

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL REGULATORY COMMISSION**

**Standards for Conduct for
Transmission Providers**

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Docket No. TS04-____-000

**New York State Electric & Gas Corporation
and
Rochester Gas and Electric Corporation
Plan for Implementing the Order 2004 Standards of Conduct
February 9, 2004**

I. Introduction.

New York State Electric & Gas Corporation (“NYSEG”) and Rochester Gas and Electric Corporation (“RG&E”) (collectively, the “Companies”) set forth below their Compliance Plan for implementing the Federal Energy Regulatory Commission’s (the “Commission”) Order 2004¹ Standards of Conduct for Transmission Providers by June 1, 2004.

II. Description of the Companies

NYSEG and RG&E are subsidiaries of RGS Energy Group, an Energy East company. The Companies are electric utilities operating in New York State. In 1999, NYSEG and RG&E turned over to the New York Independent System Operator (“NYISO”) operational control of their transmission facilities, as specified in the NYISO-Transmission Owners Agreement. Each company is a substantial Load Serving Entity in New York State and participates in the NYISO electricity markets.

¹ *Standards of Conduct for Transmission Providers*, 105 FERC ¶ 61,248 (2003)(“Order No. 2004” or the “Final Rule”) see also *Guidance on Informational Filings and Implementation Procedures for Standards of Conduct Under Order No. 2004*, 106 FERC ¶ 61,017 (2004); *Additional Guidance on Electronic Submission of Informational Filings and Requests Under Order No. 2004*, Docket No. RM01-10-000 (January 27, 2004).

The Companies have responded to state initiatives to divest generation and have committed to an energy delivery business model. NYSEG has largely divested its generation resources except for some remaining small hydro facilities, and RG&E is in the process of divesting a large portion of its generation portfolio through the sale of the Robert E. Ginna Nuclear Power Plant. Energy East made a strategic choice to focus on developing and executing the transmission and distribution or energy delivery business model in response to both Commission and state restructuring initiatives.

III. The Companies' Compliance with the Commission's Standards of Conduct

Since the issuance of the Commission's Standards of Conduct in 1996, Companies have complied fully with the requirements of Order No. 889.² With respect to the Standards of Conduct requirements contained in Order No. 2004, the Companies are generally already in compliance with the exception of training additional "Support Employees" and complying with the new Open Access Same-Time Information System ("OASIS") posting requirements. The plan below describes steps the Companies will take no later than June 1, 2004 in response to Order No. 2004 to ensure full compliance with Order No. 2004.

IV. Plan for Implementing the Order 2004 Standards of Conduct

1. COMPLIANCE PLAN

A. Training:

² Rochester Gas and Electric Corporation's Standards of Conduct, which described how it would comply with Order 889, were accepted by the Commission in *Arizona Public Service Company, et al.*, 84 FERC ¶61,320 at 62,442 (1998); *Central Power and Light Company, et al.*, 89 FERC P61,015 at 61,062 (1999). New York State Electric & Gas Corporation's Standards of Conduct, which described how it would comply with Order 889, were accepted by the Commission in *Allegheny Power Service Corporation, et al.*, 85 FERC Para. 61,390 at (1998).

1. The Companies completed training of the following groups in 2003:
 - a) Transmission Function Employees³
 - b) Marketing, Sales or Brokering Employees⁴
 - c) Support Employees⁵
2. No later than June 1, 2004, the Companies will notify the following groups of their employees of any changes in the Standards of Conduct requirements resulting from Order No. 2004, including any changes in procedures implementing Order No. 2004:
 - a) Transmission Function Employees
 - b) Marketing, Sales or Brokering Employees
 - c) Support Employees
 - d) Shared Officers and Directors⁶
 - e) Shared Risk Management employees⁷
3. The Companies will expand their ongoing training program to include:
 - a) Additional support employees required under Order No. 2004;
 - b) Shared Officers and Directors; and

³ A Transmission Function Employee is A) an employee, contractor, consultant or agent of a Transmission Provider who conducts transmission system operations or reliability functions, including, but not limited to, those who are engaged in day-to-day duties and responsibilities for planning, directing, organizing or carrying out transmission-related operations; B) an employee that is engaged in monitoring and controlling transmission real time system operations and reliability functions of transmission facilities; C) an employee that has access to transmission data; and, D) not an employee in a field and/or maintenance function.

⁴ Order 2004, paragraph 79 states that Marketing, Sales and Brokering includes: A sale for resale of natural gas or electric energy in interstate commerce. A Sales and marketing employee or unit includes: (1) any interstate natural gas pipeline's sales operating unit, to the extent provided in § 284.286 of this chapter, and (2) a public utility Transmission Provider's energy sales unit, unless such unit engages solely in bundled retail sales. If a retail sales unit engages in **any** wholesale sales, the separation of functions requirement will apply.

⁵ Support Employees provide a service to reliability and merchant functions and/or energy affiliates, and are not engaged in day-to-day duties and responsibility for planning, directing, organizing or carrying out electric or gas-related operations, including gas transportation or electric or gas sales or marketing activities. Support Employees will not be a conduit for sharing transmission, market or customer information with a Marketing or Energy Affiliate.

⁶ Order 2004, Paragraph 104 allows Shared Officers and Directors to have overall responsibility for Transmission Provider and Marketing or Energy affiliate functions. Shared Officers and Directors, however, may not engage in day-to-day transmission or merchant functions, may not have duties and responsibilities for planning, directing, organizing or carrying out transmission-related operations or merchant functions and may not serve as a conduit for sharing transmission, customer or market information with a Marketing or Energy Affiliate.

⁷ Order 2004, Paragraph 112 states that shared risk management employees may not be operating employees of either the Transmission Providers or the Marketing or Energy Affiliates nor can they be a conduit for improperly sharing information. These employees, if any, will be included in the training program.

- c) Shared Risk Management employees, including all employees with access to transmission system information covered by the Standards of Conduct.
- 4. Support employees will sign affidavits that they will not be a conduit for sharing transmission or customer information with Marketing, Sales or Brokering Employees or an Energy Affiliate.
- 5. Logs of employees that have participated in the training and copies of signed affidavits of employees that have participated in the training will be maintained.

B. Posting:

- 1. The Companies will continue to prohibit disclosure of restricted transmission system information to Marketing, Sales or Brokering Employees and Energy Affiliates, unless such information is made available by posting on an OASIS, the Company's web site, or is otherwise available to the general public without restriction or, in rare circumstances, information that is made available in communications during an emergency situation.
- 2. The names and addresses of Energy Affiliates will be posted on OASIS or the Company's web site.
- 3. Employee transfers between the Transmission Function and Marketing, Sales or Brokering or an Energy Affiliate will be posted on the OASIS or the Company's web site for 90 days.
- 4. The Companies will post on the OASIS or each Company's web site information concerning potential merger partners as affiliates, within seven days after the merger is announced.
- 5. The Companies will post on the OASIS or each Company's web site, no later than June 1, 2004, written procedures implementing the standards of conduct.
- 6. The Companies will post on the OASIS or each Company's web site, comprehensive organization charts identifying Marketing, Sales or Brokering units and Energy Affiliates.

a) The Companies will post comprehensive organizational charts showing:

(1) The organizational structure of the parent corporation with the relative position in the corporate structure of the Transmission Provider, marketing and sales units and any Energy Affiliates.

(2) For the Companies, the business units, job titles and descriptions, and chain of command for all employees in the Transmission Function, Marketing, Sales or Brokering Function, Support Functions, and Shared Officers and Directors, with the exception of clerical, maintenance, and field positions. The job titles and descriptions will include the employee's title, the employee's duties, whether the employee is involved in transmission or sales, and the name of the supervisory employees who manage non-clerical employees involved in transmission or sales.

2. ON-GOING COMPLIANCE PLAN

A. The Companies will designate a Chief Compliance Officer who will

1. Ensure that the Companies are in compliance with the Standards of Conduct.
2. Ensure that Standards of Conduct training for new and existing employees is carried out.

V. Projected Costs

Since the Companies have fully complied with FERC Order No. 889 and have separated electric reliability from supply functions, there are minimal incremental compliance costs for Order No. 2004, consistent with the plan outlined above. Incremental costs over those already being spent to comply with FERC Order 889 would consist of some

additional training and a slight increase in posting requirements and are expected to be no more than \$50,000 per year.