

# IMPLEMENTATION OF FERC STANDARDS OF CONDUCT

## 1.0 PURPOSE

These Procedures are submitted by CED Rock Springs, Inc. (“CEDRS”) in compliance with 18 C.F.R. Part 37, requiring transmission providers to issue procedures to implement the Standards of Conduct set forth in the Commission’s Final Rule on Open Access Same-Time Information System, FERC Statutes and Regulations ¶ 31,035 (“Order 889”), issued by FERC on April 24, 1996, as amended thereafter by Order No. 889A. A copy of the Standards of Conduct is attached hereto as Attachment A, and is incorporated herein by reference.

Consistent with Order No. 889 and the Standards of Conduct themselves, these Procedures are intended to identify and memorialize the steps that CEDRS has taken or will take to safeguard against the possibility that it, as an owner of transmission facilities, would give itself or its affiliates any undue preference over non-affiliated transmission customers. Such undue preference would exist where the wholesale merchant function of CEDRS, or of any of its affiliates, obtained access to information not equally available to other transmission customers about the transmission facilities constructed to interconnect the Rock Springs Generation Facility (the “Rock Springs Transmission Facilities”) or the electric transmission system of PJM. These Procedures safeguard against such undue preferences by ensuring that the same CEDRS employees do not engage in both wholesale merchant functions and transmission system operations and reliability functions; and that any CEDRS employees engaged in transmission system operations and reliability functions do not disclose to employees of CEDRS or its affiliates engaged in wholesale merchant functions non-public information about the Rock Springs Transmission Facilities or the electric transmission system of PJM.

## 2.0 TERMS AND DEFINITIONS

The following definitions supplement those contained in 18 C.F.R. § 37.3:

- 2.1 **Agent Operator** shall mean the operation and maintenance services contractor for the Rock Springs Generation Facility.
- 2.2 **CED** shall specifically refer to Consolidated Edison Development, Inc.
- 2.3 **CEDRS** shall specifically refer to CED Rock Springs, Inc., a wholly owned subsidiary of CED and individual owner of Units 3 and 4 of the Rock Springs Generation Facility, and joint owner with RSG of certain real estate, common facilities of the Rock Springs Generation Facility and of the Rock Springs Transmission Facilities.
- 2.4 **Generation Station Employees** are the employees of Agent Operator performing generation plant operations for either CEDRS or RSG and who are separate from any employees of CEDRS or its affiliates engaged in wholesale power marketing. Generation Station Employees are not performing or engaging in wholesale merchant functions within the meaning of the Standards of Conduct. Generation Station Employees will also

operate the transmission related controls of the Rock Springs Transmission Facilities pursuant to the applicable rules and directions of PJM.

- 2.5 **OASIS or Open Access Same-Time Information System**, as used herein shall specifically refer to the real-time information network and bulletin-board maintained by PJM OI for the processing of transmission service requests under the PJM Tariff and communication of transmission information to transmission users.
- 2.6 **OATT or Open Access Transmission Tariff** shall specifically refer to the PJM Tariff.
- 2.7 **PJM** shall mean the Pennsylvania-New Jersey-Maryland Interconnection.
- 2.8 **PJM Control Area** shall mean that certain Control Area encompassing systems in Pennsylvania, New Jersey, Maryland, Delaware and the District of Columbia and which is recognized by the North American Electric Reliability Council as the “PJM Control Area.”
- 2.9 **PJM OI** shall mean the PJM Office of Interconnection, the system operator for the PJM Control Area.
- 2.10 **PJM System** shall mean the transmission facilities located in the Mid-Atlantic Region that are controlled by the PJM OI.
- 2.11 **PJM Tariff** shall mean the PJM Open Access Transmission Tariff on file with the FERC and which sets forth the rates, terms and conditions of transmission service over transmission facilities located in the PJM Control Area.
- 2.12 **Regional Transmission Owner** shall mean any one of the public utilities in PJM owning transmission facilities included within the set of regional transmission facilities covered by the PJM Tariff.
- 2.13 **Rock Springs Generation Facility** shall specifically refer to that certain generation facility located in Rock Springs, Maryland.
- 2.14 **Rock Springs Transmission Facilities** shall specifically refer to the 900 foot-long 500-kV transmission lines constructed to interconnect the Rock Springs Generation Facility to the PJM System.
- 2.15 **RSG** shall specifically mean Rock Springs Generation, LLC, individual owner of Units 1 and 2 of the Rock Springs Generation Facility, and joint owner of certain real estate, common facilities of the Rock Springs Generation Facility and of the Rock Springs Transmission Facilities.
- 2.16 **Standards of Conduct** shall mean those regulations promulgated by the FERC at 18 C.F.R. § 37.4.
- 2.17 **Transmission Customers** shall refer to customers taking service under the PJM Tariff and as defined under Section 37.3(b) of the Commission’s regulations.

**2.18 Wholesale Merchant Function** as defined in the Standards of Conduct means the sale for resale, or, purchase for resale, of electric energy in interstate commerce. The term “wholesale merchant function” as utilized in this document is interpreted to have this same meaning.

### **3.0 SCOPE OF PROCEDURES**

**3.1 Employees Affected** – The CEDRS employees directly affected by the Standards of Conduct codified at 18 CFR Part 37 are: (a) employees of CEDRS or its affiliates that perform a wholesale merchant function; and (b) employees of CEDRS that perform transmission system operations and reliability functions. In addition, any employee of CEDRS or any Generating Station Employees that come into possession of non-public information concerning the rates, terms and availability of transmission service, including any information concerning transmission facility outages, is bound by the Standards of Conduct not to disclose that information to wholesale merchant function employees of CEDRS or its affiliates.

**3.2 Transmission Information** – The scope of these procedures extends to any non-public transmission information, including information about available transmission capability, price, curtailments, ancillary services, and the like, available to the CEDRS transmission function that concerns the Rock Springs Transmission Facilities, those of the other Regional Transmission Owners or any other transmission system.

**3.3 Market Information** – These procedures also extend to non-public market information that CEDRS, acting in its capacity as a Regional Transmission Owner under the PJM Tariff, might obtain in such capacity.

### **4.0 RESPONSIBILITIES**

**4.1 Designation of Compliance Officers** – CEDRS shall appoint a person who will serve as the CEDRS Compliance officer with respect to the implementation and enforcement of this Procedure. The CEDRS Compliance Officer shall be responsible for the coordination of all compliance activity under this Procedure. The CEDRS Compliance Officer may designate additional Compliance Officers as it deems necessary to implement and enforce this Procedure. Each Designated Compliance Officer shall in turn designate one or more persons who shall execute his or her responsibilities under this Procedure in his or her absence.

**4.2 Deputy Compliance Officers** – CEDRS shall designate a person to informally investigate any violation of any Standard of Conduct (hereinafter “Deputy Compliance Officer”) and may designate additional Deputy Compliance Officers as it deems necessary to implement and enforce this Procedure. Each Deputy Compliance Officer shall in turn designate one or more persons who shall execute his or her responsibilities under this Procedure in his or her absence. All Deputy Compliance Officers shall have a dotted line reporting relationship to the CEDRS Compliance Officer.

**4.2.1** The Deputy Compliance Officers shall maintain up to date lists of all members of the Compliance Group, as defined in Section 5.6.1.

4.2.2 The Deputy Compliance Officers shall be responsible for making sure this Procedure remains adequate.

4.2.3 The Deputy Compliance Officers shall be responsible for ensuring that appropriate records are maintained as described in Section

## 5.0 **PROCEDURE**

### 5.1 **Separation of Functions and Physical Access**

5.1.1 **Separation of Functions** – All employees of CEDRS and its affiliates engaged in wholesale merchant functions are prohibited from engaging in transmission operations on the Rock Springs Transmission Facilities.

5.1.2 **No Preferential Physical Access** – Employees of CEDRS or its affiliates engaged in wholesale merchant functions will not have preferential access over that of other Transmission Customers to CEDRS' Rock Springs Generation Facility transmission control room or similar facilities used for transmission operations or reliability functions at the Rock Springs Generation Facility.

5.1.3 **Escorted Access** – CEDRS shall permit Transmission Customers, on a pre-scheduled basis, to visit its Rock Springs Generation Facility transmission control room for general orientation purposes so long as the Transmission Customers are escorted by authorized CEDRS personnel at all times.

5.1.4 **Restrictions on Physical Access for Affiliated Wholesale Marketers or Wholesale Merchant Function** -- CEDRS' transmission control room at the Rock Springs Generation Facility is separate from the generation control room and such transmission control room is equipped with an access security system. Employees of CEDRS or its affiliates engaged in wholesale merchant functions will be prohibited from (a) having access to the transmission control room and (b) visiting the transmission control room other than in accordance with the preceding paragraph.

### 5.2 **Information Access**

5.2.1 **Off-OASIS/On-OASIS Communications** – Employees of CEDRS engaged in transmission system operations and reliability functions are prohibited from disclosing to employees of CEDRS and its affiliates engaged in wholesale merchant functions any non-public information concerning the Rock Springs Transmission Facilities, the PJM System or the transmission system of another transmission provider (including information about available transmission capability, price, curtailments, ancillary services, and the like) through non-public communications off the OASIS, through access to information not posted on the OASIS that is not at the same time available to the general public without restriction, or through information on the OASIS that is not at the same time publicly available to all OASIS users.

If an employee of CEDRS engaged in transmission system operations or reliability functions discloses information not posted on the OASIS in a manner contrary to this Procedure, CEDRS shall immediately post such information on the OASIS.

Employees of CEDRS engaged in transmission system operations or reliability functions may not share any market information, acquired from nonaffiliated transmission customers or potential nonaffiliated transmission customers, or developed in the course of responding to requests for transmission or ancillary service on the OASIS, with employees of CEDRS (or those of an affiliate) engaged in wholesale merchant functions, except to the limited extent information is required to be posted on the OASIS in response to a request for transmission service or ancillary services.

The Generation Station Employees are not employees engaged in or performing wholesale merchant functions. Accordingly, and given the nature of their interaction at an operational level with CEDRS personnel performing transmission system operations and reliability functions, Generation Station Employees will be subject to the same Standards of Conduct prohibitions applicable to the CEDRS transmission and reliability personnel with respect to non-public transmission information received from such personnel.

**5.2.2 Computer Security** – Generation Station Employees will use a separate computer system in conducting transmission related control functions at the Rock Springs Generation Facility. In all circumstances, access to all transmission information and market information will be secure through a combination of password protection or location in the transmission control room, which is equipped with an access security system, in order to control access and to prevent disclosing to employees of CEDRS and its affiliates engaged in wholesale merchant functions any non-public information concerning the Rock Springs Transmission Facilities, the PJM System or the transmission system of another transmission provider (including information about available transmission capability, price, curtailments, ancillary services, and the like).

### **5.3 Posting Requirements**

**5.3.1 Organizational Charts and Job Descriptions** – CEDRS has posted organizational charts and job descriptions on the OASIS in connection with the functional unbundling requirement contained in 18 C.F.R. § 37.4(a)(1).

**5.3.2 Employee Transfers** – When employees of CEDRS and its affiliates transfer between positions in wholesale merchant functions and positions in transmission system operations and reliability functions related to the Rock Springs Generation Facility, a notice shall be posted on the OASIS for a minimum period of 90 days. The information posted will include the name of the transferring employee, the respective titles held while performing each function, and the effective date of the transfer. The employee shall not commence work in his or her new position until this information has been posted on OASIS.

**5.3.3 Inadvertent Disclosures** – In the event of an inadvertent disclosure of transmission information or any other information in violation of the Standards of Conduct, the information shall be immediately reported to the OASIS Operator for posting on the OASIS.

## **5.4 System Emergencies**

**5.4.1 Suspension of Standards of Conduct** – During system emergencies and/or any condition that could in the sole discretion of the system operator, endanger and/or adversely affect system reliability, the Standards of Conduct shall be deemed suspended to the extent necessary to address the emergency and/or condition. During these circumstances, employees engaged in transmission system operations or reliability functions shall take whatever steps are necessary to maintain system reliability during an emergency, notwithstanding that this could otherwise constitute a violation of the Standards of Conduct and/or these implementation procedures.

**5.4.2 Posting of Deviations from Standards of Conduct** – CEDRS will report on the OASIS any emergency resulting in a deviation from the Standards of Conduct within 24 hours of the deviation. The deviation will also be reported to FERC within 24 hours, either by telephone, fax or email.

## **5.5 Books and Records**

**5.5.1 Obligation to Maintain Separate Books and Records** – CEDRS maintains separate books of accounts and records from those of its affiliates, with its own account codes. These books of accounts and records will be available for Commission inspection, and maintained pursuant to applicable Commission regulations.

### **5.5.2 Additional Record Maintenance Obligations**

- (a) CEDRS must also maintain the following types of records related to its compliance with, and implementation of, the Standards of Conduct:
  - (i) copies of this Procedure in original and amended forms.
  - (b) The Deputy Compliance Officer, as described in Section 4.2, will be responsible for ensuring that the above-mentioned records are maintained in accordance with the provisions of the Standards of Conduct.

## **5.6 Communication and Acknowledgements**

**5.6.1 Corporate Communication of Standards of Conduct** – CEDRS shall publish a notification to all employees of its adoption of these Procedures in one or more of its newsletters. In addition, CEDRS shall disseminate copies of both these Procedures and of the Standards of Conduct to all employees and/or officers, hereinafter referred to as the “Compliance Group,” that fall in the following categories: (a) senior management; (b) employees performing transmission system operations and reliability functions (c)

employees performing a wholesale merchant function; (d) Generation Station Employees and (e) any other employees with direct access to non-public transmission information.

### **5.6.2 Employee Acknowledgments**

- (a) CEDRS shall require all existing and any new Compliance Group employees to execute an Acknowledgment of Compliance Notification in the form attached hereto as Attachment B.
- (b) Each Deputy Compliance Officer shall be responsible for obtaining and maintaining records of executed copies of Acknowledgment of Compliance Notification forms by all Compliance Group members, but may delegate tasks related thereto to other personnel within their specific business unit.

### **5.7 Standards of Conduct Violations and Enforcement**

**Violations of Standards of Conduct** – CEDRS affirms that any knowing violation of the FERC Standards of Conduct constitutes a violation of its code of business conduct.

#### **5.7.1 Obligation to Report Violations**

- (a) All employees of CEDRS who learn of any actual or potential violation of the Standards of Conduct shall have an obligation to report such occurrence to the employee's supervisor, or the Designated Compliance Officer.
- (b) No employee will be discharged, threatened or otherwise discriminated against, or retaliated against, because the employee, or a person acting on behalf of the employee, makes a good faith disclosure concerning any actual or potential violation of the FERC Standards of Conduct.
- (c) **Investigation of Reported Violations** – Upon notification of any potential violation, and in addition to any OASIS posting that might be required as a result of the violation, the Designated Compliance Officer will investigate to determine whether in fact any violation of the Standards of Conduct and/or these Procedures occurred, whether any such violation was willful and/or knowing and shall determine the identities of persons involved.
- (d) **Disciplinary Action** – Any employee who is found to have willfully violated a Standard of Conduct, and/or knowingly failed to report such a violation, will be subject to discipline in accordance with the CEDRS' internal disciplinary procedures.

### **6.0 ATTACHMENTS**

## Attachment A

### Standards of Conduct as excerpted from the Open-Access Same-Time Information System and Standards of Conduct Order No. 889 Final Rule issued by the Federal Regulatory Commission, April 24, 1996, as amended by Order No. 889-A, dated March 4, 1997.

**37.1 Applicability** – This part applies to any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce and to transactions performed under the pro forma tariff required in Part 35 of this Chapter.

#### **37.2 Purpose**

- (a) The purpose of this part is to ensure that potential customers of open access transmission service receive access to information that will enable them to obtain transmission service on a nondiscriminatory basis from any Transmission Provider. These rules provide standards of conduct and require the Transmission Provider (or its agent) to create and operate an Open Access Same-time Information System (OASIS) that gives all users of the open access transmission system access to the same information.
- (b) The OASIS will provide information by electronic means about available transmission capability for point-to-point service and will provide a process for requesting transmission service. OASIS will enable Transmission Providers and Transmission Customers to communicate promptly requests and responses to buy and sell available transmission capacity offered under the Transmission Provider's tariff.

#### **37.3 Definitions**

- (a) **Transmission Provider** means any public utility that owns, operates, or controls facilities used for the transmission of electric energy in interstate commerce.
- (b) **Transmission Customer** means any eligible customer (or its designated agent) that can or does execute a transmission service agreement or can or does receive transmission service.
- (c) **Responsible Party** means the Transmission Provider or an agent to whom the Transmission provider has delegated the responsibility of meeting any of the requirements of this Part.
- (d) **Reseller** means any Transmission Customer who offers to sell transmission capacity it has purchased.
- (e) **Wholesale Merchant Function** means the sale for resale of electric energy in interstate commerce.
- (f) **Affiliate** means: (1) for any exempt wholesale generator, as defined under section 32(a) of the Public Utility Holding Company Act of 1935, as amended, the same

as provided in section 214 of the Federal Power Act; and (2) for any other entity, the term affiliate has the same meaning as given in § 161.2(a) of this Chapter.

**37.4 Standards of Conduct** – A Transmission Provider must conduct its business to conform with the following standards:

(a) **General Rules**

- (1) Except as provided in paragraph (a)(2) of this section, the employees of the Transmission Provider engaged in transmission system operations must function independently of its employees, or the employees of any of its affiliates, who engage in Wholesale Merchant Functions.
- (2) Notwithstanding any other provisions in this section, in emergency circumstances affecting system reliability, Transmission Providers may take whatever steps are necessary to keep the system in operation. Transmission Providers must report to the Commission and on the OASIS each emergency that resulted in any deviation from the Standards of Conduct, within 24 hours of such deviation.

(b) **Rules governing employee conduct**

- (1) **Prohibitions** – Any employee of the Transmission Provider, or any employee of an affiliate, engaged in wholesale merchant functions is prohibited from:
  - (i) conducting transmission system operations or reliability functions; and
  - (ii) having access to the system control center or similar facilities used for transmission operations or reliability functions that differs in any way from the access available to other open access Transmission Customers.
- (2) **Transfers** – Employees engaged in either
  - (i) wholesale merchant functions or
  - (ii) transmission system operations or reliability functions are not precluded from transferring between such functions as long as such transfer is not used as a means to circumvent the Standards of Conduct of this section. Notices of any employee transfer to or from transmission system operations or reliability functions must be posted on the OASIS as provided in 37.6 (g)(3). The information to be posted must include: the name of the transferring employee, the respective titles held while performing each function (i.e., on behalf of the Transmission Provider and wholesale merchant or affiliate), and the effective date of the transfer. The

information posted under this section must remain on the OASIS for 90 days.

- (3) **Information Access** – Any employee of the Transmission Provider, or of any of its affiliates, engaged in wholesale merchant functions:
- (i) shall have access to only that information available to the transmission Provider’s open access transmission customers (i.e., the information posted on an OASIS), and must not have preferential access to any information about the Transmission Provider’s transmission system that is not available to all users of an OASIS; and
  - (ii) is prohibited from obtaining information about the Transmission Provider’s transmission system (including information about available transmission capability, price, curtailments, ancillary services, and the like) through access to information not posted on the OASIS that is not otherwise also available to the general public without restriction, or through information through the OASIS that is not also publicly available to all OASIS users.
- (4) **Disclosure** – A Transmission Provider is responsible for ensuring compliance with the following provisions:
- (i) Any employee of the Transmission Provider, or any employee of an affiliate, engaged in transmission system operations or reliability functions may not disclose to employees of the Transmission Provider, or any of its affiliates, engaged in wholesale merchant functions any information concerning the transmission system of the Transmission Provider or the transmission system of another (including information received from non-affiliates or information about available transmission capability, price, curtailments, ancillary services, etc.) through non-public communications conducted off the OASIS, through access to information not posted on the OASIS that is not at the same time available to the general public without restriction, or through information on the OASIS that is not at the same time publicly available to all OASIS users (such as E-mail).
  - (ii) If an employee of the Transmission Provider engaged in transmission system operations or reliability functions discloses information not posted on the OASIS in a manner contrary to the requirements of the Standards of Conduct, the Transmission Provider must immediately post such information on the OASIS.
  - (iii) A Transmission Provider may not share any market information, acquired from nonaffiliated transmission Customers or potential

nonaffiliated Transmission Customers, or developed in the course of responding to requests for transmission or ancillary service on the OASIS, with its own employees (or those of an affiliate) engaged in merchant functions, except to the limited extent information is required to be posted on the OASIS in response to a request for transmission service or ancillary services.

(5) **Implementing Tariffs**

- (i) Employees of the Transmission Provider engaged in transmission system operations or reliability functions must strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, if these provisions do not provide for the use of discretion.
- (ii) Employees of the Transmission Provider engaged in transmission system operations must apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all customers (including the public utility and any affiliate) in a non-discriminatory manner, if these provisions involve discretion.
- (iii) The Transmission Provider must keep a log, available for Commission audit, detailing the circumstances and manner in which it exercised its discretion under any terms of the tariff. The information contained in this log is to be posted on the OASIS as provided in § 37.6(g)(4).
- (iv) The Transmission Provider may not, through its tariffs or otherwise, give preference to sales for resale by the wholesale merchant function or by an affiliate, over the interests of any other wholesale customer in matters relating to the sale or purchase of transmission service (including issues of price, curtailments, scheduling, priority, ancillary services, etc.).

(6) **Books and Records** – A Transmission Provider must maintain its books of account and records (as prescribed under Parts 101 and 125 of this Chapter) separately from those of its affiliates and these must be available for Commission inspection.

(c) **Maintenance of written procedures** – The Transmission Provider must maintain in a public place, and file with the Commission, current written procedures implementing the Standards of Conduct in such detail as will enable customers and the Commission to determine that the Transmission Provider is in compliance with the requirements of this section.

**Attachment B**

**Acknowledgment of Compliance Notification**

I hereby acknowledge that I have received the Standards of Conduct as excerpted from the Federal Energy Regulatory Commission's Order 889 Final Rule issued April 24, 1996, and as amended thereafter, have read them and agree to fully comply with them.

Date: \_\_\_\_\_

Name(Print): \_\_\_\_\_

Title: \_\_\_\_\_

CEDRS: \_\_\_\_\_

Business Unit/Dept.: \_\_\_\_\_

Signature: \_\_\_\_\_