the Responsible Entity, conducting a physical inspection of the Covered Asset(s) or the related Facility(ies), reviewing and analyzing post-approval reports submitted by a Responsible Entity, or conducting compliance monitoring processes pursuant to the CMEP with respect to a TFE Request or Material Change Report or approved TFE.
- (vii) All guidance issued to Regional Entities pursuant to Section 11.2 by NERC or by the committee described in Section 11.2(3), and all minutes of meetings of the committee and discussions between or among its members.
- (viii) All submissions by Responsible Entities to NERC pursuant to Section 5.2.8.
- (ix) All requests for reconsideration pursuant to Section 5.2.9.

- (x) Any confidential appendix to an informational report prepared and submitted pursuant to Section 11.2(4) or to an Annual Report prepared and submitted pursuant to Section 13.0.

13.0 ANNUAL REPORT TO FERC AND OTHER APPLICABLE GOVERNMENTAL AUTHORITIES

13.1. Contents of Annual Report

NERC shall submit an Annual Report to FERC that provides a Wide-Area analysis or analyses, which NERC shall prepare in consultation with the Regional Entities, regarding the use of TFEs and the impact on the reliability of the Bulk Electric System, as required by Paragraphs 220 and 221 of *Order No. 706*, which state:

. . . [W]e direct the ERO to submit an annual report to the Commission that provides a wide-area analysis regarding use of the technical feasibility exception and the effect on Bulk-Power System reliability. The annual report must address, at a minimum, the frequency of the use of such provisions, the circumstances or justifications that prompt their use, the interim mitigation measures used to address vulnerabilities, and efforts to eliminate future reliance on the exception. . . [T]he report should contain aggregated data with sufficient detail for the Commission to understand the frequency with which specific provisions are being invoked as well as high level data regarding mitigation and remediation plans over time and by region

Copies of the Annual Report shall be filed with other Applicable Governmental Authorities. The Annual Report shall contain, at a minimum, the following information:

- (i) The frequency of use of the TFE Request process, disaggregated by Regional Entity and in the aggregate for the United States and for the jurisdictions of other Applicable Governmental Authorities, including (A) the numbers of TFE Requests that have been submitted and approved/disapproved during the preceding year and cumulatively since the effective date of this Appendix, (B) the numbers of unique Covered Assets for which TFEs have been approved, (C) the numbers of approved TFEs that are still in effect as of on or about the date of the Annual Report; (D) the numbers of approved TFEs that reached their Expiration Dates or were terminated during the preceding year; and (E) the numbers of approved TFEs that are scheduled to reach their Expiration Dates during the ensuing year;
- (ii) Categorization of the submitted and approved TFE Requests to date by broad categories such as the general nature of the TFE Request, the Applicable Requirements covered by submitted and approved TFE Requests, and the types of Covered Assets that are the subject of submitted and approved TFE Requests;
- (iii) Categorization of the circumstances or justifications on which the approved TFEs to date were submitted and approved, by broad categories such as the need to avoid

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replacing existing equipment with significant remaining useful lives, unavailability of suitable equipment to achieve Strict Compliance in a timely manner, or conflicts with other statutes and regulations applicable to the Responsible Entity;

(iv) Categorization of the compensating measures and mitigating measures implemented and maintained by Responsible Entities pursuant to approved TFEs, by broad categories of compensating measures and mitigating measures and by types of Covered Assets;

(v) For each TFE Request that was disapproved, and for each TFE that was terminated, but for which, due to exceptional circumstances as determined by the Regional Entity, the Effective Date was later than the latest date specified in Section 5.2.6, or 9.3, as applicable, a statement of the number of days the Responsible Entity was not subject to imposition of findings of violations of the Applicable Requirement or imposition of Penalties or sanctions pursuant to Section 5.3.

(vi) A discussion, on an aggregated basis, of Compliance Audit results and findings concerning the implementation and maintenance of compensating measures and mitigating measures, and the implementation of steps and the conduct of research and analyses to achieve Strict Compliance with the Applicable Requirements, by Responsible Entities in accordance with approved TFEs;

(vii) Assessments, by Regional Entity (and for more discrete areas within a Regional Entity, if appropriate) and in the aggregate for the United States and for the jurisdictions of other Applicable Governmental Authorities, of the Wide-Area impacts on the reliability of the Bulk Electric System of approved TFEs in the aggregate, including the compensating measures and mitigating measures that have been implemented;

(viii) Discussion of efforts to eliminate future reliance on TFEs;

(ix) Data and information regarding Material Change Reports, including the number of Material Change Reports filed annually and information regarding the types of circumstances or events that led to Material Changes, as well as any additional information NERC believes would be useful; and

(x) Additional information about TFEs and their expiration dates, including the number of TFEs by expiration year and CIP Standard requirement, the percentage of currently approved TFEs without expiration dates, and the number of new TFEs approved without expiration dates annually.

13.2. [Deleted]

13.3. Due Date for Annual Reports

The first Annual Report shall cover the period through June 30, 2011, and shall be filed with FERC and with other Applicable Governmental Authorities no later than 90 days after the

end of such calendar quarter. Subsequent Annual Reports shall be filed at one year intervals thereafter.

13.4. Annual Report to be a Public Document; Confidential Appendix

It is the intent of this Appendix that the Annual Report be a public document. Therefore, NERC shall prepare the annual report in such a manner that it does not include or disclose any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information. However, if NERC determines it is necessary to include any Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information in an Annual Report in order to satisfy the information requirements specified in this Appendix or required by FERC or other Applicable Governmental Authorities, such Confidential Information, Classified National Security Information, NRC Safeguards Information or Protected FOIA Information shall be contained in a separate non-public, confidential appendix to the Annual Report. Prior to submitting to FERC or another Applicable Governmental Authority a non-public, confidential appendix that provides specific Confidential Information, Classified National Security Information, NRC Safeguards Information, or Protected FOIA Information of a particular Responsible Entity and identifies the Responsible Entity or one of its Facilities by name, NERC shall provide at least twenty-one (21) days advance notice to the Responsible Entity. The non-public, confidential appendix shall be submitted to FERC and other Applicable Governmental Authorities in accordance with their procedures for receiving confidential, proprietary and other protected information.

13.5. Responsible Entities Must Cooperate in Preparation of Annual Report

As specified in Paragraph 220, note 74 of Order No. 706, Responsible Entities must cooperate with NERC and Regional Entities in providing information deemed necessary for NERC to fulfill its reporting obligations to FERC.