

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

**North American Electric Reliability  
Corporation** )  
)

**Docket No. RC11-6-000**

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION'S ANNUAL  
REPORT ON THE FIND, FIX, TRACK AND REPORT AND COMPLIANCE  
EXCEPTION PROGRAMS**

November 1, 2018

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## I. INTRODUCTION

The North American Electric Reliability Corporation (NERC), as the Electric Reliability Organization (ERO),<sup>1</sup> respectfully submits this report on the Find, Fix, Track and Report (FFT) and Compliance Exception (CE) programs. This filing complies with the Federal Energy Regulatory Commission's (FERC or the Commission) March 15, 2012 Order,<sup>2</sup> June 20, 2013 Order,<sup>3</sup> and September 18, 2014 Order<sup>4</sup> requiring an annual report on NERC's FFT program. This filing also combines the evaluation of CEs with the annual sampling of FFTs in compliance with the Commission's November 13, 2015 Order.<sup>5</sup>

Since 2011, the ERO Enterprise<sup>6</sup> has used the FFT program to resolve over 2,400 instances of noncompliance with the NERC Reliability Standards, 90.69% of which posed a minimal risk to the reliability of the bulk power system (BPS).<sup>7</sup> Since June 2013, the ERO Enterprise has used the FFT program to resolve noncompliance posing a moderate risk to the BPS. The Commission agreed that the FFT program has "produced efficiencies in NERC's processing of compliance and enforcement matters" and that continuing to use the FFT program

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<sup>1</sup> The Commission certified NERC as the ERO in accordance with section 215 of the Federal Power Act on July 20, 2006. *North American Electric Reliability Corp.*, 116 F.E.R.C. ¶ 61,062 (2006), *order on reh'g and compliance*, 117 F.E.R.C. ¶ 61,126 (2006), *aff'd sub nom. Alcoa Inc. v. FERC*, 564 F.3d 342 (D.C. Cir. 2009).

<sup>2</sup> *North American Electric Reliability Corp.*, 138 F.E.R.C. ¶ 61,193 (2012) [hereinafter March 15 Order].

<sup>3</sup> *North American Electric Reliability Corp.*, 143 F.E.R.C. ¶ 61,253 (2013) [hereinafter June 20 Order].

<sup>4</sup> *North American Electric Reliability Corp.*, 148 F.E.R.C. ¶ 61,214 (2014) [hereinafter September 18 Order].

<sup>5</sup> *North American Electric Reliability Corp.*, Letter Order Accepting NERC's Annual Report on the Find, Fix, Track & Report Program, Docket No. RC11-6-004 (FERC Nov. 13, 2015) [hereinafter November 13 Order].

<sup>6</sup> The term "ERO Enterprise" refers to NERC and the seven Regional Entities. The seven Regional Entities are Florida Reliability Coordinating Council (FRCC), Midwest Reliability Organization (MRO), Northeast Power Coordinating Council (NPCC), ReliabilityFirst (RF), SERC Reliability Corporation (SERC), Texas Reliability Entity (Texas RE), and Western Electricity Coordinating Council (WECC). NERC and FERC staff agreed to exclude the Southwest Power Pool Regional Entity (SPP RE) from the survey, reducing the burden on SPP RE as it focused efforts on a planned and approved termination of its responsibilities as a Regional Entity.

<sup>7</sup> NERC's searchable public FFT, CE, and Spreadsheet Notice of Penalty spreadsheets, and full Notices of Penalty, are available on NERC's Enforcement and Mitigation website. *See Enforcement & Mitigation*, NORTH AMERICAN ELECTRIC RELIABILITY CORP., <https://www.nerc.com/pa/comp/CE/Pages/Enforcement-and-Mitigation.aspx> (last visited August 22, 2018).

to address moderate risk issues will result in a “more efficient enforcement process and allow NERC and the Regional Entities to focus on occurrences of severe risk violations.”<sup>8</sup>

Building on the success of the FFT program, the ERO Enterprise developed the CE program in February 2014 to streamline further the resolution of lesser-risk noncompliance with NERC Reliability Standards. The ERO Enterprise has resolved over 2,500 instances of noncompliance posing a minimal risk to the BPS through CEs since the inception of that program.<sup>9</sup>

In 2018, NERC and Commission staff completed their annual joint coordinated review of FFTs and CEs and found that the ERO Enterprise appropriately handles noncompliance posing a minimal or moderate risk through these programs.<sup>10</sup> NERC and Commission staff agreed with the final risk determinations for almost all FFTs and CEs sampled, and noted a significant improvement in the clear identification of root cause over the last four years.<sup>11</sup> Commission staff also agreed with NERC that the FFT and CE programs are meeting expectations.

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<sup>8</sup> *North American Electric Reliability Corp.*, 148 F.E.R.C. ¶ 61,214 at PP 1, 35.

<sup>9</sup> *See supra* n.7.

<sup>10</sup> *See North American Electric Reliability Corp.*, 143 F.E.R.C. ¶ 61,253 (2013); *see also North American Electric Reliability Corp.*, 148 F.E.R.C. ¶ 61,214 (2014); *North American Electric Reliability Corp.*, Letter Order Accepting NERC’s Annual Report on the Find, Fix, Track and Report Program, Docket No. RC11-6-004 (FERC Nov. 13, 2015); *North American Electric Reliability Corp.*, Letter Order Accepting NERC’s Annual Report on the Find, Fix, Track and Report Program, Docket No. RC11-6-005 (FERC Jan. 13, 2017); *North American Electric Reliability Corp.*, Notice of Staff Review of Compliance Programs, Docket No. RC11-6-005 (FERC June 27, 2017); *North American Electric Reliability Corp.*, Order Accepting the Compliance Monitoring and Enforcement Program, Docket No. 15-2-005 (FERC Nov. 16, 2017).

<sup>11</sup> *See infra* Appendix B.

## **II. THE FFT AND CE PROGRAMS HAVE BEEN SUCCESSFULLY IMPLEMENTED AND HAVE CONTINUED TO EVOLVE SINCE INCEPTION**

The FFT and CE programs are important elements of the ERO Enterprise's risk-based approach to enforcement.<sup>12</sup> The FFT program resolves noncompliance posing a minimal or moderate risk to the reliability of the BPS, while the CE program resolves noncompliance posing a minimal risk outside of Section 5.0 of the Compliance Monitoring and Enforcement Program (CMEP). Both programs require: (a) mitigation of the noncompliance; (b) availability of the facts and circumstances of the noncompliance for review by NERC and Applicable Governmental Authorities; (c) tracking and analysis of the noncompliance as necessary to identify broader risks; and (d) providing the opportunity for the registered entity to opt out.<sup>13</sup> These programs have streamlined processing, reduced caseload, and helped to ensure the efficient resolution of minimal and moderate risk noncompliance.

The FFT program was the first major step in implementing a risk-based approach to the enforcement of Reliability Standards that recognizes the fact that not all instances of noncompliance require the same type of processing and documentation. Over the last seven years, the FFT program evolved from a processing track limited to minimal risk noncompliance to a vehicle for the efficient and effective disposition of moderate risk noncompliance. The success of the FFT program in resolving lesser risk noncompliance led to the development of the CE program and the expansion of the FFT program to include resolution of moderate risk issues.

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<sup>12</sup> For a description of NERC's enforcement processes, CEs, and FFTs, *see* NERC Rules of Procedure, App. 4C §§ 3.8, 3A.0, 3A.1, & 5.2A, respectively, available at [https://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/NERC\\_ROP\\_Effective\\_20180719.pdf](https://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/NERC_ROP_Effective_20180719.pdf).

<sup>13</sup> *See* NERC Rules of Procedure, App. 4C §§ 5.2A, 3A, respectively.

The ERO Enterprise used these programs to resolve 82% of all discovered noncompliance in the first half of 2018.<sup>14</sup>

Registered entities and Regional Entities have experienced efficiency gains due to the reduced documentation required for FFTs and CEs.<sup>15</sup> As of Q2 2018, 66% of the noncompliance inventory across all Regional Entities is less than one year old, and only 3% is over two years old.<sup>16</sup> There are only three pre-2014 instances of noncompliance still remaining to be processed.<sup>17</sup>

Because of successive improvements to the FFT program – particularly the extension to moderate risk noncompliance in 2013 – NERC and the Regional Entities are able to resolve minimal and moderate risk noncompliance efficiently and effectively, thereby allowing them to focus their resources on noncompliance posing a greater risk to the reliability of the BPS.<sup>18</sup> The ERO Enterprise’s use of the FFT and CE programs has continued to increase since FERC initially approved them. For example, the percentage of noncompliance resolved through FFT increased from 21% of moderate risk noncompliance in 2015 to 45% in 2018 through Q2 2018.<sup>19</sup>

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<sup>14</sup> See North American Electric Reliability Corp., *Compliance Monitoring & Enforcement Program Report: Second Quarter 2018*, Appendix A: Enforcement, Figure A.5 at 13 (Aug. 15, 2018), <https://www.nerc.com/gov/bot/BOTCC/Compliance%20Committee%202013/Compliance%20Committee%20Open%20Meeting%20-%20August%2015%202018.pdf>.

<sup>15</sup> See *North American Electric Reliability Corp.*, NERC’s Compliance Filing and Report on the Compliance Enforcement Initiative and Proposed Enhancements to the FFT Program, Docket No. RC11-6-004, at 9 (FERC Mar. 15, 2013).

<sup>16</sup> See *supra* n.14, Appendix A: Enforcement, Figure A.1 at 10.

<sup>17</sup> *Id.*

<sup>18</sup> See *North American Electric Reliability Corp.*, 148 F.E.R.C. ¶ 61,214 at PP 1, 25, n.37; see also *North American Electric Reliability Corp.*, NERC’s Annual Report on the Find, Fix, Track, and Report Program, Docket No. RC11-6-004, at 2 (Sept. 18, 2015); *North American Electric Reliability Corp.*, NERC’s Annual Report on the Find, Fix, Track, and Report and Compliance Exception Programs, Docket No. RC11-6-005, at 2 (FERC Jan. 13, 2017); see also *North American Electric Reliability Corp.*, NERC’s Annual Report on the Find, Fix, Track and Report Compliance Exception Programs, Docket No. RC11-6-000, at 1-2 (FERC Oct. 4, 2017).

<sup>19</sup> See *supra* n.7.

In addition, the ERO Enterprise used CEs to resolve 91.6% of the minimal risk noncompliance in 2017,<sup>20</sup> and 87.6% in 2018 through Q2 2018.<sup>21</sup>

The effective use of streamlined processing for lower risk noncompliance, through the CE and FFT programs, preserves ERO Enterprise resources for higher risk issues. Using CEs and FFTs to resolve minimal and moderate risk noncompliance means that violations posing a more significant risk continue to receive the most attention and resources through processing in spreadsheet Notices of Penalty (NOPs) or full NOPs. Spreadsheet and full NOPs are used to resolve the highest risk violations, and accordingly the ERO Enterprise prioritizes these disposition methods with the greatest level of focus. Among those highest risk cases was a full NOP NERC filed in February 2018, resolving two violations of Critical Infrastructure Protection (CIP) Reliability Standards. Both violations posed a serious risk to the reliability of the BPS.<sup>22</sup> Similarly, in September 2017, NERC filed a full NOP resolving 59 violations, including nine Operations and Planning Reliability Standards and 50 CIP Reliability Standards.<sup>23</sup>

The Regional Entities' effective use of FFTs and CEs – validated through oversight mechanisms such as the annual joint review described below – shows increased consistency in processing and understanding of the risk associated with individual noncompliance across the ERO Enterprise. Further, risk-based enforcement, through the CE and FFT programs, encourages sustainable reliability and security through comprehensive mitigation that addresses root causes

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<sup>20</sup> *Id.*

<sup>21</sup> From January 1, 2018, through June 30, 2018, NERC posted 400 CEs out of 456 total posted or filed instances of minimal risk noncompliance. *See supra* n.7.

<sup>22</sup> *North American Electric Reliability Corp.*, NERC Full Notice of Penalty regarding Unidentified Registered Entity, FERC Docket No. NP18-7-000 (FERC Feb. 28, 2018). While filed in FY 2018, much of the work was conducted during FY 2017. The penalty for this full NOP was \$2,700,000.

<sup>23</sup> *North American Electric Reliability Corp.*, NERC Full Notice of Penalty regarding Unidentified Registered Entity, FERC Docket No. NP17-31-000 (FERC Sept. 28, 2018). The penalty for this full NOP was \$500,000.

with the implementation of internal controls that reduce the likelihood of recurrence of the noncompliance.

### **III. JOINT NERC AND FERC ANNUAL REVIEW OF THE FFT AND CE PROGRAMS**

As part of their oversight of the FFT and CE programs, NERC and FERC staff conducted a joint review of FFTs and CEs posted by NERC between October 2016 and September 2017. The annual joint review began in October 2017 and ended in June 2018. During the review, NERC and FERC staff: (a) evaluated the Regional Entities' current FFT and CE procedures and processes; (b) reviewed a sample of minimal and moderate risk issues processed as FFTs and CEs; (c) assessed successful completion of mitigation for FFTs and CEs requiring the performance of ongoing mitigation activities; (d) evaluated the Regional Entities' assessment of registered entities' internal controls; (e) identified region-specific best practices and areas for improvement; and (f) provided observations to the Regional Entities related to the completeness of the programs. Through this review, NERC and FERC staff determined whether the Regional Entities were following the NERC CMEP and successfully implementing the FFT and CE programs.<sup>24</sup>

On July 25, 2018, FERC staff issued its Notice of Staff Review of Compliance Programs. FERC staff agreed with NERC that the FFT and CE programs are meeting expectations.<sup>25</sup> FERC staff also agreed with the Regional Entities' final risk determinations for 124 of the 126 samples, and noted significant improvement in the clear identification of factors affecting the risk prior to mitigation.<sup>26</sup> Further, FERC staff noted that the identification of root cause has significantly

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<sup>24</sup> For a more detailed description of the review, *see infra* Appendices A-B.

<sup>25</sup> *North American Electric Reliability Corp.*, Notice of Staff Review of Compliance Programs, Docket No. RC11-6-007 (FERC July 25, 2018).

<sup>26</sup> *Id.* For the remaining two issues, FERC staff determined the posted information did not sufficiently support the Regional Entity's final determination of risk.

improved over the past four years.<sup>27</sup> In July 2018, NERC Enforcement staff provided individual feedback to the Regional Entities with specific findings and recommendations for each region.

The sampling also indicated that registered entities had adequately mitigated 125 (99.2%) instances of noncompliance, with the remaining CE to be adequately remediated once the ongoing mitigation is completed as scheduled. The sample analysis also indicated a small number of documentation concerns, particularly with regard to the quality of the information contained in the FFT and CE postings.<sup>28</sup> For example, a few of the FFTs or CEs lacked some of the information necessary for posting of noncompliance, such as start or end dates and root causes. However, a subsequent review of the supporting information for these FFTs or CEs identified a majority of the missing information.<sup>29</sup> NERC Enforcement staff continues to work with the Regional Entities to ensure that all information necessary to understand the scope of the noncompliance and the extent of the reliability risk is included in the FFT or CE posting.

The results of the annual joint review show consistent improvement in program implementation. The results also show significant alignment across the ERO Enterprise, particularly in the processing and understanding of the risk associated with individual noncompliance. For a more detailed discussion of the findings from the annual joint FFT and CE review, see Appendices A and B.

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<sup>27</sup> *Id.*

<sup>28</sup> *See infra* Appendix B, at 13-16.

<sup>29</sup> *See id.*

#### IV. ONGOING NERC REVIEWS OF NONCOMPLIANCE AND RELATED PROCESSES

The ERO Enterprise is continuously refining its processes and identifying additional areas for improvement.<sup>30</sup> FFTs and CEs are subject to a 60-day review by NERC and FERC after posting of the issues each month.<sup>31</sup> NERC uses any issues identified in the reviewed samples to provide guidance to the Regional Entities, ensure consistency, and identify future improvements to the programs.

In 2018, the ERO Enterprise also improved its guidance to registered entities. This included revising the Registered Entity Self-Report and Mitigation Plan User Guide to provide additional guidance on the most important information related to noncompliance and mitigation.<sup>32</sup>

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<sup>30</sup> See North American Electric Reliability Corp., *2017 ERO Enterprise Compliance Monitoring and Enforcement Program Annual Report* (Feb. 7, 2018), <https://www.nerc.com/pa/comp/Reports%20DL/2017%20NERC%20Compliance%20Monitoring%20Enforcement%20Program.pdf>.

<sup>31</sup> *North American Electric Reliability Corp.*, 150 F.E.R.C. ¶ 61,108 at PP 47-48 (2015).

<sup>32</sup> The updated Registered Entity Self-Report and Mitigation Report User Guide includes examples of description, scope, cause, risk, and mitigation, as well as instructions on what should be included in Self-Reports, Mitigation Plans, and Mitigation Activities. See North American Electric Reliability Corp., *Registered Entity Self-Report and Mitigation Plan User Guide*, Appendices A, B, and C (June 2018), <https://www.nerc.com/pa/comp/CE/Enforcement%20Actions%20DL/Registered%20Entity%20Self-Report%20and%20Mitigation%20Plan.pdf>.

**V. CONCLUSION**

NERC respectfully requests that the Commission accept this report in compliance with the March 15 Order, June 20 Order, September 18 Order, and November 13 Order.

Respectfully submitted,

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**APPENDIX A. Methodology and Criteria Applied in FFT and CE Sampling**

The NERC and FERC staff FY 2017 joint review involved a sample of 26 FFTs and 100 CEs for the period from October 2016 through September 2017. FERC staff performed the sampling of FFTs and CEs, with feedback from NERC on specific instances to be included in the sample. NERC Enforcement staff issued data requests to the Regional Entities on behalf of both organizations.

FERC staff used RATS-STATS<sup>33</sup> to select 15 CIP and 11 non-CIP FFTs from the 75 FFTs posted in fiscal year 2017. FERC staff also selected 43 CIP and 57 non-CIP CEs from the 740 CEs posted during the same period.

**Table 1: Sample Size of FFTs for all Regional Entities**

FFTs	Total Processed	Selected	Percent Representation of Total Processed	Percent Representation of Selected
Total	75	26	% of 75	% of 26
FRCC	4	2	5%	8%
MRO	8	2	11%	8%
NPCC	5	2	7%	8%
RFC	33	11	44%	42%
SERC	3	1	4%	4%
SPP	4	0	5%	NA
TRE	10	5	13%	19%
WECC	8	3	11%	12%

<sup>33</sup> RATS-STATS is a statistical audit tool used by the U.S. Department of Health and Human Services, Office of Inspector General, and Office of Audit Services and developed by the Regional Advanced Techniques Staff (RATS).

**Table 2: Sample Size of CEs for all Regional Entities**

Compliance Exceptions	Total Processed	Selected	Percent Representation of Total Processed	Percent Representation of Selected
Total	740	100	% of 740	% of 100
FRCC	17	3	2%	3%
MRO	52	7	7%	7%
NPCC	31	5	4%	5%
RFC	193	28	26%	28%
SERC	63	10	9%	10%
SPP	95	0	13%	NA
TRE	86	11	12%	11%
WECC	203	36	27%	36%

NERC requested that the Regional Entities provide all FFT- and CE-related documents for the items included in the sample set, including, but not limited to: procedural documents; follow-up or sampling program procedures regarding mitigation completion; source documents; notices of eligibility; documents describing mitigation activities; certifications; affidavits; verification documents, if applicable; and evidence demonstrating the noncompliance was successfully mitigated. NERC examined the selected noncompliance and the documents received using nine criteria described in NERC’s FFT/CE Process Review Checklist.<sup>34</sup> The criteria were based on three major categories: (a) the description of the issue was clear and sufficient facts were included; (b) the risk determination was aligned with the facts and circumstances of each particular issue;

<sup>34</sup> NERC’s FFT/CE Process Review Checklist is included as **Attachment 1**.

and (c) the issues were timely and appropriately mitigated, with open issues being mitigated within one year.

In addition to the above criteria, NERC Enforcement staff reviewed the documents provided by the Regional Entities to determine whether there were any cases where the Regional Entities omitted known information that would have helped NERC and FERC staff's review of mitigating activities. NERC Enforcement staff also assessed whether the root cause was appropriately identified, leading to effective mitigation. Where feasible, NERC Enforcement staff's review also focused on whether a registered entity's internal processes and controls contributed to the mitigation of the risk during the pendency of the noncompliance.

NERC made informational filings of data requests and Regional Entities' responses for the public record. NERC also filed with FERC the information regarding the Regional Entities' processes and the specific FFTs and CEs on a privileged/non-public basis.

## **APPENDIX B. Specific Analysis of the Sampled Issues**

### **A. Process documents**

NERC found that, generally, each of the Regional Entities' internal documents and procedures regarding the FFT and CE programs follow the NERC Rules of Procedure and CMEP. Each Regional Entity has detailed internal procedures that provide systematic guidance in the processing of noncompliance. These documents assured NERC Enforcement staff that the Regional Entities were properly determining the appropriate processing route for received noncompliance.

The majority of the internal documents and procedures NERC Enforcement staff reviewed showed evidence of periodic reviews and updates. Only a small minority of the procedural documents reviewed did not contain evidence of reviews and updates, or appeared not to have been updated within the last three years. While NERC does not have specific requirements regarding the maintenance of Regional Entities' internal documents and procedures, NERC expects Regional Entities to update procedural documents following significant changes to processes and procedures. Including the effective date and version history in procedural documents helps ensure that procedures are up to date with current requirements.

Additionally, some of the Regional Entities had not updated their procedural documents to include the requirement contained in FERC's November 4, 2015 order<sup>35</sup> that registered entities retain relevant records for 18 months after the date of posting or until verification.<sup>36</sup> Nonetheless, the notifications of FFT or CE treatment from the Regional Entities to the

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<sup>35</sup> *North American Electric Reliability Corp.*, 153 F.E.R.C. ¶ 61,130 (2015).

<sup>36</sup> *Id.* at 13.

registered entities did include an 18-month retention requirement. NERC recommends that all Regional Entities include an 18-month retention requirement in their procedural documents.

## **B. Description of the issue and risk assessment**

NERC and FERC staff reviewed the description of the issue associated with each FFT and CE sampled. In all posted FFTs and CEs sampled as part of this review, the Regional Entities adequately identified the risks to the reliability of the BPS. Occasionally, the Regional Entities omitted relevant facts and circumstances from the description and risk assessment. While those facts and circumstances may have helped facilitate a better understanding of the cases, they were not always critical for the risk assessment.

Some samples revealed instances where the Regional Entities either omitted or did not accurately identify the duration or root cause of the noncompliance or the presence or absence of compliance history was not included in the posted FFT or CE. In most of these samples, a subsequent review of the supporting information for these FFTs or CEs led to the identification of the missing information. The Regional Entities provided the majority of the relevant missing information not found in the supporting documents in response to a Request for Information (RFI) issued by NERC Enforcement staff and FERC staff.

NERC Enforcement staff found, through review of the provided documentation, that the Regional Entities adequately and consistently assessed the risk of each noncompliance as either minimal or moderate risk. The majority of the sampled cases also included details of the risk assessments by incorporating specific facts and circumstances at the time of the noncompliance. NERC will continue collaborating with the Regional Entities to ensure the relevant information needed for a complete description and risk assessment is included for all noncompliance.

NERC reviewed the sampled CEs and FFTs to confirm whether the root cause was clearly identified for each noncompliance. The appropriate identification of the root cause is important for effective mitigation and prevention of recurrence of noncompliance. FERC staff and NERC Enforcement staff agreed that the Regional Entities have significantly improved their identifying the root cause of noncompliances in FFTs and CEs over the past four years. NERC Enforcement staff identified a few sampled CEs and FFTs where the root cause was either missing or inaccurately attributed to “human error.” Human error is rarely a sole cause of a noncompliance. Rather, human error may instead be a contributing factor to a noncompliance. As a best practice, some Regional Entities clearly differentiated contributing factors from primary causes of noncompliance. NERC Enforcement staff examined more recent CEs and FFTs as part of NERC’s 60-day review process and noticed additional improvement in root cause identification from FY 2017 to Q1 and Q2 2018.

### **C. Evaluation and documentation of mitigation activities**

NERC Enforcement staff determined that the Regional Entities were generally requiring detailed and reasonably complete evidence to address the instant noncompliance and abatement of future occurrences. In two cases, Regional Entities only provided registered entities’ responses to data requests to show how the registered entities mitigated the noncompliance. Some Regional Entities differentiated between actions to bring an entity back into compliance and actions designed to prevent recurrence. NERC recommends that, as a best practice, Regional Entities delineate between actions to bring an entity back into compliance and actions to prevent recurrence.

There were a few instances, as mentioned above, where the root cause was not robust or was missing from the posted FFT or CE. NERC Enforcement staff, however, determined that

those FFTs and CEs included mitigation that was generally adequate to prevent recurrence. This provides reassurance that, although a few listed FFTs and CEs did not have adequate root cause information, the registered entity and Regional Entity understood where the problem existed. Accurately identifying the root cause of noncompliance is important, as it directly relates to the effectiveness of mitigation actions. NERC Enforcement staff, therefore, recommends the Regional Entities continue to focus training for their registered entities on robust cause statements, and consider describing cause, risk, and mitigation in a holistic manner to ensure each element is present.

**ATTACHMENT 1. Process Review Checklist**

2017 - 2018 FFT and Compliance Exception Process Review Checklist

Any procedural documents or training documents that are used for the FFT and Compliance Exception process.	
<i>Title, revision</i>	<i>Summary of the document</i>
<i>Title, revision</i>	<i>Summary of the document</i>
<i>Title, revision</i>	<i>Summary of the document</i>
<i>Title, revision</i>	<i>Summary of the document</i>

Follow-up or Sampling Program, e.g., audit or spot-check documents. Follow-up on closed issues and issues posted originally as open. Does the RE have a sampling process for random checking of completion or a spot check or audit process, to the extent it does not verify completion of mitigating activities?	
<i>Title, revision</i>	<i>Summary of the document</i>
<i>Title, revision</i>	<i>Summary of the document</i>
<i>Title, revision</i>	<i>Summary of the document</i>
<i>Title, revision</i>	<i>Summary of the document</i>

## Results

Summarize your findings under the following categories:

1. Were the underlying facts and circumstances included? Was the root cause considered? Were there any cases where the REs “omitted known information that would have facilitated NERC and FERC in review of the mitigating activities?” NERC Enforcement will assess whether the root cause was appropriately identified leading to effective mitigation.
2. Did the risk assessments include the risk to reliability, including mitigating factors during pendency of the issue? Was the risk determined in a consistent manner? For minimal risk issues, was CE/FFT treatment appropriate? NERC Enforcement will assess, as feasible, whether internal controls contributed to the mitigation of the risk during the pendency of the noncompliance. Ensure that the risk was not considered a minimal risk simply because of no adverse impact (“no harm no foul”).
3. Were the issues mitigated successfully? For ongoing mitigation, was it successfully completed and certified? If the CE/FFT is associated with a formal Mitigation Plan, NERC Enforcement will determine whether a formal Mitigation Plan was necessary or if the RE requested a formal Mitigation Plan and explained the circumstances that required it.

	Questions	Issue Tracking ID
	Type - FFT/CE	
	Standard	
	Requirement	
1	<p>The description of the issue was adequate and includes the following:</p> <ul style="list-style-type: none"> <li>a) Description of the issue, underlying facts and circumstances. For CEs, indicate if it was self-logged.</li> <li>b) Discovery date and method of the issue.</li> <li>c) Duration of the violation - start and end dates of the issue.</li> <li>d) Explanation and proper identification of root cause.</li> <li>e) Compared to the evidence, the description of the issue that was posted is accurate and reasonably complete.</li> </ul>	
2	<p>Risk Statement adequately addresses the issue.</p> <ul style="list-style-type: none"> <li>a) The issue posed a minimal (for CEs and FFTs) or moderate risk (for FFTs) to the BPS and does not warrant a monetary penalty. For moderate risk issues, the statement explains why it is appropriate for FFT treatment.</li> <li>b) Risk statement based on actual risk, at the time of the issue.</li> <li>c) Risk statement is based on the root cause, not a generic statement related to any noncompliance of the specific Reliability Standard and Requirement.</li> <li>d) Risk statement addresses mitigating factors that reduced the actual risk and compensating factors as relevant to the entity and circumstances. (Does not include a blanket heightened risk statement related solely to the Standard (R) at issue.)</li> <li>e) Indication of no actual harm (does not require "No harm is known to have occurred" if the risk assessment otherwise indicates that no harm occurred)</li> <li>f) If issue is ongoing, a description of all compensating measures in place during the period of noncompliance which reduce the risk to reliability while mitigation is ongoing.</li> <li>g) Compared to the evidence, the posted description of the risk assessment is accurate and reasonably complete.</li> </ul>	
3	<p>The mitigating activities address both the current issue and abatement of future occurrences.</p> <ul style="list-style-type: none"> <li>a) Includes specific mitigation activities or steps to be taken.</li> <li>b) Addresses root cause of the issue and actions to prevent recurrence.</li> <li>c) Compared to the evidence, the posted description of the mitigation is accurate and reasonably complete.</li> <li>d) Based on the evidence and activities, does the issue appear to be appropriately remediated (mitigated)?</li> <li>e) While not required, state whether completion of mitigating activities verified for completed activities.</li> </ul> <p>Or</p> <p>If posted as an ongoing issue, the mitigating activities were/will be completed within one year and indicate:</p> <ul style="list-style-type: none"> <li>a) the expected completion date.</li> <li>b) the justification for the length of time required.</li> </ul>	

4	For FFTs, an affidavit of completion signed by an officer with knowledge of the remediation was provided. For CEs, other certification document/written notice to show that mitigated was completed.	
5	For ongoing mitigation, RE tracked and followed up to ensure that mitigation activities were successfully completed and certified.	
6	<p>The RE considered the compliance history when evaluating this issue. The RE considered the compliance history and determined there were no relevant instances of noncompliance OR includes applicable compliance history and how it is different from the instant issue or otherwise does not warrant a penalty or aggravation.</p> <p>a) Have there been any re-occurrences since the mitigation activities were completed?</p> <p>For FFT review, Compliance Exceptions are not considered a part of the compliance history unless the most recent one is an event or they continue to violate the same Standard/Req.</p>	
7	<p>The registered entity was notified of FFT/CE treatment at least 10 days before date of posting. For issues with completed mitigation at the time of posting, a notice that shows that after 60 days of posting the issue is considered to be closed if FERC/NERC have no issues. For issues with ongoing mitigation at the time of posting, the issue is closed after mitigation completion or after 60 days of posting, whichever is later.</p> <p>For CEs - Did any of the notification letters include a statement about the 18-month record retention period per FERC's November 15 order?</p>	
8	Was there any information in the provided evidence that should have been included in the final posting? For example, information related to the description of the issue or factors affecting the risk assessment.	
9	Overall Satisfactory? If not, state why or refer to checklist numbers that are unsatisfactory.	

**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 1<sup>st</sup> day of November 2018.

*/s/ Alexander Kaplen*

Alexander Kaplen  
*Associate Counsel for the North American  
Electric Reliability Corporation*