

Balancing Authority of Northern California

Regular Meeting of the Commissioners of BANC

2:00 P.M.

Wednesday, August 23, 2017

915 L Street, Suite 1480

Sacramento, CA 95814

Balancing Authority of Northern California

NOTICE OF REGULAR MEETING AND AGENDA

Notice is hereby given that a regular meeting of the Commissioners of the Balancing Authority of Northern California (BANC) will be held on **August 23, 2017 at 2:00 p.m.**, at **915 L Street, Suite 1480, Sacramento, CA 95814.**

This meeting shall also consist of a simultaneous teleconference call at the following location:

City of Shasta Lake
4332 Vallecito Street, City of Shasta Lake, CA 96019

AGENDA

- 1 Call to Order.**
- 2 Matters subsequent to posting the Agenda.**
- 3 Public Comment** – any member of the public may address the Commissioners concerning any matter on the agenda.
- 4 Consent Agenda.**
 - A. Minutes of the Regular Commission Meeting held on June 28, 2017.
 - B. BANC Operator's Reports (June and July).
 - C. Compliance Officer's Reports (July and August).
 - D. PC Committee Reports (July and August).
 - E. General Manager's Report.
- 5 Regular Agenda Items – Discussion and Possible Action.**
 - A. Update on EIM implementation.
 - B. Discussion on Strategic Planning Matters.
 - C. 2017 Budget Update/2018 Budget Forecast.
 - D. Consider and Possibly Approve Resolution 17-08-16 *Authorizing Integrated Resource Planning Consultant Support and BANC Funding Mechanism.*
 - E. Consider and Possibly Approve Resolution 17-08-15 *Approval of BANC Internal Compliance Program Charter.*
- 6 Closed Session:** Conference with legal counsel – significant exposure to litigation pursuant to subdivision (c) of Cal. Gov't Code § 54956.9; one case.
- 7 Adjournment.**

Accessible Public Meetings - Upon request, BANC will provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a written request, including your name, mailing address, phone number and brief description of the requested materials and preferred alternative format or auxiliary aid or service at least 3 days before the meeting. Requests should be sent to: Kris Kirkegaard, 915 L Street, Suite 1480, Sacramento, CA 95814 or to kirkegaard@braunlegal.com.

Balancing Authority of Northern California

Consent Agenda Items

- A. Minutes of the June 28, 2017 BANC Regular Meeting.**
- B. BANC Operator's Reports (June and July).**
- C. Compliance Officer's Reports (July and August).**
- D. PC Committee Reports (July and August).**
- E. General Manager's Report.**

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)

June 28, 2017

On this date, a Regular Meeting of the Commissioners of the Balancing Authority of Northern California (BANC) was held in the Central Pacific Room of the Embassy Suites Sacramento Riverfront Promenade at 100 Capitol Mall, Sacramento, CA 95814.

Representatives Present:

Member Agency	Commissioner
Modesto Irrigation District	Greg Salyer, Chair
City of Redding	Dan Beans
City of Roseville	Michelle Bertolino
Sacramento Municipal Utility District	Arlen Orchard
City of Shasta Lake	Gerald Cupp
Trinity Public Utilities District	Paul Hauser, Temporary Acting Chair

Agency	Liaison
Western Area Power Administration	Subhash Paluru

1. Introductions & Logistics: Mr. Shetler welcomed the group.
2. Call to Order: Acting Chair Hauser called the meeting to order at 1:07 p.m.
3. Matters Subsequent to Posting the Agenda: None.
4. Public Comment: Acting Chair Hauser invited comments from the public and none were given.
5. Regular Agenda Items:
 - A. Mr. Orchard nominated Greg Salyer, Acting Chair Hauser seconded the nomination and asked if there was any further discussion, and the participating Commissioners unanimously appointed Greg Salyer as BANC Commission Chair.
6. Consent Agenda: Mr. Hauser moved, Mr. Orchard seconded, and the participating Commissioners unanimously approved the Consent Agenda items comprised of the: (A) Minutes of the Regular Commission Meeting held on May 24, 2017; (B) BANC Operator's Reports; (C) Compliance Officer's Report; (D) PC Committee Report; and (E) General Manager's Report.
7. BANC Strategic Planning Session – "BANC GOING FORWARD":
 - A. Mr. Mark Willis presented an overview of the recent heat wave and preparations for the upcoming August 21st solar eclipse on behalf of the BANC Operator.

MINUTES OF THE REGULAR MEETING OF THE COMMISSIONERS OF THE
BALANCING AUTHORITY OF NORTHERN CALIFORNIA (BANC)

- B. Mr. Shetler provided a BANC status update and reviewed current BANC initiatives, including EIM, PA/PC updates, and an upcoming IRP evaluation. Mr. Braun reviewed issues and implications related to state, regional, and federal policy trends. Mr. Shetler then requested feedback from the participating Commissioners regarding BANC's strategic goals and posed questions for discussion regarding the Commission's position on various topics. Finally, Mr. Shetler provided updates on the 2017 budget and 2018 budget forecast.

The meeting was adjourned at 3:59 p.m.

Minutes approved on August 23, 2017.

C. Anthony Braun, Secretary



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

P.O. BOX 15830 • D109 • SACRAMENTO • CA 95852 -1830

TO: BANC Commission

RE: BANC Operator Report for June 2017

Operations:

- Normal BA operations
- No significant BA issues
- NWPP
 - 1 contingency requiring activation of NWPP
 - 109.1 MW average generation lost
 - 109.1 MW maximum generation lost
 - All recoveries within 1.5 minutes
- USF
 - 28 of 30 days with instances of USF mitigation procedure utilized
 - 24 days on Path 66
 - No operational impact on BANC
- BAAL Exceedances and Violations
 - No exceedances
- COI Flow Greater Than TTC
 - 229.8 hours

Monthly Notes:

- No additional notes for June 2017

A JOINT POWERS AUTHORITY AMONG

Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,
City of Shasta Lake, and Sacramento Municipal Utility District



BALANCING AUTHORITY OF NORTHERN CALIFORNIA

P.O. BOX 15830 • D109 • SACRAMENTO • CA 95852 -1830

TO: BANC Commission

RE: BANC Operator Report for July 2017

Operations:

- Normal BA operations
- No significant BA issues
- NWPP
 - 0 contingency requiring activation of NWPP
 - 0 MW average generation lost
 - 0 MW maximum generation lost
 - All recoveries within 0 minutes
- USF
 - 10 of 31 days with instances of USF mitigation procedure utilized
 - 9 days on Path 66
 - No operational impact on BANC
- BAAL Exceedances and Violations
 - No exceedances
- COI Actual Flow Greater Than TTC
 - 9 hours

Monthly Notes:

- No additional notes or impacts for July 2017

A JOINT POWERS AUTHORITY AMONG

Modesto Irrigation District, City of Redding, City of Roseville, Trinity Public Utilities District,

City of Shasta Lake, and Sacramento Municipal Utility District

Compliance Officer's Report

BANC Commission

July 2017

The following summarizes routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BA Compliance Issues:

- No significant operational Balancing Authority compliance events occurred.
- All required BA compliance reports and operating data were submitted to WECC.
- Routine periodic compliance reviews of selected BA operational actions and data confirm that all standard requirements reviewed are being met or exceeded.

PA/PC Compliance Issues:

- WECC and NERC have accepted BANC's registration request for the PA/PC function. Per the BANC PC Implementation Plan, BANC has until January 1, 2018 to become fully compliant with applicable standards.
- WECC has requested that all entities map their functional relationships to a PA/PC and the PA/PC is to either accept or reject the mapping by September 1, 2017. To date, BANC has accepted Modesto Irrigation District mapping its GO, TO, TOP, TP and RP functions to the BANC PA/PC. Other functional mappings remain pending.

BANC MCRC:

- The Members Compliance Review Committee (MCRC) will be held on July 24, 2017. MCRC members will receive a written report of all monthly compliance assurance activities and investigations. Reports from compliance event reviews that resulted in findings of full compliance with applicable standards are also shared with BANC members on an informational basis.

Compliance Officer's Report

BANC Commission

August 2017

The following summarizes routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BA Compliance Issues:

- No significant operational Balancing Authority compliance events occurred.
- All required BA compliance reports and operating data were submitted to WECC.
- Routine periodic compliance reviews of selected BA operational actions and data confirm that all standard requirements reviewed are being met or exceeded.

BANC's Internal Compliance Program:

- **WECC Assessment:** WECC completed an assessment of BANC's Internal Compliance Program. WECC's report confirms that BANC has a compliance program that meets all of the elements required to support BANC's continuation of privileges in WECC's Self Logging program. A number of best practices were noted, and a number of potential areas of improvement were suggested, which are currently being addressed.
- **Internal Compliance Program Charter Revisions (Version 5):** BANC's Compliance Staff have completed their revisions to the Internal Compliance Program Charter (ICPC). The ICPC revisions, primarily to address BANC's expanded role as a Planning Coordinator, have been reviewed by the Member Compliance Review Committee and are before the Commission for their approval.

BANC MCRC:

- The Member Compliance Review Committee (MCRC) is scheduled for August 28, 2017. MCRC members will receive a written report of all monthly compliance assurance activities and investigations. Reports from compliance event reviews that resulted in findings of full compliance with applicable standards are also shared with BANC members on an informational basis.

BANC PC Committee Chair's Report

July 2017

The following summarizes Planning Coordinator-related issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BANC PC Committee Issues:

- SMUD staff continues to work toward demonstrating compliance with the PC-related NERC reliability standards.
 - TPL-001-4 (TPL) – Staff has preliminary results for the steady-state analysis that is required for the BANC PC Area 2017 System Assessment. Staff is now working on completing the requisite transient stability analysis.
 - TPL-007-1 (GMD) – All PC Participants agreed on the responsibilities necessary to model and study Geomagnetic Disturbances as required by Requirement 1. The agreement essentially assigns the local responsibilities (e.g. the establishment of local voltage criteria) to the TPs and the overarching GMD study responsibility to the PC.
 - The table below provides an estimate of completion for all PC-related standards.

PC Standard	Estimated Pct. Completed	Notes
TPL-007-1 GMD Transmission Performance	100%	
MOD-031-2 Demand and Energy Data	95%	Estimate 4 hours of documentation
MOD-032-1 Data for Power System Modeling & Analysis	95%	Estimate 4 hours of documentation
FAC-010-3 SOL Methodology for Planning Horizon	95%	Estimate 4 hours of documentation
MOD-033-1 System Model Validation	60%	SMUD system validated
TPL-004-1 Transmission System Planning Performance	50%	
PRC-006-2 Underfrequency Load Shedding	30%	No work per se, estimate 4 hours of documentation
FAC-013-2 Transfer Capability for Near-Term Planning Horizon	10%	
FAC-014-2 Establish and Communicate SOLs	10%	
PRC-023-3 Transmission Relay Loadability	0%	Dependent on TPL study results, estimate 3 days of work
PRC-026-1 Relay Performance During Stable Power Swings	0%	Dependent on TPL study results, estimate 10 days of work

PC Standard	Estimated Pct. Completed	Notes
IRO-017-1 Outage Coordination	0%	Email TPL Report, estimate 2 hours of documentation
CIP-014-2 Physical Security	0%	Estimate 2 hours of documentation
FAC-002-2 Interconnection Studies	0%	Estimate 2 hours of documentation
PRC-010-2 Undervoltage Load Shedding	0%	Estimate 2 hours of documentation

BANC PC Committee Chair's Report

August 2017

The following summarizes Planning Coordinator-related issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

BANC PC Committee Issues:

- SMUD staff continues to work toward demonstrating compliance with the PC-related NERC reliability standards. We are now “over the hump” with most of the work behind us. The table below provides estimates of completion for all PC-related standards with changes from last month noted in red. PRC-026 is the only remaining standard that requires a significant amount of work.
 - TPL-001-4 – Staff has distributed preliminary transmission system assessment results to the PC Participants. The analysis results did not identify any issues.
 - FAC-014-2 – Staff has distributed preliminary Planning System Operating Limit results to the PC Participants.
- SMUD will reach out to Roseville to reschedule a meet and greet site visit in September. Roseville remains the last PC Participant for SMUD to visit.

PC Standard	Estimated Pct. Completed	Notes
TPL-007-1 GMD Transmission Performance	100%	
MOD-031-2 Demand and Energy Data	95%	Estimate 4 hours of documentation
MOD-032-1 Data for Power System Modeling & Analysis	95%	Estimate 4 hours of documentation
FAC-010-3 SOL Methodology for Planning Horizon	95%	Estimate 4 hours of documentation
MOD-033-1 System Model Validation	75%	SMUD system validated
TPL-004-1 Transmission System Planning Performance	75%	
PRC-006-2 Underfrequency Load Shedding	65%	No work per se, estimate 4 hours of documentation
FAC-013-2 Transfer Capability for Near-Term Planning Horizon	50%	
FAC-014-2 Establish and Communicate SOLs	80%	
PRC-023-3 Transmission Relay Loadability	0%	Dependent on TPL study results, estimate 3 days of work
PRC-026-1 Relay Performance During Stable Power Swings	0%	Dependent on TPL study results, estimate 10 days of work

PC Standard	Estimated Pct. Completed	Notes
IRO-017-1 Outage Coordination	0%	Email TPL Report, estimate 2 hours of documentation
CIP-014-2 Physical Security	0%	Estimate 2 hours of documentation
FAC-002-2 Interconnection Studies	0%	Estimate 2 hours of documentation
PRC-010-2 Undervoltage Load Shedding	0%	Estimate 2 hours of documentation

GM Report

BANC Commission Meeting

8/23/2017

I wanted to summarize routine issues for the Commission's information and consideration. Any major issues or action items will be identified separately on the Commission agenda for action.

Outreach Efforts:

Refer to GM outreach report provided under separate distribution. In addition, here are some other noteworthy items:

TID

We continue to be open to discussions with TID regarding potential joint efforts on EIM participation. TID provided feedback that they have been given authority to work with BANC on potential EIM participation and possible joint use of the SMUD/BANC EMS. Recent feedback from TID is that they want to see if the actual benefits for SMUD in Phase 1 of BANC EIM match the forecast before they commit to moving forward with EIM participation.

LADWP/Seattle City Light/SRP

Dialogue continues with these entities regarding EIM participation. LADWP received approval from the City Council in May to participate in EIM. They are still shooting for a Spring 2019 go-live date, though this most likely will slip to Spring 2020. Seattle City Light received approval in November from the City Council to proceed with participation in EIM, and they are forecasting an April 2019 go-live date. SRP management received approval from its Board in February to participate in EIM and made its formal announcement in early May. They are currently forecasting "go-live" in spring 2020. Based upon the group's discussions, we have agreed to continue to interact on an informal basis to make sure we are on the same page on EIM issues from a POU perspective. The CAISO also announced in early June that Powerex would be joining the EIM. The POU group is still trying to understand what this means and exactly how they will be participating.

POU Western Markets Initiative

BANC continues to participate in this effort, which is being coordinated by APPA. The last face-to-face meeting was held on July 28 in Sacramento. The group continues to evaluate how best to represent the POUs in the ever-changing power markets in the West.

Market Initiatives:

ADI/FRSG

With the launch of the new BAAL approach, the BANC has suspended participation in ADI as of June 1, 2016. We anticipate that we will be withdrawing from ADI sometime in 2017.

BANC continues to work with the NWPP on a joint effort for meeting the new frequency reserve requirements of NERC BAL-003, which was phased-in late 2016. Implementation results continue to look good.

EIM Participation

The CAISO filed the BANC Implementation Agreement with FERC on 3/24/17. BANC did file at FERC in support of approval of the agreement. FERC issued a letter order on 5/18/17 accepting the CAISO filing for BANC EIM participation.

Utilicast finalized the “gap” analysis on both processes and technologies to identify any additional areas needed for supporting EIM implementation. Results of the “gap” analysis were presented on June 29, 2017. No major areas of concern were identified. Utilicast stated that the BANC/SMUD team is the best prepared for EIM participation of any entity they have evaluated. Utilicast will now be evaluating the processes and organizational structure to support EIM, with a report out due in late September.

BANC and SMUD have met to discuss the initial outline of scope of services for the BANC/SMUD EIM Services Agreement. BBSW is in the process of drafting a formal agreement that we expect to bring to the Commission in the fall of 2017 for approval.

BANC, SMUD, and the other members continue to discuss the issue of internal bilateral trading within the BANC footprint once SMUD participates in EIM in 2019. We have outlined the scope of the problem, have held discussions with the CAISO to better understand the limitations on SMUD in EIM, and are shooting to return to the Commission in 4th Quarter 2017 with some preliminary recommendations on how to proceed.

BANC and TANC continue to hold discussions with the CAISO regarding IBAA relief. As a result of these discussions, the CAISO has initiated evaluating options for BANC/TANC consideration. We will update the Commission when these options are fully defined.

WAPA:

Market Engagement

We are working with WAPA on integrating them in to the EIM implementation discussions. This includes EIM Phase 2 discussions with WAPA, MID, Redding, and Roseville. Based upon these discussions, the group has developed a set of “principles” for a possible Phase 2. In addition, the group has contracted with GridSME for additional evaluation work for a possible Phase 2. GridSME issued its preliminary report in early August. The Phase 2 group is currently reviewing this report. The goal is to have a concept by 3rd Quarter 2017 of how we would like to see Phase 2 proceed. In addition, Redding has requested that a separate task, which would be solely funded by Redding, be initiated with GridSME to evaluate the effort necessary for Redding to become a scheduling coordinator (SC). Based upon discussions with BBSW, we have determined that this task can be initiated under the current delegations to the General Manager. Therefore, I will be initiating a task change order with GridSME for this effort in the near future.

Peak Reliability:

Aliso Canyon

Peak/CAISO/LADWP/SCE have finalized assessments for summer 2017. Public meetings were scheduled to start the process for determining if Aliso Canyon can “restart”. Indications are that public opposition to restart of Aliso Canyon will be strong. At this stage, it is assumed that Aliso Canyon will not be available for use this summer, though there might be a possibility for “emergency” use.

Peak Interest in Overseeing Congestion Management for Western Interconnection

Peak provided more clarification on this concept at the December Board meeting. The focus is on assisting the BAs and TOPs along with Peak in using the new Enhanced Curtailment Calculator (ECC) tool to better manage congestion in the Interconnection. Peak made it clear that they only intended to retain their role from a reliability perspective and **would not** perform economic re-dispatch functions. We continue to work with Peak staff on better defining Peak’s role in congestion management in the future. It is anticipated that an operational advisory group will be formed to assist Peak in determining next steps.

Peak MAC and Board Meetings – September 27-28, 2017

The next face-to-face meetings of the Peak MAC and Board are in late September in Denver, CO.

WECC

Electricity/Natural Gas Reliability Interface

WECC will be initiating its natural gas/electricity interface study later this year. Based upon further discussions with WECC, I have been asked to participate on the executive oversight committee for this effort. The goal is to have the report out in the fall of 2018. WECC narrowed the original nine responses to its RFP for technical support for this effort to a short list of three and has selected a final candidate for negotiating a contract. It is anticipated that this effort will be initiated in September 2017.

WECC MAC, Annual, and Board Meetings – September 12-13, 2017

The WECC next quarterly MAC and Board meetings, which will include the Annual Members Meeting, will be held in San Diego, CA, in mid-September.

CDWR Delta Pumping Load:

BANC is coordinating with SMUD, CDWR, WAPA, and the CAISO regarding how the construction and pumping loads and ancillary services will be provided for this project. We have received informal feedback that CDWR intends to use SMUD for transmission service at the north end of the project and WAPA for the south end, but are still awaiting a formal announcement of their decision.

Strategic Initiatives:

Refer to the 2017 Strategic Initiatives update, which is attached to this report.

Balancing Authority of Northern California

Agenda Item 5B

- 1. 2017-2018 Strategic Plans**

BANC 2017 Strategic Plan - Routine/Ongoing Initiatives - August 2017 Update

No./Priority	Focus Area	Initiative	Responsibility	Target Due Date	Status
1 Medium	INDEPENDENCE	Effectively oversee the BA operations.	Jim Shetler	Ongoing	See monthly Operations, Compliance, & GM Reports
2 Medium		Develop long-term succession plan for General Manager	Jim Shetler/Commission	4th Qtr. 2017	
3 Medium	OUTREACH	Engage in industry forums (WECC, Peak, NWPPA, etc.)	Jim Shetler	Ongoing	Continue attending Peak & WECC Board meetings & NWPP Exec. Forum
4 Medium		Coordinate with other POU BAs (Ca and regionally)	Jim Shetler	Ongoing	Coordinating with SCL, SRP, LADWP, & TID on EIM
5 Medium		Outreach to regulatory and legislative bodies on key issues	Jim Shetler/BBMS	Ongoing	~Attended CREPC/WIRAB meeting 4/12-14/17 ~Attended WECC Reliability Summit 5/2-3/17
6 Medium	ASSETS	Identify and implement efforts to improve BANC member asset optimization & renewable integration	Resource Committee	Ongoing	RFP for consultant help on BANC IRP process issued. Proposals being reviewed.
7 Low	MEMBER SERVICES	Identify and outreach to potential new BANC members	Jim Shetler	Ongoing	Continue follow-on discussions with TID on EIM

BANC 2017 Strategic Plan - Focused Initiatives - August 2017 Update

No./Priority	Focus Area	Initiative	Responsibility	Target Due Date	Status
8 High	INDEPENDENCE	Manage implementation of EIM participation effort	Jim Shetler	No earlier than Spring 2019	~ Developing EIM Services Agreement. ~ Selected Utilicast for EIM PM support. ~ EIM Kick-off meeting with CAISO 4/20/17 ~ Addressing Bilateral trading issue ~ Addressing EIM data sharing issue
9 Medium	OUTREACH	Evaluate opportunities to engage other entities in market development	Jim Shetler	4th Qtr. 2017	
10 Medium	ASSETS	Develop BANC footprint "IRP" focused on VERs firming & renewables.	Resource Committee	4th Qtr. 2017	RFP for support issued. Evaluating proposals for selection of contractor.
11 High	MEMBER SERVICES	Implement PA/PC project to be fully compliant	Jim Shetler/SMUD	Dec-17	~Registered as PC w/ WECC ~Kicked off PC discussions with participants 4/12/17 ~ Study plan finalized ~WECC/NERC approval ~Studies underway

Balancing Authority of Northern California

Agenda Item 5C

- 1. Consider and Possibly Approve Resolution 17-08-16
Authorizing Integrated Resource Planning Consultant Support
and BANC Funding Mechanism.*

**Balancing Authority of Northern California
Resolution 17-08-16**

**AUTHORIZING INTEGRATED RESOURCE PLANNING CONSULTANT SUPPORT
AND BANC FUNDING MECHANISM**

WHEREAS, members of the Balancing Authority of Northern California (“BANC”) are in various stages of developing their Internal Resource Plans to meet the requirements of Senate Bill 350 (Chapter 547, Statutes of 2015); and

WHEREAS, BANC is seeking technical assistance in reviewing the resource planning efforts of its individual members, along with the planning needs of Western Area Power Administration-Sierra Nevada Region; and

WHEREAS, BANC has a goal of providing an integrated overview of how these individual member’s plans might impact the operations and resource needs of the BANC Balancing Authority Area footprint; and

WHEREAS, BANC has selected Navigant Consulting, Inc. (“Navigant”) to assist BANC with this review effort (“Study”).

NOW THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby:

Authorize the General Manager to execute a contract with Navigant to fund the Study in an amount not to exceed \$120,000.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 23rd day of August 2017, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	Greg Salyer				
City of Redding	Dan Beans				
City of Roseville	Michelle Bertolino				
City of Shasta Lake	Gerald Cupp				
SMUD	Arlen Orchard				
TPUD	Paul Hauser				

Greg Salyer
Chair

Attest by: C. Anthony Braun
Secretary

Balancing Authority of Northern California

Agenda Item 5D

- 1. Consider and Possibly Approve Resolution 17-08-15 Approval of BANC Internal Compliance Program Charter.*

Braun Blaising Smith Wynne, P.C.

Attorneys at Law

8/15/17

To: BANC Commission
From: BANC Counsel
RE: Approval of BANC Internal Compliance Program Charter

The Compliance Officer is seeking Commission approval of the revisions made to the Balancing Authority of Northern California (BANC) Internal Compliance Program (ICP) Charter (ICPC), conducted under his direction. The last review and revision, Version 4, occurred in June of 2016.

Background

The BANC ICP is comprised of both policy-level and program-level components. The document before the Commission is the ICPC, which outlines the policy-level component of the ICP. The ICPC provides the overall policy framework for the ICP and therefore requires approval by the Commission.

The ICP implementation details are outlined in separate program-level documents, including the Member Compliance Review Committee (MCRC) Charter, found in Appendix A of the ICPC, the North American Electric Reliability Corporation (NERC) Compliance Monitoring and Enforcement Program Implementation Plan, found in Appendix B of the ICPC, and a detailed compliance program components document, which serves as the manual for the ongoing day-to-day processes and procedures related to implementing and managing the ICP. These program-level working documents, while entirely consistent with ICPC policies, are not separately approved by the Commission.

Summary of ICPC Changes

The ICPC changes were largely precipitated by BANC's expanded role as the NERC-registered Planning Coordinator (PC) for those of its members that executed a PC Participation Agreement with BANC. The current version of the ICPC (i.e., Version 4) only accounts for BANC's registration as a balancing authority. While BANC has already registered as a PC, its compliance liability will not be effective until January 1, 2018. The MCRC Charter has also been revised to address this change. Besides the revisions to reflect BANC's role as the PC for some of its members (see e.g., Sections 3.1 and 3.6), other minor ICPC updates and clean up changes were also made. A copy of the revised MCRC Charter is also being provided for your information.

Conclusion

The ICPC has been reviewed by the MCRC, which includes representatives from each of the BANC member organizations and the Western Area Power Administration – Sierra Nevada Region. All suggested edits and changes were made by BANC staff in response to this review. We are now seeking Commission approval of Version 5 of the ICPC, effective upon approval.

**BALANCING AUTHORITY OF
NORTHERN CALIFORNIA**

Internal Compliance Program Charter

Version 5.0

BANC Members:

Modesto Irrigation District
City of Redding
City of Roseville
City of Shasta Lake
Sacramento Municipal Utility District
Trinity Public Utilities District

Internal Compliance Program Charter

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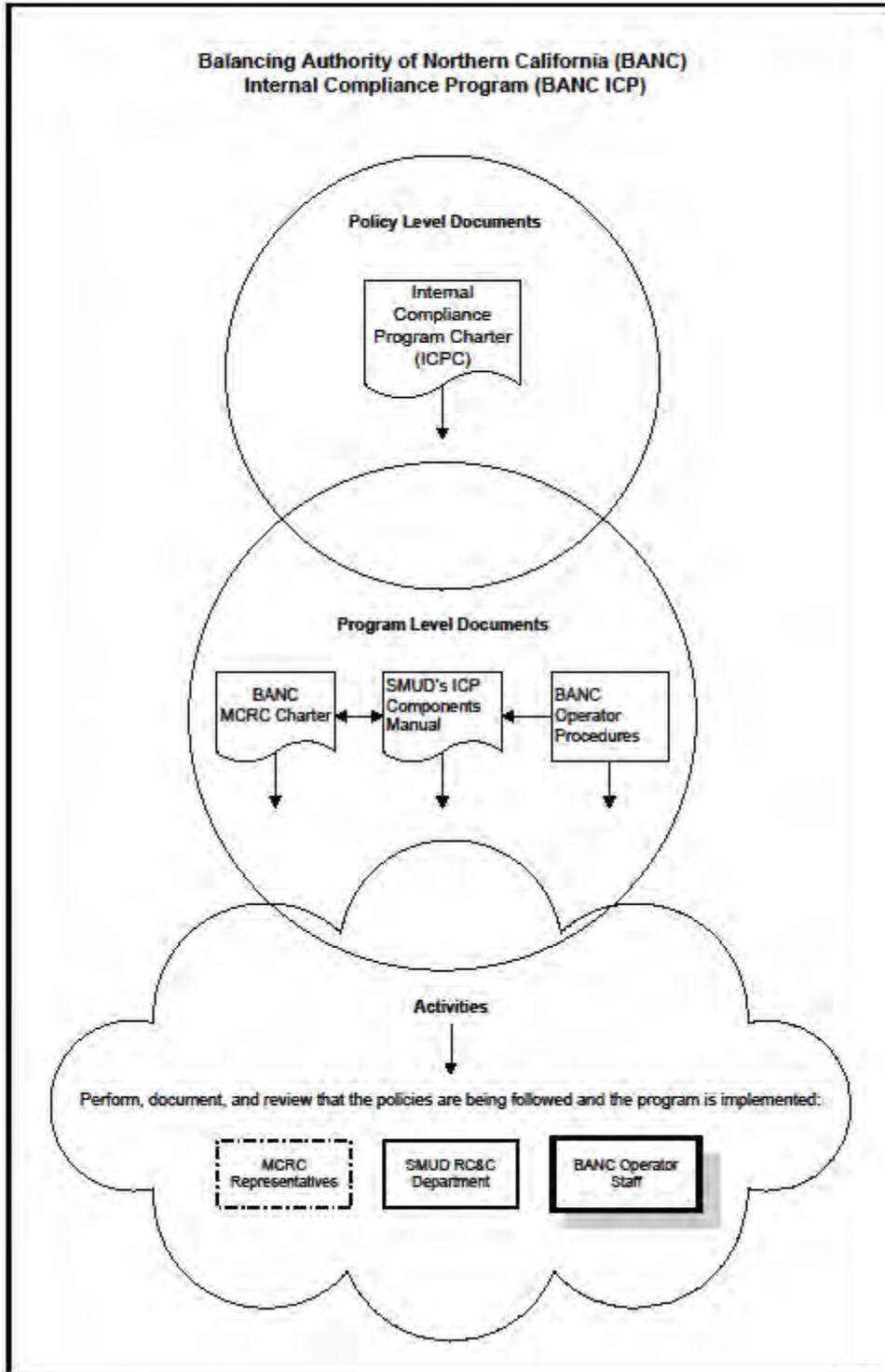
Section 1. Overview

The Balancing Authority of Northern California (BANC) Internal Compliance Program (ICP) is comprised of two components: (1) policy-level; and (2) program-level. This document outlines the first, policy-level component of the ICP, referred to as the “Internal Compliance Program Charter” (ICPC). Developed by the Compliance Officer and approved by the BANC Commission, the ICPC provides the overall policy framework for the ICP. The ICP implementation details are outlined in separate program-level documents, including the BANC Member Compliance Review Committee (MCRC) Charter, found in Appendix A of this document, the North American Electric Reliability Corporation (NERC) Compliance Monitoring and Enforcement Program Implementation Plan (CMEP-IP), found in Appendix B of this ICPC, and a detailed compliance program components document. The ICPC has been reviewed by the MCRC and provided to Compliance Staff and Subject Matter Experts responsible for maintaining compliance with the NERC Reliability Standards requirements and the mandatory Western Electricity Coordinating Council (WECC) Regional Reliability Standards (NERC/WECC collectively, “Reliability Standards”) requirements applicable to the functions for which BANC is registered. Diagram 1, below, shows the general framework of the ICP.

The goal of the ICP is to actively support a culture that continuously promotes and fosters a reliable and efficient Bulk Electric System (BES) by striving for operational excellence, including the incorporation of best-practices, principles, and processes that support Reliability Standards compliance. This ICP establishes the framework for the plans, policies, procedures, systems, roles and responsibilities to monitor, assess, and ensure compliance with all applicable Reliability Standards and associated rules, orders, and regulations.

Compliance is accomplished through committed leadership, clear communication channels, training, individual performance and accountability, and a commitment to continuous improvement through monitoring activities, measuring, reporting, reviewing root causes, prevention, risk assessments, and responding to compliance and reliability issues.

Diagram 1: BANC ICP Framework



The ICP is comprised of six elements:

1. A Commission, comprised of an executive from each BANC Member (Member), which is responsible for directing the program to meet the Reliability Standards applicable to BANC in its capacity as a NERC-registered Balancing Authority (BA) and Planning Coordinator (PC).
2. An independent BANC Compliance Officer (CO), appointed by the Commission and charged with reviewing compliance processes and plans, investigating potential violations of applicable Reliability Standards, self-reporting determined violations of those standards, and directing the overall program goals.
3. A Member Compliance Review Committee (MCRC), comprised of representatives from each BANC member and a participant from the Western Area Power Administration, Sierra Nevada Region, that is responsible for consulting with the Compliance Officer with respect to compliance with applicable Reliability Standards.
4. The BANC Operator, who employs the subject matter experts responsible for meeting, maintaining, and providing the relevant documentation and technical expertise required to demonstrate compliance with all applicable NERC Reliability Standards and who supports the compliance efforts of the CO and the MCRC.
5. BANC Counsel that provides legal support to the ICP.
6. A General Manager who implements the directives of the Commission and supports the ICP.

Section 2. Definitions and Terms

- 2.1 “BA/PC Compliance List” shall mean the list of Reliability Standards applicable to BANC in its capacity as a NERC-registered Balancing Authority and Planning Coordinator.
- 2.2 “Balancing Authority” or “BA” shall be defined by the prevailing FERC-approved definition of the term as published in the [NERC Glossary of Terms](#).
- 2.3 “Balancing Authority Area” or “BAA” shall mean the collection of generation, transmission, and loads within the metered electrical boundaries of the Balancing Authority.
- 2.4 “Balancing Authority Operation Services Agreement” or “Services Agreement” shall mean the Agreement between BANC and SMUD as the “BANC Operator” whereby SMUD shall perform specified services for BANC in accordance with the terms of that Agreement.
- 2.5 “BANC Operator” is the role that shall be filled by the entity contracted as operator of the BANC Balancing Authority Area.

- 2.6 “PC Services Agreement” shall mean the agreement between BANC and SMUD whereby SMUD has agreed to perform specified PC services for BANC in accordance with the terms of that agreement.
- 2.7. “PC Services Provider” shall mean the entity providing PC Services to BANC. SMUD is the contracted PC Services Provider pursuant to the terms set forth in the PC Services Agreement.
- 2.7 “Bulk Electric System” shall be defined by the prevailing FERC-approved definition of the term as published in the NERC Glossary of Terms.
- 2.8 “Commission” shall mean the BANC Commission as established in the Joint Powers Agreement, as that agreement may be amended from time to time.
- 2.9 “Compliance” shall mean the full performance of the duties and obligations necessary to comply with Reliability Standards applicable to BANC.
- 2.10 “Compliance Monitoring and Enforcement Program Implementation Plan” or “CMEP-IP” shall mean the program used by WECC to monitor, assess, and enforce compliance with Reliability Standards for entities within its footprint.
- 2.11 “Compliance Enforcement Authority” shall mean FERC, NERC, WECC, and any other agency, court, organization, or other entity or person duly authorized pursuant to law or regulation to: (a) audit or determine compliance with applicable Reliability Standards; or (b) impose, enforce, excuse, or rescind Penalties or otherwise take action binding on one or more Parties with respect to a finding of failure to comply with a Reliability Standard.
- 2.12 “Compliance Investigation Report” shall mean the report resulting from an Internal Compliance Investigation pursuant to Section 5.3 of this Charter.
- 2.13 “Compliance Officer” or “CO” shall mean the individual appointed by the Commission to establish and direct the implementation of the BANC Compliance Program approved by the Commission.
- 2.14 “FERC” shall mean the Federal Energy Regulatory Commission.
- 2.15 “Internal Compliance Investigation” shall have the meaning described in Section 5.3 of this Charter.
- 2.16 “Internal Compliance Program” or “ICP” shall mean both the policy-level and program-level components, and all implementing actions that are done supporting Compliance.
- 2.17 “Internal Compliance Program Charter” or “ICPC” shall mean the policy-level component of the BANC Internal Compliance Program, approved by the Commission and implemented by the Compliance Officer to ensure Compliance with Reliability Standards applicable to BANC.

2.18 “Joint Powers Agreement” or “JPA” shall mean the Second Amended JPA, effective July 1, 2013, as such agreement may be amended from time to time under its provisions.

2.19 “Member” shall mean a party to the Joint Powers Agreement.

2.20 “NERC” shall mean the North American Electric Reliability Corporation.

2.21 “Planning Coordinator” or “PC” shall be defined by the prevailing FERC-approved definition of the term as published in the NERC Glossary of Terms.

2.22 “Reliability Standards” shall mean those standards that have been approved by FERC under Section 215 of the Federal Power Act.

2.23 “Representative” shall mean a member of MCRC.

2.24 “WECC” shall mean the Western Electricity Coordinating Council.

Section 3. BANC Internal Compliance Program Structure

3.1 BANC

BANC is registered and certified by NERC as a Balancing Authority. BANC is registered for the following NERC Functions:

- BA (Balancing Authority)
- PC (Planning Coordinator)

BANC Members and other NERC functional registrations within the BANC BAA footprint are provided in Appendix C.

3.2 Commission

The Commission will strive to support and promote excellence in all phases of BANC operations. Specifically, it will collaborate with and direct the CO in identifying and resolving issues regarding BANC's system reliability policies, strategies, and priorities. The Commission shall ensure that necessary resources are provided to the BANC Operator to support compliance activities and the ICP. It will promote the highest levels of professionalism among all BANC Members through a strong emphasis on consensus building and responsive decision-making. The Commission shall facilitate communication and exchange of information and coordination among Members on issues that impact electric reliability. It shall meet on compliance matters as required, based on events and conditions. These meetings may be held in conjunction with regular meetings of the Commission.

3.3 Compliance Officer

The Compliance Officer shall report directly to the Commission. The CO shall have the authorized executive responsibility for the approval of the compliance certifications and submittals that are required by BANC. The CO shall conduct Internal Compliance Investigations and determine whether potential violations of Reliability Standards applicable to BANC have occurred. The CO shall ensure that BANC's policies, decisions, and documentation regarding Reliability Standards are appropriate and effective. The CO, in coordination with the MCRC, interacts with the BANC Operator subject matter experts (SMEs) to ensure that the elements of the ICP are being met. The CO shall conduct independent reviews of processes and documentation prepared to demonstrate compliance. Specifically, the CO shall:

- 3.3.1 Assess the BANC Operator's performance with respect to its adherence to Reliability Standards applicable to BANC.
- 3.3.2 Lead compliance investigations and determine compliance with Reliability Standards applicable to BANC.
- 3.3.3 Ensure that the ICP is in place and effective in meeting BANC's reliability obligations.

- 3.3.4 Approve all official compliance documents and certifications on behalf of BANC.
- 3.3.5 Periodically update the Commission on BANC's compliance efforts.
- 3.3.6 Request additional resources from the Commission when necessary to meet compliance obligations.
- 3.3.7 Monitor compliance performance data from the BANC Operator, and recommend appropriate actions or mitigation procedures.
- 3.3.8 Ensure effective processes are in place to develop accurate and timely responses for compliance related requests from FERC, NERC, and WECC.
- 3.3.9 Act as an independent point of contact for the BANC Operator or Members to report potential violations of applicable Reliability Standards.
- 3.3.10 Develop and maintain internal compliance program documents that outline more detailed internal reliability compliance processes.
- 3.3.11 Serve as Chair of the Members Compliance Review Committee.

3.4 Member Compliance Review Committee

Under the direction of the CO, the MCRC will provide input with respect to the following: (1) the development and ongoing improvements to the BANC Compliance Program; (2) ongoing updates to the BA/PC Compliance List; (3) ongoing compliance matters regarding BANC in its capacity as a Balancing Authority and a Planning Coordinator; and (4) the review of notices or actions directed to BANC from a Compliance Enforcement Authority. A more detailed description of the roles and responsibilities of the MCRC is set forth in the "Member Compliance Review Committee Charter," which is provided as Appendix A to this ICPC.

3.5 BANC Operator

The BANC Operator is responsible for managing and generating the critical information to meet compliance requirements and respond to other regulatory obligations at the direction of the CO or the MCRC. The BANC Operator shall employ subject matter experts (SMEs) with the expertise to meet or exceed that which is necessary to ensure Compliance. BANC Operator SMEs shall provide documentation that demonstrates compliance with Reliability Standards applicable to BANC in accordance with specified timelines. In particular, the BANC Operator shall:

- 3.5.1 Promote the exchange of information through development of good practices and effective work processes that assist in achieving safe, reliable, and efficient operation.
- 3.5.2 Recognize the importance of improving or revising existing practices when necessary.
- 3.5.3 Report any potential violations to the CO for further investigation and cooperate with the CO during any such investigation.
- 3.5.4 Identify any resource issues associated with compliance with Reliability Standards applicable to BANC and work with the CO and MCRC to promptly address those concerns to ensure Compliance.
- 3.5.5 Upon request, provide a position, and, if further requested, propose language to the MCRC with respect to applicable Reliability Standards under development.

3.6 BANC Planning Coordinator

SMUD, in its capacity as the PC Services Provider, is responsible for managing and generating the critical information to meet compliance requirements and respond to other regulatory obligations at the direction of the CO or the MCRC. The PC Services Provider shall employ SMEs with the expertise to meet or exceed that which is necessary to ensure Compliance. PC Services Provider SMEs shall provide documentation that demonstrates compliance with Reliability Standards applicable to the BANC PC in accordance with specified timelines. In particular, the PC Services Provider shall:

- 3.6.1 Promote the exchange of information through development of good practices and effective work processes that assist in achieving safe, reliable, and efficient operation.
- 3.6.2 Recognize the importance of improving or revising existing practices when necessary.
- 3.6.3 Report any potential violations to the CO for further investigation and cooperate with the CO during any such investigation.
- 3.6.4 Identify any resource issues associated with compliance with Reliability Standards applicable to the BANC PC and work with the CO and MCRC to promptly address those concerns to ensure Compliance.
- 3.6.5 Upon request, provide a position, and, if further requested, propose language to the MCRC with respect to applicable Reliability Standards under development applicable to a Planning Coordinator.

3.7 BANC Counsel

BANC Counsel shall advise the Commission, Compliance Officer and MCRC on NERC reliability compliance and enforcement matters, regulatory proceedings before the FERC involving the development of NERC standards, and all other issues involving NERC Reliability Standards and compliance as they relate to a Balancing Authority and/or Planning Coordinator. BANC Counsel shall assist with compliance investigations and determinations. BANC Counsel shall coordinate with the Commission, MCRC, and BANC Operator to develop BANC comments on Reliability Standards before the FERC, if so requested.

3.8 General Manager

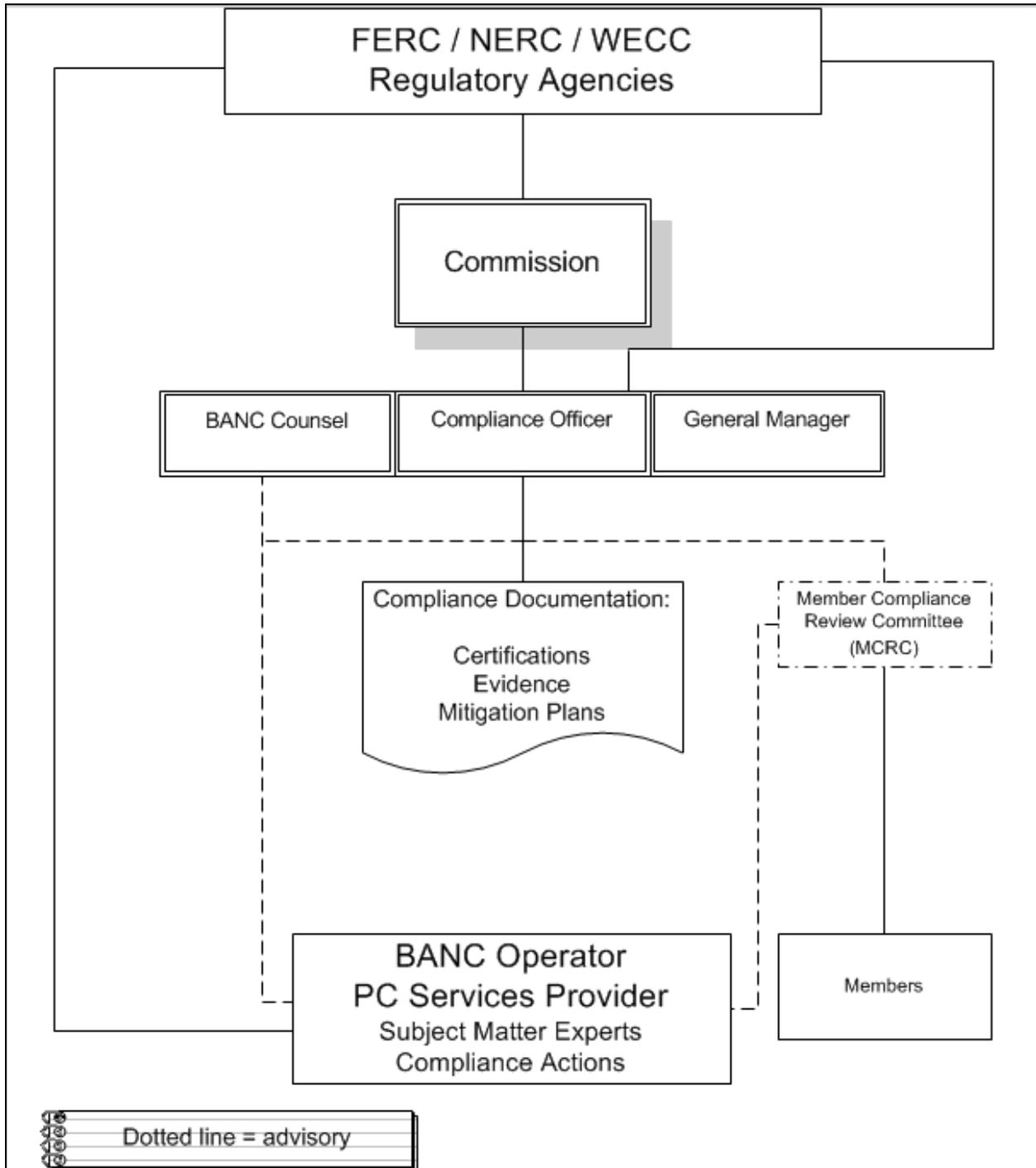
The General Manager is the chief executive officer of BANC. The General Manager is responsible for implementing the directives of the Commission, providing executive support for the ICP and supporting a culture of compliance within the organization.

Section 4. Compliance Reporting Structure

The BANC Compliance Program is organized to ensure that appropriate and effective processes, policies, and practices related to reliability of Balancing Authority and Planning

Coordinator are established and executed. It is structured to keep the execution of work as close to the primary implementers and experts as possible. The relationship of these components is illustrated in Diagram 2.

Diagram 2: Illustration of BANC Compliance Program Relationships



Section 5. Elements of BANC Compliance Program

The ICP promotes coordination, communication, efficiency, and effectiveness to ensure Compliance.

5.1 Operational Independence

The CO, in coordination with the MCRC, will implement the ICP. The CO and the MCRC do not manage or perform line functions or make operational decisions. The BANC Operator and PC Services Provider performs line functions and operational actions in accordance with the Balancing Authority Operation Services Agreement. The PC Services Provider performs PC functions in accordance with the PC Services Agreement. The MCRC reports directly to the CO, who in turn reports directly to the Commission.

The CO shall lead the compliance team consisting of one or more members. The CO compliance staff shall not manage or perform line functions or make operational decisions.

5.2 Compliance Monitoring and Training

The CO, in coordination with the MCRC, shall proactively monitor compliance.

5.2.1 Continuous Self-Assessment and Correction

The CO, in coordination with the MCRC, shall direct assessments of BANC compliance efforts with an emphasis on those Reliability Standards that pose the greatest risks to the reliability of the Bulk Electric System and BANC Balancing Authority Area. The CO shall report the results of these assessments to the Commission in closed session, as directed by BANC Counsel. The assessments shall aim to identify and address reliability risks that may lead to potential violation(s) or increased reliability risks. An example of continuous review may include ensuring that the BANC Operator and/or PC Services Provider completes and documents a rigorous analysis of potentially compliance-related events.

5.2.2 Compliance Communication and Training

The CO, in coordination with the MCRC, shall disseminate to the BANC Operator and PC Services Provider “lessons learned,” compliance application notices, compliance application reports, and other issuances related to BANC’s compliance obligations. The BANC Operator and Planning Coordinator SMEs and staff shall receive annual compliance training, which shall include the process for self-reporting potential violations. The BANC Operator and Planning Coordinator SMEs shall have access to an internal compliance website with a link available to any SME or staff member to report any potential violation of a NERC Reliability Standard.

The CO in coordination with the MCRC shall review the need for a meeting no less frequently than once per quarter. Meetings may be held either in person or via teleconference. During any such meeting, the MCRC shall receive an update on BANC compliance activities. The CO shall keep the MCRC apprised of the status of any potential violations.

The CO shall regularly update the Commission on BANC compliance activities. Such updates shall be held in closed session to the extent that the discussion requires disclosure of critical infrastructure information, personnel matters or information regarding pending or threatened litigation. The determination as to whether all or a portion of the update on other compliance activities should be held in closed session shall be determined by BANC Counsel.

5.3 Internal Compliance Investigations

Upon learning of any circumstance of potential non-compliance, the CO shall first confirm with the BANC Operator and/or PC Services Provider that any ongoing possible reliability risks have been removed and will then commence an investigation to determine whether a potential violation of one or more applicable Reliability Standards occurred. The CO shall consult with BANC Counsel and notify the General Manager and the MCRC regarding items reviewed. Further, the CO may seek review and recommendations from the MCRC on any matter undergoing an Internal Compliance Investigation. The role of the MCRC regarding an Internal Compliance Investigation is set forth in more detail in Section 6 of the MCRC Charter.

Upon conclusion of the investigation, if the CO believes that a potential violation of an applicable Reliability Standard occurred, the CO shall file either a self-report or a self-logged issue¹ with a Compliance Enforcement Authority. If the CO concludes that no violation of an applicable Reliability Standard occurred, the CO shall maintain the final Compliance Investigation Report in BANC's compliance files. Further, the CO may recommend that the BANC Operator or PC Services Provider conduct a review and/or revision of related processes and procedures to ensure that full compliance is reinforced.

5.4 Process for Handling Potential Non-Compliance

The CO may be notified of a potential violation by any of the following eight compliance monitoring methods utilized by a Compliance Enforcement Authority: (1) Audit; (2) Self-Certification; (3) Spot Checks; (4) Periodic Data Submittals; (5) Exception Reporting; (6) Compliance Violation Investigations; (7) Self-Report/Self-Log; and (8) Complaint.

Upon receipt of a notice of potential violation and/or Compliance Exception issued by a Compliance Enforcement Authority, the CO shall notify BANC Counsel and the General Manager. The CO shall ensure that such notice is also provided to the BANC Operator and/or PC Services Provider and the MCRC. The CO shall coordinate with BANC Counsel, the

¹ Following the 2016 NERC Compliance Audit, BANC was awarded self-logging privileges for minor issues that pose minimal risk to the reliability of the BES.

General Manager, the MCRC and the Commission in responding to any notices of potential violation.

The CO shall follow and adhere to all of the processes described in the CMEP-IP regarding the processing of violations. The CMEP-IP is included in Appendix B of this ICPC.

5.5 Review of Internal Compliance Program and Internal Compliance Program Charter

The CO shall conduct an annual audit of the ICP. The CO may request that such an audit be performed by a third-party. A copy of the final annual ICP audit report shall be provided to the Commission. The MCRC shall have an opportunity to review the ICP audit report prior to the report going to the Commission.

Additionally, at any time the CO, the Commission, any MCRC Representative or BANC Counsel may propose any appropriate or necessary changes to ensure the effectiveness of the ICP or the accuracy of this ICPC. Such changes may include incorporating elements proposed by FERC in its policy statements, rules, or orders, or any other guidance proposed by a Compliance Enforcement Authority. The CO shall document the date of any review, as well as any changes made to the ICP or this ICPC. Changes to the ICPC are reflected through a change to its version number.

Review and Approval Process	
Version 5.0 Document	
Prepared by: [signature] _____ James Leigh-Kendall, Compliance Officer	Date _____
Legal Concurrence: [signature] _____ Tony Braun, BANC General Counsel	Date _____
General Manager Concurrence: [signature] _____ James R. Shetler, General Manager	Date _____
Commission Approval: [signature] _____ Chairman, Commission	Date _____

Revision History

Balancing Authority of Northern California Internal Compliance Program			
Version	Issue Date	Approved	Remarks
1.0	March 18, 2011	March 4, 2011	Approved by Commission as to Substance.
2.0	May 16, 2012	May 23, 2012	Approved by Commission as to Substance
3.0	May 23, 2014	May 28, 2014	Approved by Commission as to Substance.
4.0	April 29, 2016	June 22, 2016	Approved by Commission as to Substance
5.0	July 31, 2017		Approved by Commission as to Substance

Appendix A

Member Compliance Review Committee Charter

Appendix B

NERC Compliance Monitoring and Enforcement Program Implementation Plan

Appendix C

General Structure and NERC Functional Registrations within the BANC Balancing Authority Area Footprint

Figure 1 (General BANC BA/PC Structure)

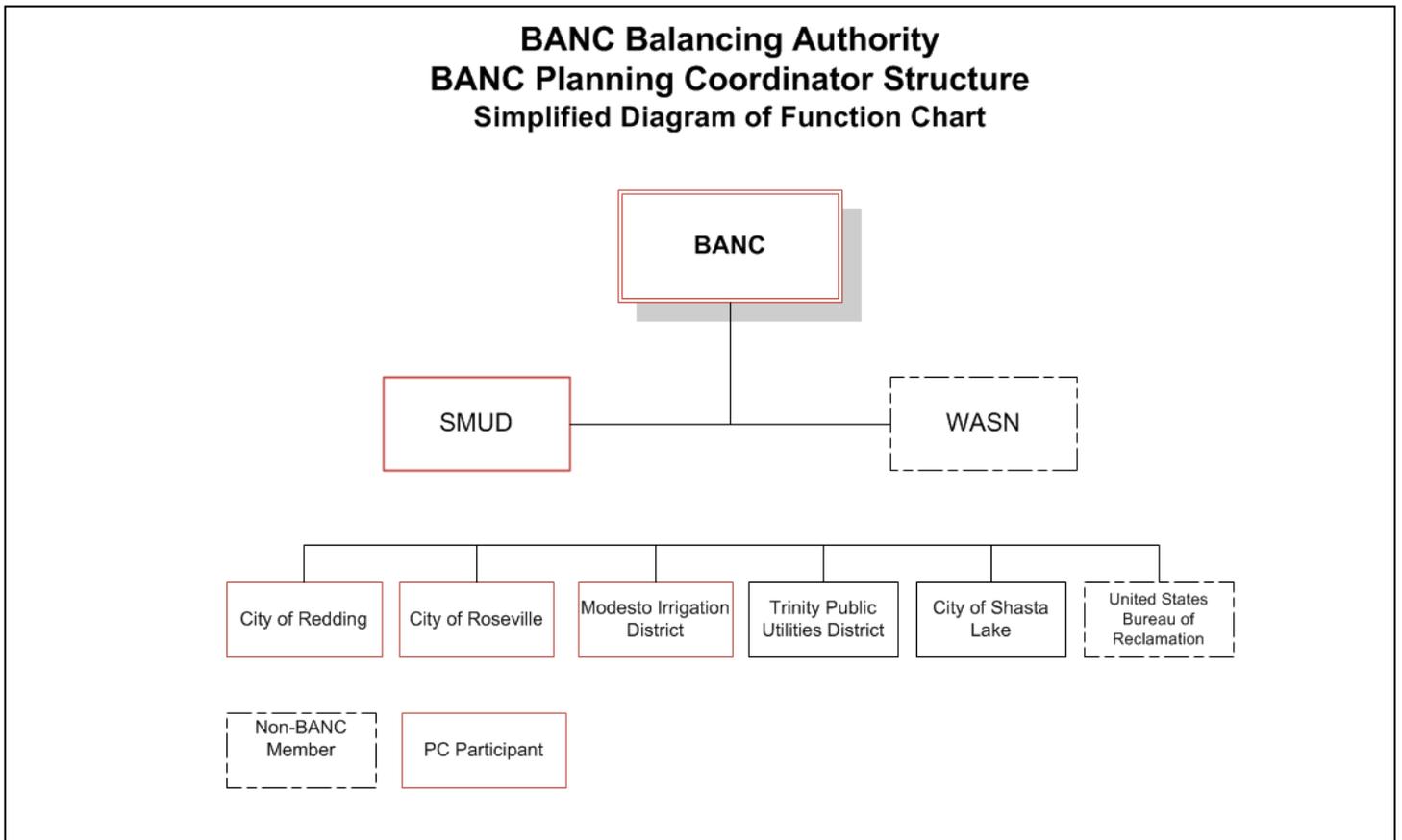


Figure 2 (NERC Functional Registrations within the BANC BA)

	BANC	SMUD	Western	Western - Merchant	City of Redding	City of Roseville	Modesto Irrigation District	Bureau of Reclamation	City of Shasta Lake	Trinity Public Utilities District
BANC Member	X	X			X	X	X		X	X
BANC PC Participant	X	X			X	X	X			
Western SBA Member					X	X	X	X	X	X
Functional Entity										
BA	X									
TO		X	X				X	X		
TOP		X	X				X			
TP		X	X				X			
TSP		X	X							
PC	X		X							
IA										
RP		X		X	X	X	X			
GO		X			X		X	X		
GOP		X			X		X	X		
DP		X			X	X	X			

(Note: Western Area Power Administration, Sierra Nevada Region (Western) operates under the BANC BA as a sub-Balancing Authority (SBA), and many utilities operate under the Western SBA. However, not all utilities are members of BANC. The table above shows the utilities, their operational relationship, BANC membership and functional registration.)

Balancing Authority of Northern California

Appendix A to the BANC Internal Compliance Program Charter

Member Compliance Review Committee Charter

Version 5.0

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Introduction

Pursuant to Section 6.2 of the Balancing Authority Operation Services Agreement between the Balancing Authority of Northern California (“BANC”) and the Sacramento Municipal Utility District, dated November 18, 2010, the BANC Commission authorized the Compliance Officer to form the Member Compliance Review Committee (“MCRC”), which serves in an advisory role to the Compliance Officer. This BANC MCRC Charter (“Charter”) sets forth the general roles and responsibilities of the MCRC, consistent with this authorization.

General Statement of Purpose of MCRC

MCRC will consult with the BANC Compliance Officer with respect to: (1) the development and ongoing improvements to the BANC Internal Compliance Program (“ICP”); (2) ongoing updates to the list of Reliability Standards applicable to the BANC in its capacity as a NERC-registered Balancing Authority (“BA”) and Planning Coordinator (“PC”) (“BA/PC Compliance List”); (3) ongoing compliance matters regarding the BANC Balancing Authority and Planning Coordinator functions; and (4) the review of notices or actions directed to the BANC from the Compliance Enforcement Authority.

Section 1. Definitions and Terms

1.1 “BA/PC Compliance List” shall mean the list of Reliability Standards applicable to BANC in its capacity as a NERC-registered Balancing Authority and Planning Coordinator, updated and maintained by the Compliance Officer.

1.2 “Balancing Authority Operation Services Agreement” or “BOSA” shall mean the Agreement between the BANC and SMUD as the BANC Operator whereby SMUD shall perform specified BA services for the BANC in accordance with the terms of that Agreement.

1.3 “BANC Member Agreement” or “Member Agreement” shall mean the Agreement between the Balancing Authority of Northern California and its participating members that sets forth the roles, obligations, and responsibilities of the Parties to one another with regard to the operation of the Balancing Authority.

1.4 “BANC Operator” is the role that shall be filled by the entity contracted as the as operator of the BANC Balancing Authority Area.

1.5 “PC Services Agreement” shall mean the agreement between BANC and SMUD whereby SMUD has agreed to perform specified PC services for BANC in accordance with the terms of that agreement.

1.6 “PC Services Provider” shall mean the entity providing PC Services to BANC. SMUD is the contracted PC Services Provider pursuant to the terms set forth in the PC Services Agreement.

1.7 “Bulk Electric System” shall be defined by the prevailing FERC-approved definition of the term as published in the NERC Glossary of Terms¹.

1.8 “Compliance Enforcement Authority” shall mean FERC, NERC, WECC, and any other agency, court, organization, or other entity or person duly authorized pursuant to law or regulation to: (a) audit or determine compliance with applicable Reliability Standards; or (b) impose, enforce, excuse, or rescind Penalties or otherwise take action binding on one or more Parties with respect to a finding of failure to comply with a Reliability Standard.

1.9 “Compliance Investigation Report” shall mean the report resulting from an Internal Compliance Investigation pursuant to Section 5.3 of the BANC Compliance Program.

1.10 “Compliance Monitoring and Enforcement Program” or “CMEP” shall mean the program developed under Section 215 of the Federal Power Act to establish and enforce Reliability Standards for the Bulk Electric System, subject to review by FERC.

1.11 “Compliance Officer” or “CO” shall mean the individual appointed by the Commission to establish and direct the implementation of the BANC Compliance Program approved by the Commission.

1.12 "Confidential Information" shall mean: (a) all written materials marked "Confidential," "Proprietary," or with words of similar import provided to the Representative by another Representative, the CO, the BANC Operator, the PC Services Provider, or a Member; and (b) all observations of equipment (including computer screens) and oral disclosures related to a Representative's, the BANC Operator's, the PC Services Provider's, or Member's systems, operations, or activities that are indicated as such at the time of observation or disclosure (or is identified as "confidential" or "proprietary" in a letter sent to the Representative, MCRC or the Compliance Officer no later than five (5) calendar days after the disclosure), respectively. Confidential Information includes portions of documents, records, and other material forms or representations that the Representative(s), the CO, the BANC Operator, the PC Services Provider, or Member(s) may create, including but not limited to, handwritten notes or summaries that contain or are derived from such Confidential Information.

1.13 “FERC” shall mean the Federal Energy Regulatory Commission.

¹ http://www.nerc.com/pa/stand/glossary%20of%20terms/glossary_of_terms.pdf

- 1.14 “Identified Member” shall mean any entity that is a member of the MCRC (inclusive of the Western Area Power Administration, Sierra Nevada Region) and identified in an incident subject to an Internal Compliance Investigation.
- 1.15 “Internal Compliance Investigation” shall have the meaning described in Section 5.3 of the BANC Compliance Program.
- 1.16 “Internal Compliance Program” or “ICP” shall mean both the policy-level and program-level components, and all implementing actions that are done supporting Compliance.
- 1.17 “Internal Compliance Program Charter” or “ICPC” shall mean the policy-level component of the BANC Internal Compliance Program, approved by the Commission and implemented by the Compliance Officer to ensure compliance with NERC Reliability Standards applicable to BANC. The BANC ICPC is the governing document for the BANC Internal Compliance Program, and the Member Compliance Review Committee (“MCRC”) is a functional component of that program. MCRC roles and responsibilities are defined in the MCRC Charter, included herein as Appendix A.
- 1.18 “Member” shall mean a party to the BANC Joint Powers Agreement.
- 1.19 “NERC” shall mean the North American Electric Reliability Corporation.
- 1.20 “Planning Coordinator” or “PC” shall be defined by the prevailing FERC-approved definition of the term as published in the NERC Glossary of Terms.
- 1.21 “Reliability Standard” shall mean those NERC/WECC Reliability Standards that have been approved by FERC under Section 215 of the Federal Power Act.
- 1.22 “Representative” shall mean a member of MCRC.
- 1.23 “Segment” shall have the meaning and include the qualifications set forth in Appendix 3D [Registered Ballot Body Criteria — Development of the Registered Ballot Body]² of the NERC Rules of Procedure, as that procedure may be periodically updated by NERC and approved by FERC.
- 1.24 “WECC” shall mean the Western Electricity Coordinating Council or its successor which, among other things is the Regional Entity charged with enforcing NERC Reliability Standards in the western United States.

²http://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/Appendix_3D_BallotBodyCriteria_20140701_updated_20131004.pdf

Section 2. Functions

2.1 General Forum. MCRC provides a general forum for members to discuss matters relating to Reliability Standards compliance matters applicable to the BANC in its capacity as a NERC-registered Balancing Authority and Planning Coordinator. MCRC assists the CO in the implementation of the ICP, the development of BANC's positions on proposed Reliability Standards and all matters of compliance regulation affecting BANC, as directed by the CO.

2.2 Consultation. MCRC consults with the CO with respect to:

2.2.1 Development and Ongoing Improvements to the ICP. Upon request by the CO, MCRC will review specific elements of the ICP and provide its recommendations to the CO.

2.2.2 Development and Ongoing Improvements to the ICPC. Upon request by the CO, MCRC will conduct periodic reviews of the ICPC and provide its recommendations to the CO. MCRC will have the opportunity to review and make recommendations on all proposed changes to the ICPC.

2.2.3 Ongoing Updates to the BA/PC Compliance List. Each quarter, or at the direction of the CO, an updated list of current and near-term future enforceable NERC Reliability Standards that are applicable to the BA and PC functions shall be provided to MCRC members for their review, use, and reference.

2.2.4 Ongoing BANC Compliance Matters. The CO will apprise MCRC regarding any compliance matters directed towards the Balancing Authority and/or Planning Coordinator, and MCRC will provide the CO with its input on such matters in accordance with Section 6 of this Charter.

2.2.5 Review of Notices or Actions Directed to BANC. At the direction of the CO, MCRC will review any notices or actions directed to BANC from a Compliance Enforcement Authority, including actions resulting from the CMEP that include all regulatory authority approved Reliability Standards being subject to any of the eight compliance monitoring methods, as those compliance monitoring methods may be modified or amended from time-to-time: (1) Audit; (2) Self-Certifications; (3) Spot Checks; (4) Compliance Violation Investigations; (5) Self-Report/Self-Logging; (6) Periodic Data Submittals; (7) Exception Reporting; and (8) Complaint.

Section 3. Membership

3.1 Selection. Each Member shall have one Representative serve on the MCRC. Each Member may select one alternate Representative meeting the requirements of Section 3.2 to serve in the primary Representative's absence.

3.1.1 Western Area Power Administration - Sierra Nevada Region (“WASN”) may have a non-voting Representative.

3.2 Qualifications. MCRC is a technical committee and requires competency to review materials prepared by subject matter experts regarding electric utility Balancing Authority operations, Planning Coordinator activities, and/or Reliability Standards compliance matters. The CO may interview the Representatives put forward by the Members. In the event that the CO believes that a particular Representative advanced by a Member is unqualified and the Member has a more qualified candidate to be the Member Representative, the CO shall raise (either verbally or in writing) his or her concerns directly with the appropriate member of the Commission.

3.3 Expectations of Representatives. Each Representative is expected to:

3.3.1 Be or become competent to review materials prepared by subject matter experts for the MCRC’s use in preparing or reviewing compliance-related responses.

3.3.2 Attend and participate in all MCRC meetings.

3.3.3 Provide input that looks beyond the individual Member’s interests and attempts to advocate and advise in the best interest of BANC.

3.3.4 Complete any assignment or review requested by the CO in a timely and professional manner.

3.3.5 Remain apprised of developments regarding Reliability Standards applicable to BANC as those Reliability Standards are brought to the attention of MCRC.

3.4 Expectations of the Compliance Officer. The CO shall also serve as the official contact to and from MCRC Representatives for the purpose of gathering and disseminating BANC compliance-related information. With Respect to the MCRC, the CO is expected to:

3.4.1 Attend and participate in all MCRC meetings.

3.4.2 Consult with the MCRC Representatives on all required compliance related matters (per Section 6.2 of the BOSA).

3.4.3 Make recommendations that are in the best interest of BANC. In making these recommendations, the CO shall consider individual Members’ concerns and interests after consulting with the MCRC.

3.4.4 Investigate and report to WECC and to the MCRC any potential violation of a Reliability Standard as required in Section 7.3 of the Member Agreement.

3.4.5 Convene a meeting of the MCRC upon receipt of a written notice of an alleged violation as required in Section 7.4 of the Member Agreement.

3.4.6 Notify the MCRC of any scheduled compliance audit as required in Section 7.5 of the Member Agreement.

3.4.7 Develop and maintain a BA/PC Compliance List in consultation with MCRC as required in Section 6.3 of the BOSA.

3.5 Term. Each Representative serves at the will of the appointing Member, or, in the case of WASN, at the discretion of its internal selection process.

Section 4. Meetings

4.1 Formal Actions. MCRC serves in a consultative role to the Compliance Officer. From time-to-time MCRC may desire, or be asked by the CO, to adopt a formal position or decision while serving in this capacity. Any formal action taken by the MCRC shall require the affirmative vote of a majority of the Member Representatives (thus, the determination of a majority does not include the CO, the BANC Operator, or the PC Services Provider). Positions and/or decisions from the MCRC adopted pursuant to this Section 4.1 are not binding upon the CO, however, should the CO take action contrary to an adopted position and/or decision of the MCRC, the CO will follow the process described in Section 6.3.

4.2 Voting. Each Member Representative shall have one vote.

4.3 WASN. WASN may serve as a non-voting Representative at all MCRC meetings. Should WASN become a voting member on the Commission, its Representative will become eligible to vote on MCRC matters.

4.4 BANC Counsel will provide legal support to the CO and MCRC.

4.5 The BANC Operator and/or the PC Services Provider shall attend meetings and provide updates as to relevant performance when requested by the CO.

4.6 The General Manager will provide executive support to the CO and MCRC.

4.7 Teleconferencing may be used for all purposes in connection with any meeting. Voting Representatives attending a meeting by teleconference shall be included in the calculation of a quorum. All votes taken during a teleconferenced meeting shall be by roll call.

Section 5. Officers

5.1 Chairman. The CO shall be the chairman of MCRC meetings.

5.2 Vice Chair. The Representatives may select from among themselves a Vice Chair who shall work to direct any work product or other tasks assigned to Representatives. The Vice Chair shall also be responsible for communicating to the CO, MCRC's adopted formal position on a newly proposed Reliability Standard and/or modifications to an existing Reliability Standard, as set forth in Section 6.4 below.

5.3 Secretary. The Representatives may select a Secretary to record minutes of MCRC meetings, provide meeting notices, and address other administrative matters as directed by the Chairman. In the absence of the specific selection of a Secretary, the Chairman will ensure that meeting minutes, notices and other administrative matters required to support MCRC are provided.

5.4 Term. Except for the Chairman, Officers shall serve at the pleasure of the MCRC.

Section 6. Reports, Recommendations and Segment Voting

6.1 Reports. At the direction of the CO, MCRC will develop reports from time-to-time regarding specific compliance matters. Except any reports provided directly to the Commission pursuant to Section 8, all reports are directed to the CO and are to be treated as Confidential Information in accordance with Section 10. The BANC Operator and/or PC Services Provider shall provide assistance to MCRC in the development of any reports as requested by the CO.

6.2 Recommendations of MCRC to the Compliance Officer.

6.2.1 General Recommendations of MCRC. The CO will file a self-report with WECC for any violation of a NERC Reliability Standard. During the investigation of events or other reviews, except as provided in Section 6.2.1.1, the CO may seek a recommendation from MCRC regarding a specific compliance matter, including, but not limited to whether to self-report to a Compliance Enforcement Authority the potential violation of an applicable Reliability Standard. Such matters include MCRC review of draft Compliance Investigation Reports, subject to the process further described in Section 6.2.1.1, resulting from an Internal Compliance Investigation by the CO. Recommendations may require voting in accordance with Section 4 of this Charter and such recommendations may be given verbally or, if requested by the CO, in writing. Recommendations are not binding on the CO; however, they should be afforded proper deference.

6.2.1.1 Identified Member(s) Initial Review of Draft Compliance Investigation Report. An Identified Member or Identified Members shall

be afforded an opportunity to review and comment on the draft Compliance Investigation Report prior to its distribution to the full MCRC in accordance with the following:

6.2.1.1 Identified Member(s) shall be afforded an opportunity to review the *initial* draft Compliance Investigation Report prior to its distribution to the full MCRC.

6.2.1.2 A reasonable time for review shall be provided to the Identified Member(s) to review the *initial* draft Compliance Investigation Report.

6.2.1.3 The CO shall address the Identified Member's (or Members') comments and create a *revised* draft for review by the entire MCRC.

6.2.1.4 The CO shall distribute the *revised* draft Compliance Investigation Report and Identified Member comments to the entire MCRC.

6.2.1.5 A final decision as to the content of the Report, although subject to Identified Member's (or Members') review, resides with the CO.

6.2.2 All exchanges of Compliance Investigation Reports under this Section 6.2 shall be through BANC Counsel.

6.3 CO Actions Contrary to the Position or Decision of the MCRC. If the CO takes any action contrary to a position and/or decision of the MCRC adopted pursuant to Section 4.1, the CO shall provide a report to the Commission providing the details of the discussions with the MCRC on the subject, the details of the CO's action, and rationale for such action. A copy of such report shall be provided to the MCRC Representatives.

6.4 MCRC Segment Voting in NERC Reliability Standard Development Process. BANC will join the appropriate NERC Registered Ballot Body and self-select the segment(s) for which BANC qualifies. At the direction of the CO, the MCRC may be required to determine its position specific to a newly proposed Reliability Standard and/or modifications to an existing Reliability Standard. MCRC's formal position shall be adopted by consensus, or, if requested by a Representative, a vote of the Representatives pursuant to Section 4.1. It shall be the responsibility of the CO to ensure BANC's position, as communicated to the CO by MCRC, is properly registered with NERC.

Section 7. Interaction with BANC Operator and PC Services Provider

7.1 **Advisory Role.** The BANC Operator and PC Services Provider serve in an advisory role to review or make recommendations on materials prepared by the MCRC for proposed compliance actions. The BANC Operator's and PC Services Provider's subject matter experts should help to develop and expand the knowledge base of the MCRC by maintaining and providing the base documentation and technical expertise required to demonstrate compliance and respond to other regulatory obligations at the direction of the CO. This may further include offering recommendations upon request regarding various matters, including, but not limited to, the MCRC's responses to the CMEP's eight compliance monitoring methods listed in Section 2.2.5, the adoption of a position as to a revision to an existing Reliability Standard, the adoption of a new Reliability Standard, or modifications to the BANC Compliance Program.

7.2 **MCRC Contact with BANC Operator and PC Services Provider.** It is expected that the primary interaction between Representatives and the BANC Operator and PC Services Provider will occur at MCRC meetings³. Questions or concerns from Representatives outside of an approved process or inquiry shall be directed to the CO. In the case of inquiries providing evidence or in reviewing or developing reports agreed upon by the CO and the MCRC, the BANC Operator and/or PC Services Provider shall use reasonable efforts to respond to the CO in a timely manner.

Section 8. Interaction with Commission

Unless specifically requested by the CO or the Commission, MCRC shall not provide direct reports to the Commission. If so requested, the Vice Chair or his or her designee shall make such a report. However, an individual Representative may consult with his or her internal legal counsel or Commission member.

Section 9. External Communications

Representatives shall abide and are bound by all of the Confidentiality provisions of this Charter and shall not provide or disseminate any Confidential Information obtained through participation on MCRC. Further, Representatives shall not initiate or respond to requests for information from third parties, including but not limited to a Compliance Enforcement Authority or media outlets unless otherwise directed by the Commission or the CO.

Section 10. Confidentiality

10.1 **Confidentiality.** Representatives recognize that for the purposes of performing their role on the MCRC, which may include advising the CO as to how BANC should

³ The PC Services Provider also interacts with participating BANC PC member representatives through a separate working committee to address their respective functional obligations.

respond to any report or notice of potential violation of a Reliability Standard, Representatives may receive information from Members, the BANC Operator, the PC Services Provider, and/or the CO that has been marked as Confidential Information. Representatives agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, unless directed, in writing, by the CO or the Commission. Any requests for the disclosure of Confidential Information made to MCRC or an individual Representative shall be directed to the CO. Any questions relating to Confidentiality as applied to MCRC shall be directed to BANC Counsel. Consultation with the Representative's internal counsel or Commission member is not a violation of Confidentiality.

10.2 Survival of Obligation. Obligations regarding Confidentiality shall continue after a Representative ends his or her role on MCRC.

VERSION	DATE
1.0	02-21-2011
2.0	10-27-2011
3.0	04-25-2012
4.0	05-23-2014
5.0	07-31-2017

**Balancing Authority of Northern California
Resolution 17-08-15**

Approval of BANC Internal Compliance Program Charter

WHEREAS, the Balancing Authority of Northern California (“BANC”) maintains an Internal Compliance Program (“ICP”) to ensure compliance with North American Electric Reliability Corporation (“NERC”) Reliability Standards (“Standards”);

WHEREAS, the Commission has adopted the BANC ICP Charter (“ICPC”) to establish its policies relating to the ICP;

WHEREAS, the Compliance Officer, in consultation with the Member Compliance Review Committee (“MCRC”), periodically reviews and proposes revisions to the ICPC to ensure the ICP is aligned with changes and/or revisions to Standards and/or changes in BANC’s obligations thereto;

WHEREAS, the Compliance Officer has proposed revisions to the ICPC, referred to as ICPC Version 5, primarily to address BANC’s expanded role as the NERC-registered Planning Coordinator;

WHEREAS, the MCRC has reviewed and has concurred with the proposed ICPC revisions; and

NOW, THEREFORE, BE IT RESOLVED that the Commissioners of the Balancing Authority of Northern California hereby acknowledge and approve the ICPC.

PASSED AND ADOPTED by the Commissioners of the Balancing Authority of Northern California this 23rd day of August 2017, by the following vote:

		Aye	No	Abstain	Absent
Modesto ID	Greg Salyer				
City of Redding	Dan Beans				
City of Roseville	Michelle Bertolino				
City of Shasta Lake	Gerald Cupp				
SMUD	Arlen Orchard				
TPUD	Paul Hauser				

Greg Salyer
Chair

Attest by: C. Anthony Braun
Secretary