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# Compliance Enforcement Initiative

## *Filing and Status Update*

November 2, 2011

Rebecca Michael

**RELIABILITY | ACCOUNTABILITY**



- NERC filed several components of the Compliance Enforcement Initiative on September 30, 2011
  - Docket No. RC11-6: Petition for Approval of New Enforcement Mechanisms; Initial Informational Filing of FFTs
    - First group of FFT Remediated Issues
      - 117 total: 62 Operations/Planning Standards/55 CIP Standards
    - No action requested on individual FFT remediated issues
    - Report back to the Commission and industry stakeholders at six months and one year following initial filing

- Docket No. NP11-270: First Spreadsheet NOP
  - 75 total: 44 Operations/Planning Standards/31 CIP Standards
  - Subject to FERC's 30-day review period for NOPs
  - Requesting action on the Spreadsheet NOP format or individual NOP violations to be taken in this docket
- Docket No. NP11-267 – NP11-269: 3 Full NOPs
- Second group of FFT Remediated Issues and second Spreadsheet NOP violations were filed October 31, 2011
  - Docket No. RC12-\_: 82 FFT Remediated Issues
  - Docket No. NP12-1: 31 in Full CIP NOP
  - Docket No. NP12-2: 46 in Spreadsheet NOP



# Next Steps

- Public comments were filed on October 21, 2011
- Continue to develop internal compliance programs
  - Ongoing self-monitoring to find, fix, and self-report possible violations in advance of audits and self-certifications
- Utilize ERO resources to aid compliance and improve self-reporting
  - Webinars, workshops, and documents on NERC website
  - Guidance for self-reports posted on NERC website at <http://www.nerc.com/files/Guidance%20on%20Self-Reports.pdf>
  - Other CEI forms are available on NERC website under Compliance, then Resources at <http://www.nerc.com/files/Notice%20of%20FFT%20Treatment.pdf>  
<http://www.nerc.com/files/FFT%20Spreadsheet%20Template.pdf>  
<http://www.nerc.com/files/NOP%20Spreadsheet%20Template.pdf>

- Ongoing work
- Public outreach
- Training

**The ERO's commitment to promoting reliability excellence is unchanged.**

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# Compliance Operations Update

November 2, 2011

Mike Moon

Director, Compliance Operations

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- Risk-based Reliability Compliance and Entity Assessment
- Regional Entity work on Entity Assessment
  - Culture of Compliance NPCC
  - Internal Controls MRO
- Compliance Operations update



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# Risk-based Reliability Compliance and Entity Assessment

- In the 2012 Plan
- To make an overall, comprehensive assessment of an entity to appropriately scope where an entity is doing well and where an entity is not
  - An entity doing well
    - May get extended time between compliance monitoring activities
  - An entity not doing well may get extra compliance monitoring activities
    - More self-certifications

- Five aspects
  - Technical and risk profile
  - Reliability metrics
  - Internal compliance program
  - Enforcement metrics and status
  - Regional Entity evaluations
- Entity assessment does not place an entity into a tier as described in the 2012 ERO CMEP Implementation Plan
  - Only Reliability Standard requirements are placed into tiers

- NERC and the Regional Entities have been exploring different options
- Regions are conducting preliminary entity assessments
- In the process of developing a draft template
- Working with select registered entities to gain industry perspective and input
- A draft template will be provided for broader industry input

## Regional Entity work on Entity Assessment

- NPCC Internal Compliance Program
- MRO Internal Controls

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# Compliance Operations Update

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## Recently Completed and Posted

- TOP-002 Normal Operations Planning
  - Applicable to over 63% of registered entities
  - 139 Violations, 74% self identified
    - Documentation is an area that needs improvement
- Compliance Registry and Registration Appeals
  - 94 appeals; 69% settled at region, 88% were in 2007
  - Process works
- NERC Organization Certifications
  - Process works; estimate 10 per year



**NERC Compliance Process Directive #2011-CAG-001**  
*Directive Regarding Generator Transmission Leads*



- Interim guidance to address reliability gap that exists with GO/GOPs that own transmission facilities (meeting the NERC Statement of Compliance Registry Criteria) but not registered as TO/TOP
- Ensure consistency across the Regions for GO/GOPs that meet the Compliance Registry Criteria to be registered as TO/TOPs
- **NOTE: This Directive does not prejudge outcome of Standards Development process**

- ERO recognized a gap in reliability as it relates to particular types of transmission facilities that connect generators directly to the bulk power system (BPS)
- NERC formed the Ad Hoc Group for Generator Requirements at the Transmission Interface (GOTO Ad Hoc Team); *Final Report from the Ad Hoc Group for Generator Requirements at the Transmission Interface Nov 2009*
- Currently, the Standard Drafting Team has proposed application of three Reliability Standards and 11 requirements of the FAC-001, FAC-003 and PER-003 standards
- The ultimate goal is to propose revisions to all standards that are applicable

- Industry comment period
  - Comments due November 15 through NERC stakeholder committees, trade associations, and forums
- Discussed at the Oct 17-18 North American Generator Forum Annual meeting and received feedback and comments
- Review comments
- Publish a final directive by end of year

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*Questions?*

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# Entity Assessment Backup

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- Organization and structure
- Registered functions
- System size
- Neighboring entities
- High voltage transmission
  - Circuit miles
- Number of interconnections
- Generation portfolio
- Peak demand

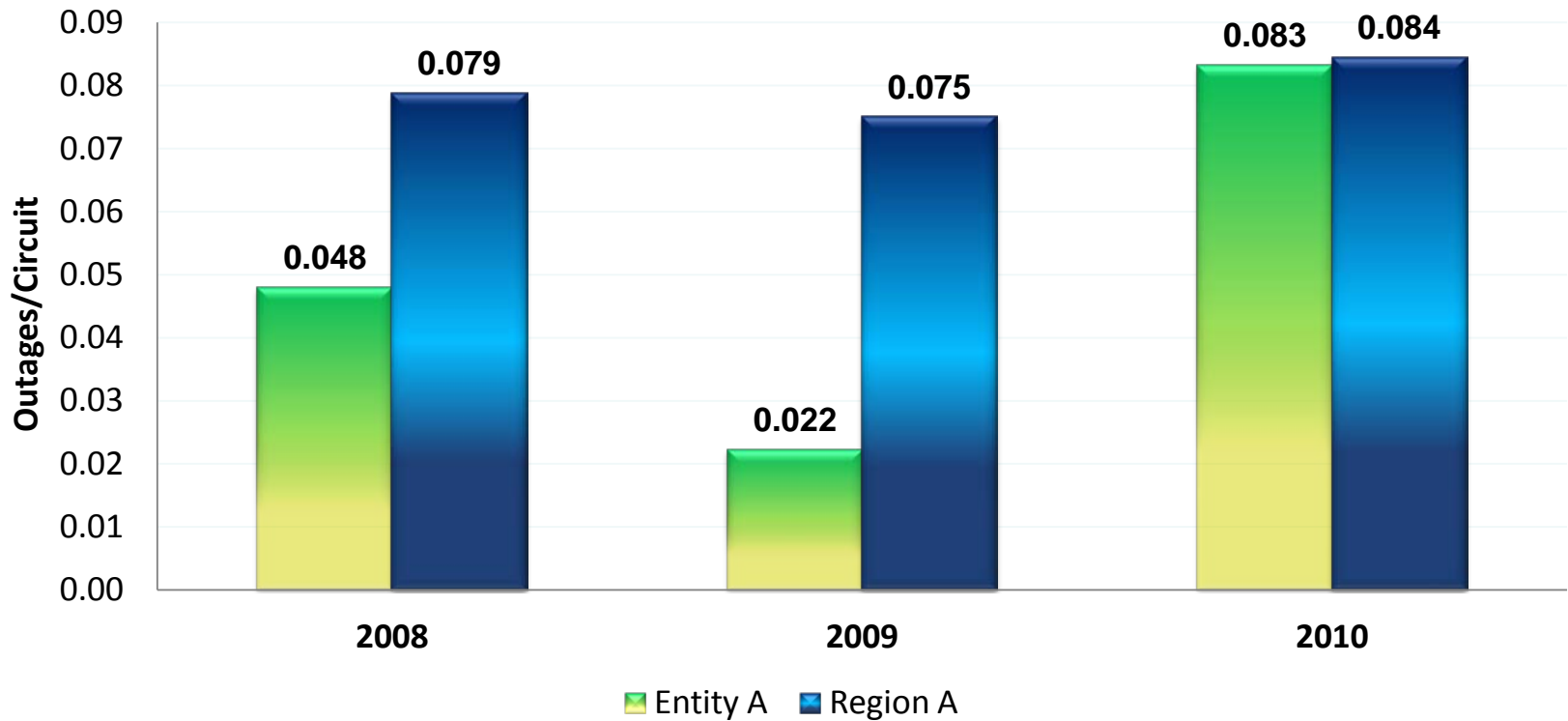
- An Independent System Operator with multiple functions and a large geographical foot print would obviously have a higher profile than a small entity with limited functions and connections to other entities
- A high risk profile based on a large complex entity does not necessarily equate to that entity being a bad actor

- Unique metrics based on functional registration to measure performance
- How do we incorporate the Integrated Risk Index (IRI) into the entity assessment?



- ALR6-11: Automatic Outages Initiated by Failed Protection System Equipment
  - This reliability metric shows automatic outages due to failed protection system equipment
- ALR6-12: Automatic Outages Initiated by Human Error
  - This reliability metric shows the automatic outages due to human error
- ALR6-15: Element Availability Percentage (APC)
  - This reliability metrics provides the overall percent of time the aggregate of transmission elements are available and in service
- Performance relative to the regional average

## ALR6-12 Automatic AC Circuit Outages Initiated by Human Error



- This assessment will allow a Regional Entity to identify generic strengths and weaknesses of a registered entities' culture of compliance
  - Examples of excellence and best practices
- It is envisioned that these identified examples of excellence and best practices can be shared with registered entities
  - Sharing will be on a group or individual basis
  - The sole purpose is to encourage the development and maintenance of a sound culture of compliance throughout the Regional Entity and the ERO

Key ICP Attributes	Reference Document
Officers/Personnel	Docket No. PL08-3-000: <i>FERC Policy Statement on Enforcement, Page 10, ¶ 22</i>
Independence	Docket No. PL06-1-000: <i>FERC Policy Statement on Enforcement, Page 10, ¶ 22</i>
Resources	Docket No. PL06-1-000: <i>FERC Policy Statement on Enforcement, Page 10, ¶ 22</i>
Leadership Support	Docket No. PL08-3-000: <i>FERC Policy Statement on Enforcement, Page 10, ¶ 22</i>
Compliance Training	Docket No. PL06-1-001: <i>FERC Revised Policy Statement on Enforcement, Page 23, ¶ 59</i>
Program Evaluation	Docket No. PL09-1-001: <i>FERC Policy Statement on Compliance, Page 8, ¶ 16</i>
Self-Identifying	Docket No. PL06-1-001: <i>FERC Revised Policy Statement on Enforcement, Page 23, ¶ 59</i>

- Possible violations
  - Totals
  - Self-identified versus externally discovered
  - Repeat violations
  - Timing of self-identified violations
- Mitigation plans
  - Completion of milestones
  - Timeliness of mitigation plan submittals
- Reviews/investigations

- Qualitative evaluation
  - Regional Entity information and knowledge of the registered entity regarding regional trends and issues
- Factors considered in this section may include:
  - Known system issues in registered entity's footprint
  - Previous events
  - Registered Entity involvement with ERO reliability initiatives
  - Communication and interaction between the Regional Entity and registered entity
  - Reliability or compliance trends within that region

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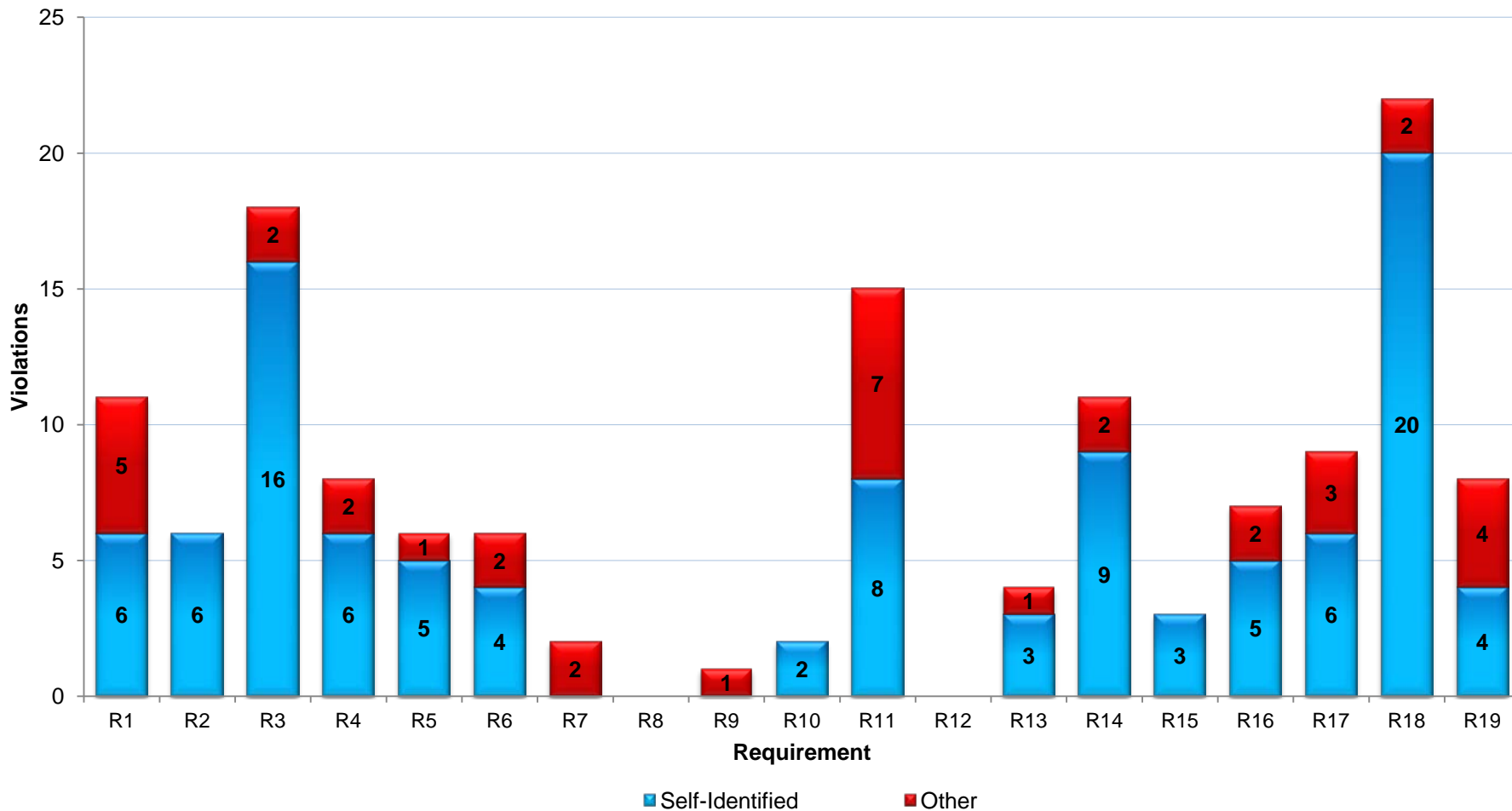
# Compliance Analysis Report Backup

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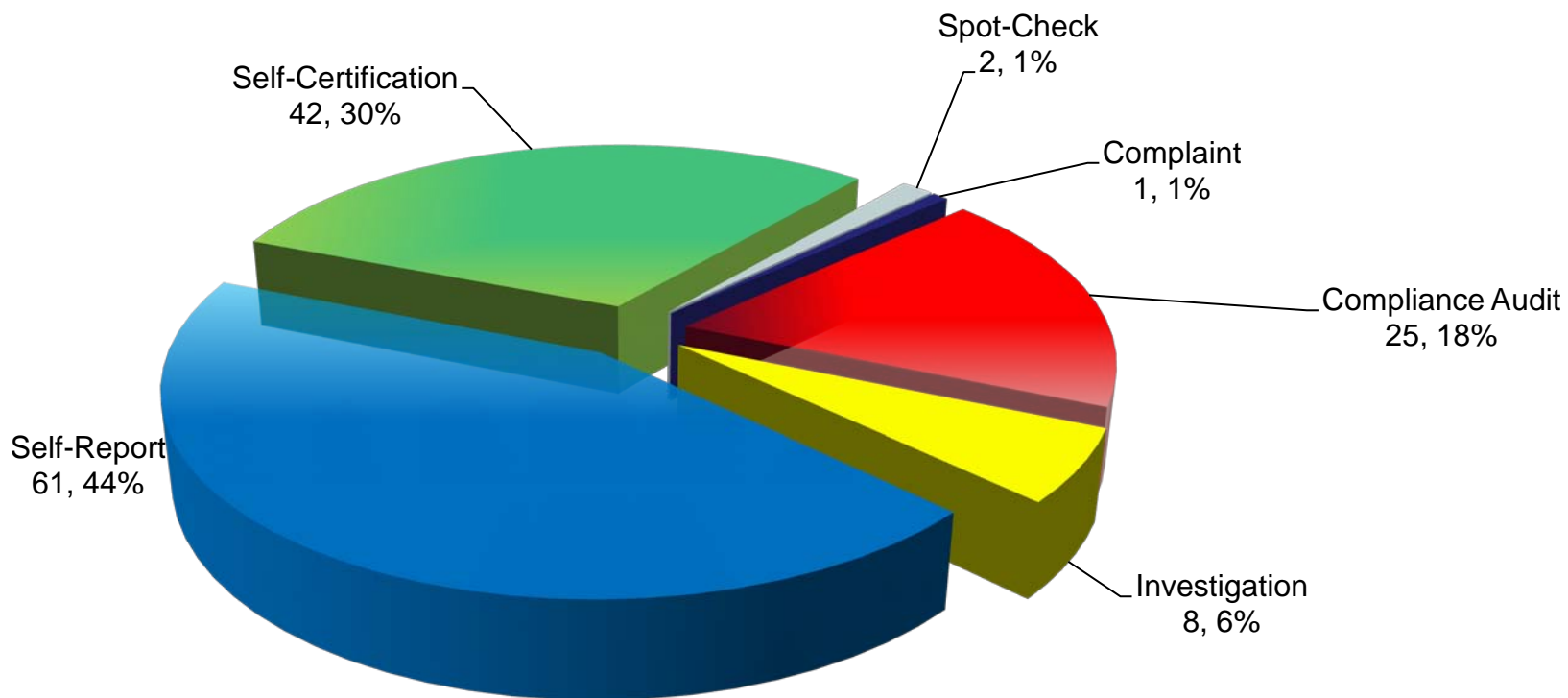
- Fourth most violated O & P standard all-time
- Fifth most violated O & P standard last 12 months
- Applicable to over 63% of registered entities
- 139 violations, 74% self-identified
  - Five requirements in double digit violations
  - Documentation is an area that needs improvement
- Link to TOP-002 report
  - <http://www.nerc.com/files/TOP-002.pdf>



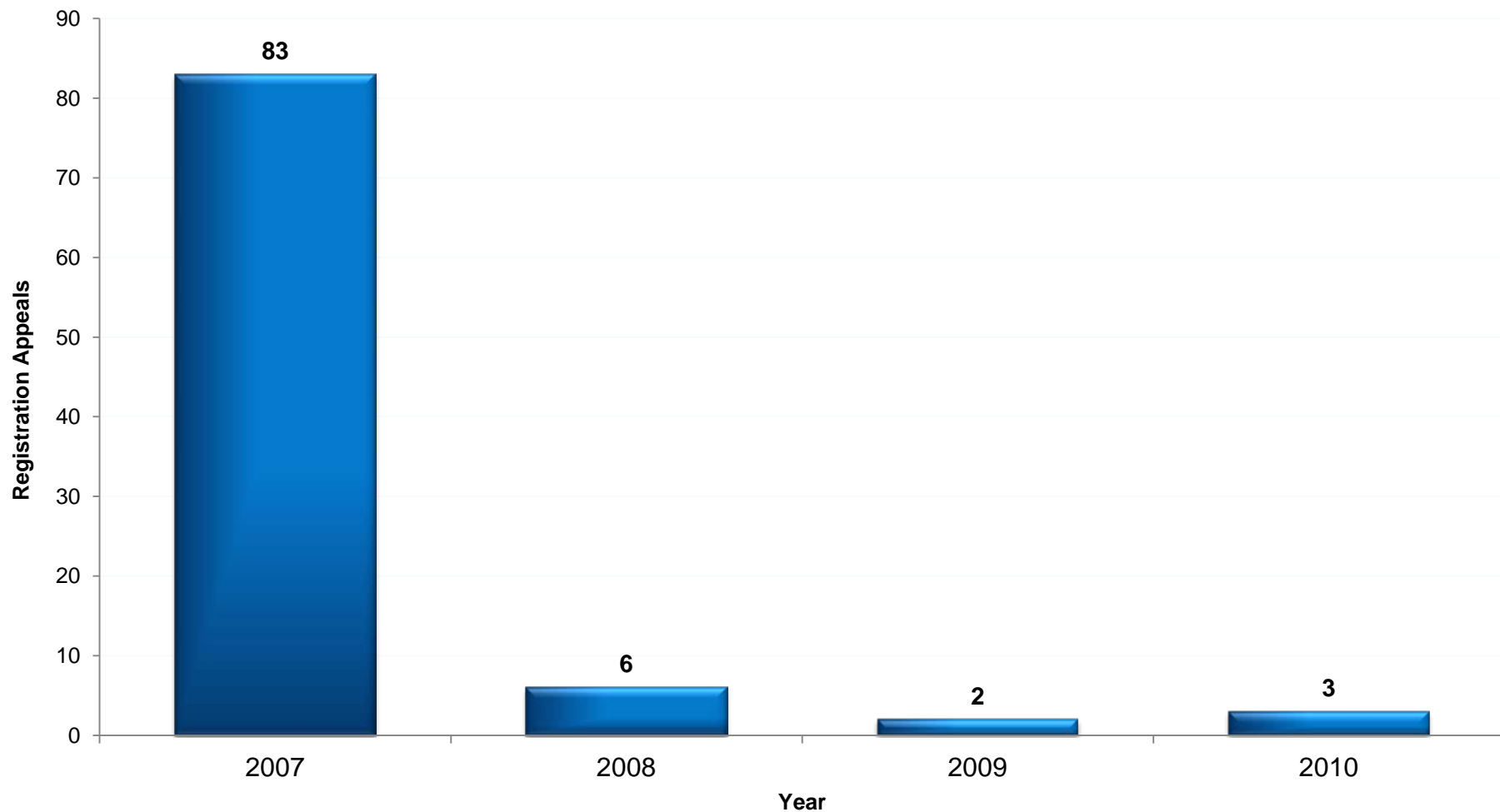
## TOP-002 Violations by Requirement



## TOP-002 Violations by Method of Discovery

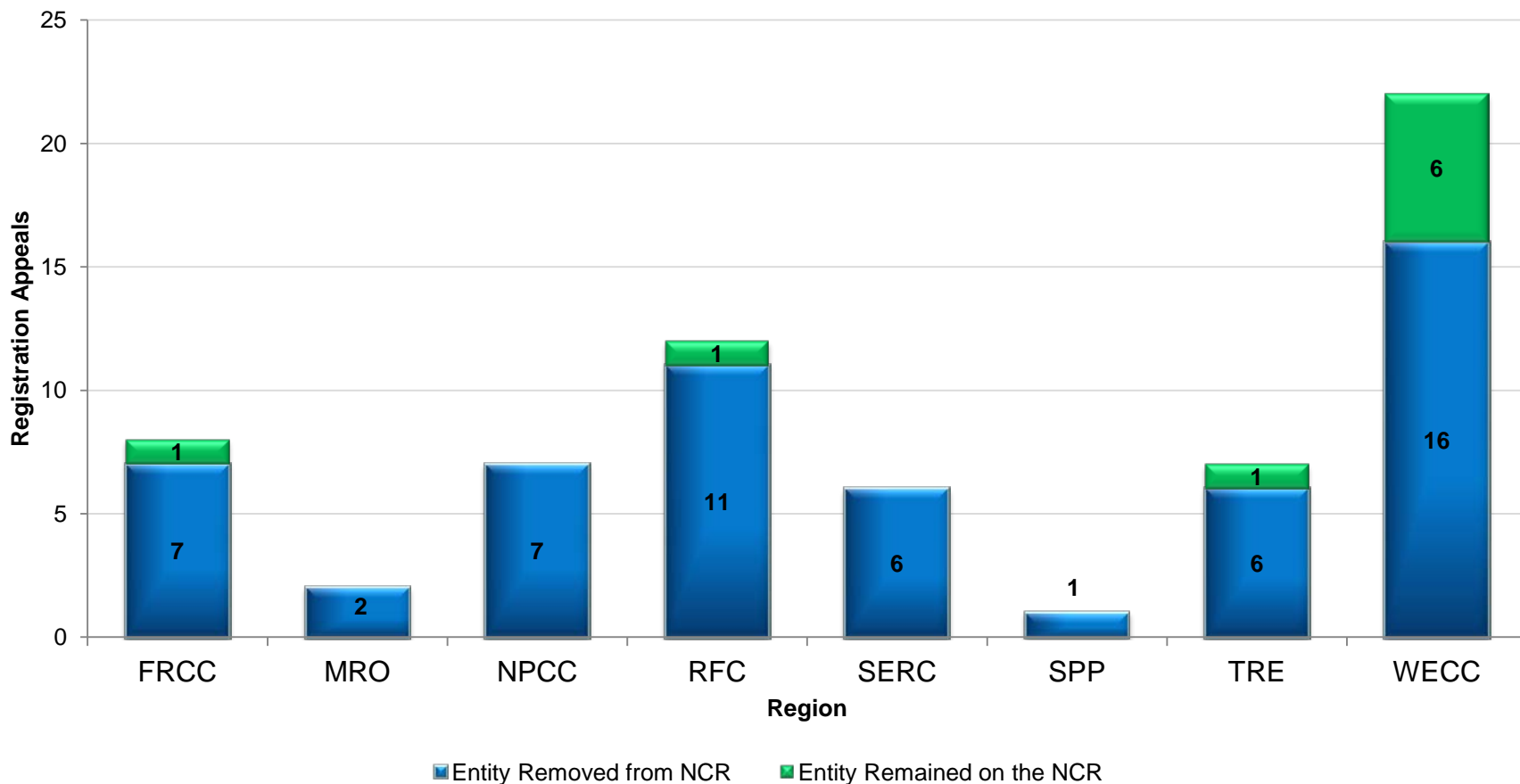


## Total Registration Appeals by Year



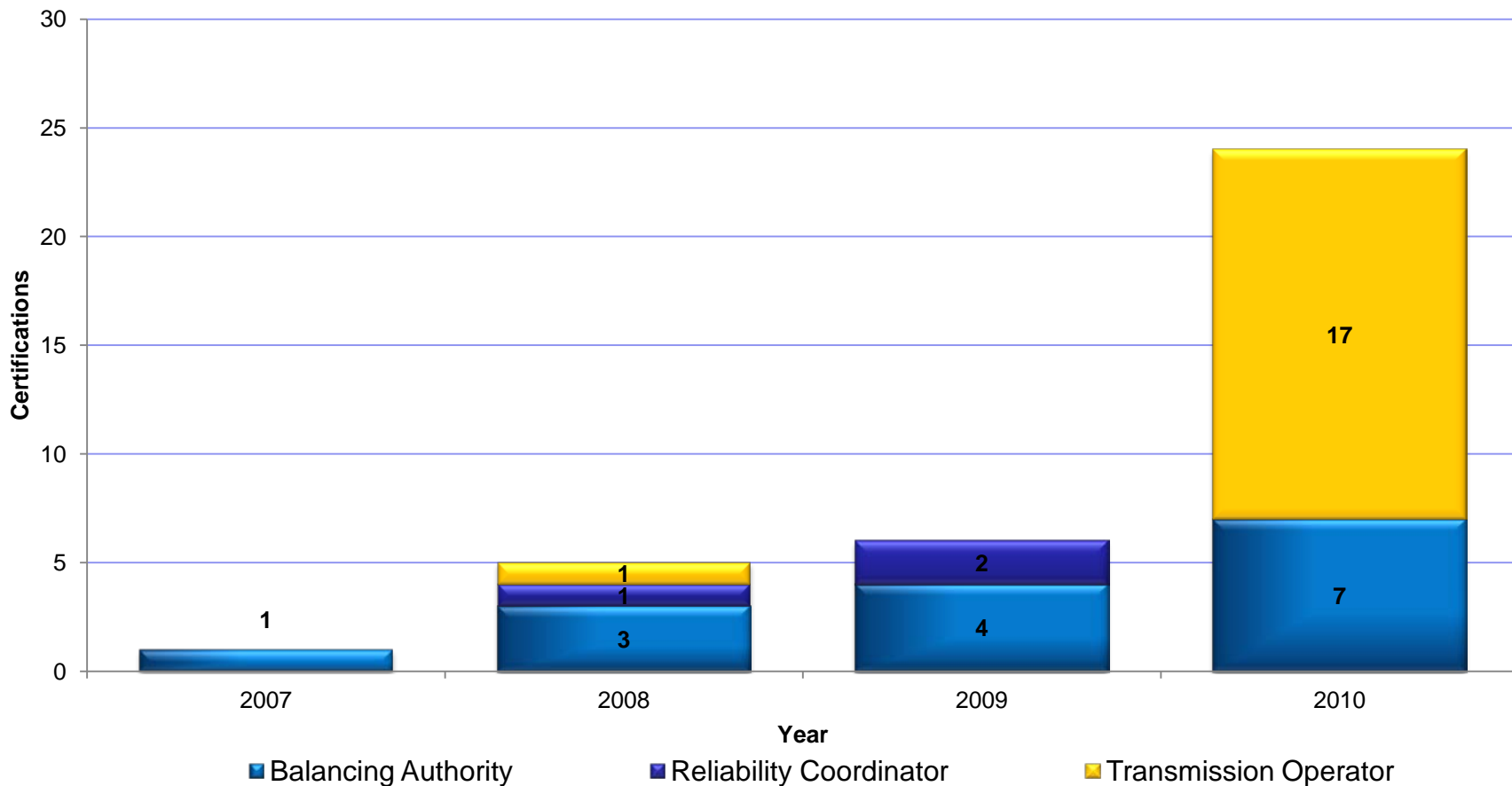
## Registration Appeals Settled at the Regions

*65 Total Appeals Were Settled at the Regions*

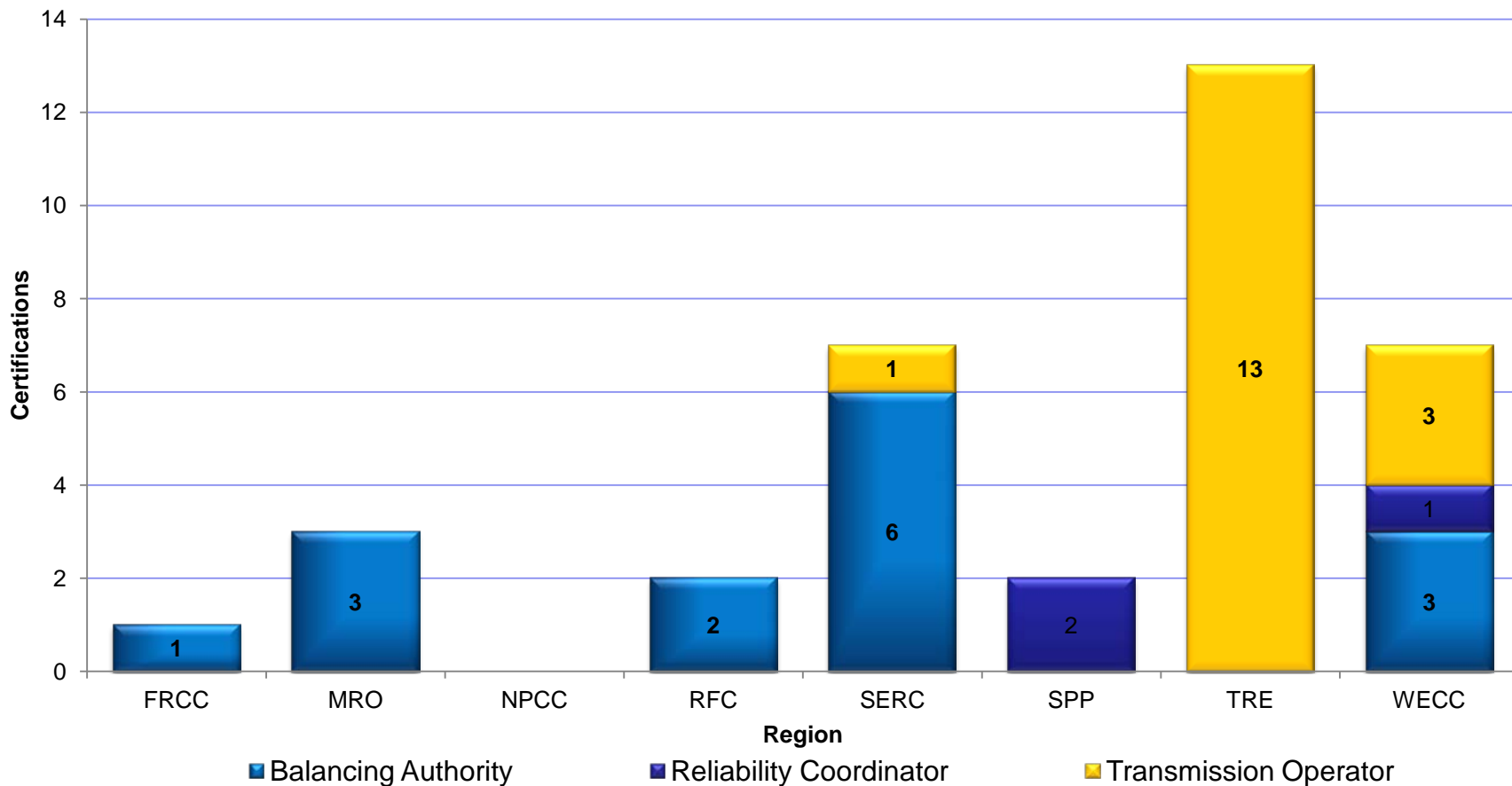


- NERC has posted sample certification materials for transparency
- Industry has already utilized the materials
- Documents can be found here:
  - <http://www.nerc.com/page.php?cid=3|25|294>

## Certifications Completed by Year



**Certifications Completed by Region**



- NERC and the Regional Entities are working to provide opportunities to lessen the need for on-site visits for those entities that have gone through the certification process before
- NERC is committed to providing open and transparent information to the industry and has begun posting certification processes, procedures, and tools on its website



- NERC staff appreciates comments to reports as well as suggestions for improvements
- Working to develop a process with the Operating Committee, Planning Committee, and Critical Infrastructure Protection Committee
- Questions/comments?

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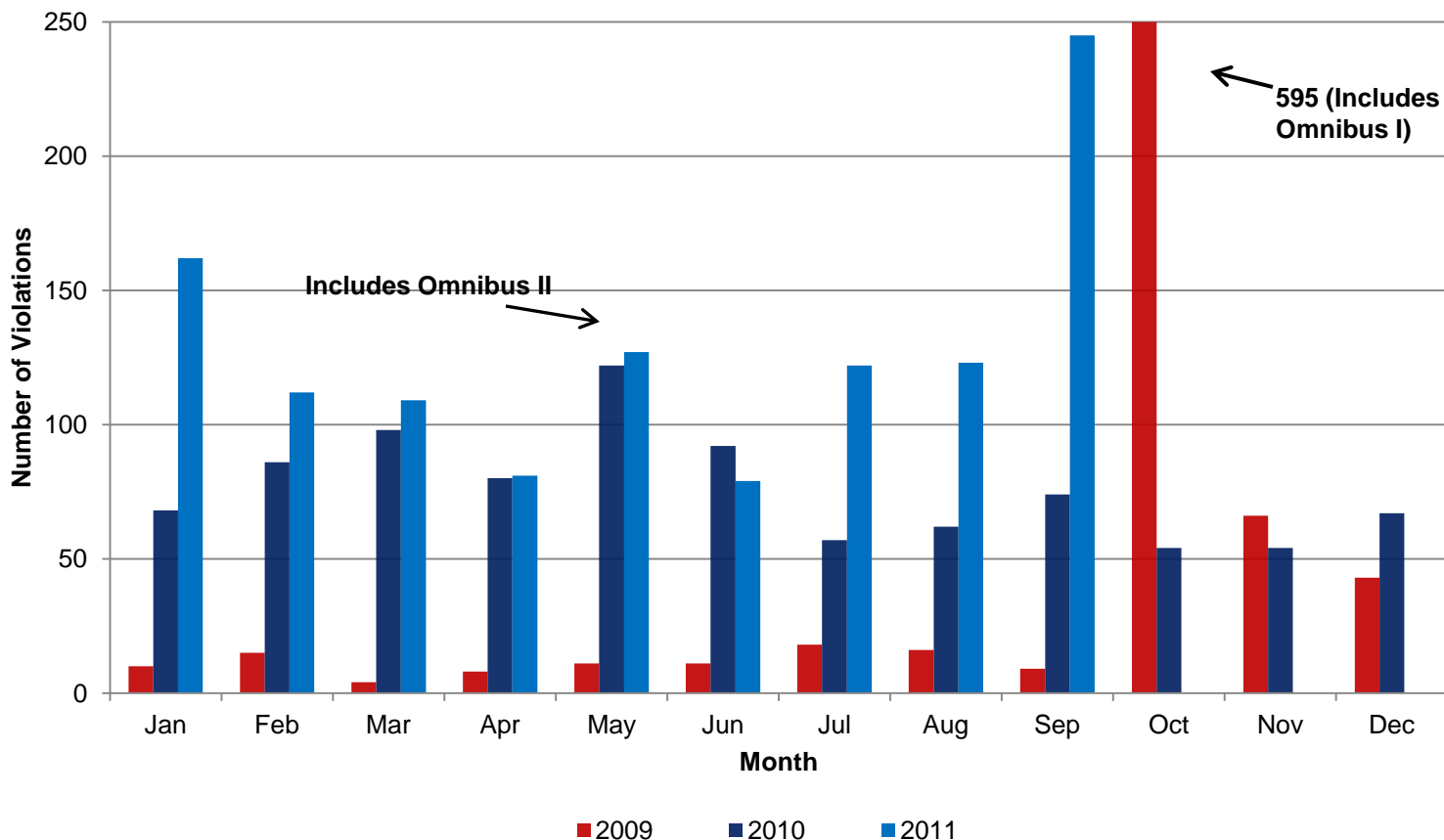
# Quarterly Statistics

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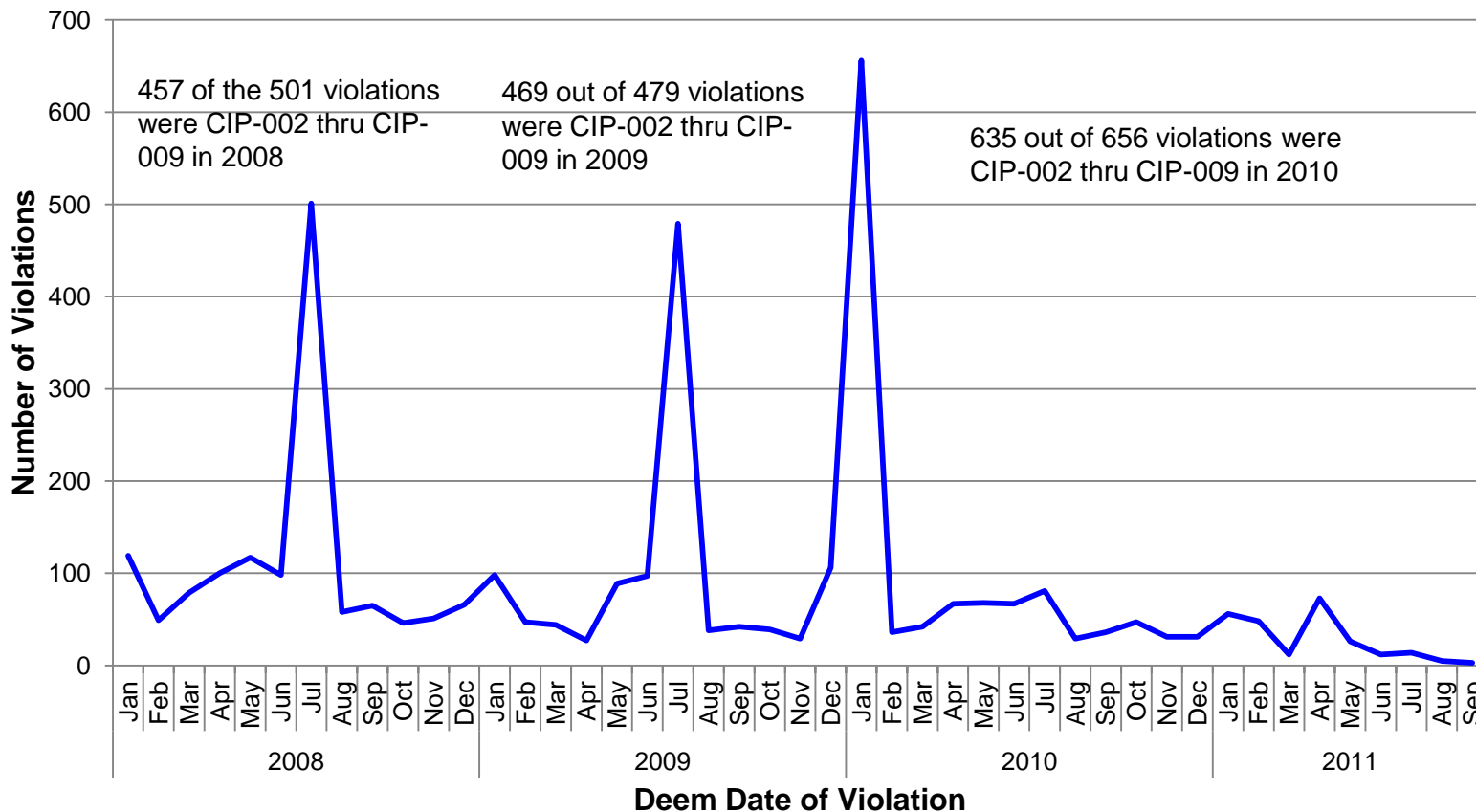


- The number of new violations received in September was 262; the highest since June
- September 30 FERC filing
  - 117 FFT violations
  - 102 violations (75 via Spreadsheet NOP and 27 via Full NOPs)
- The percentage of CIP to Non-CIP violations has risen to 63% in September; last month was 52%
- Six month violation receipt average (April 1, 2011 through September 30, 2011)— 277 violations/month (265 last month average)

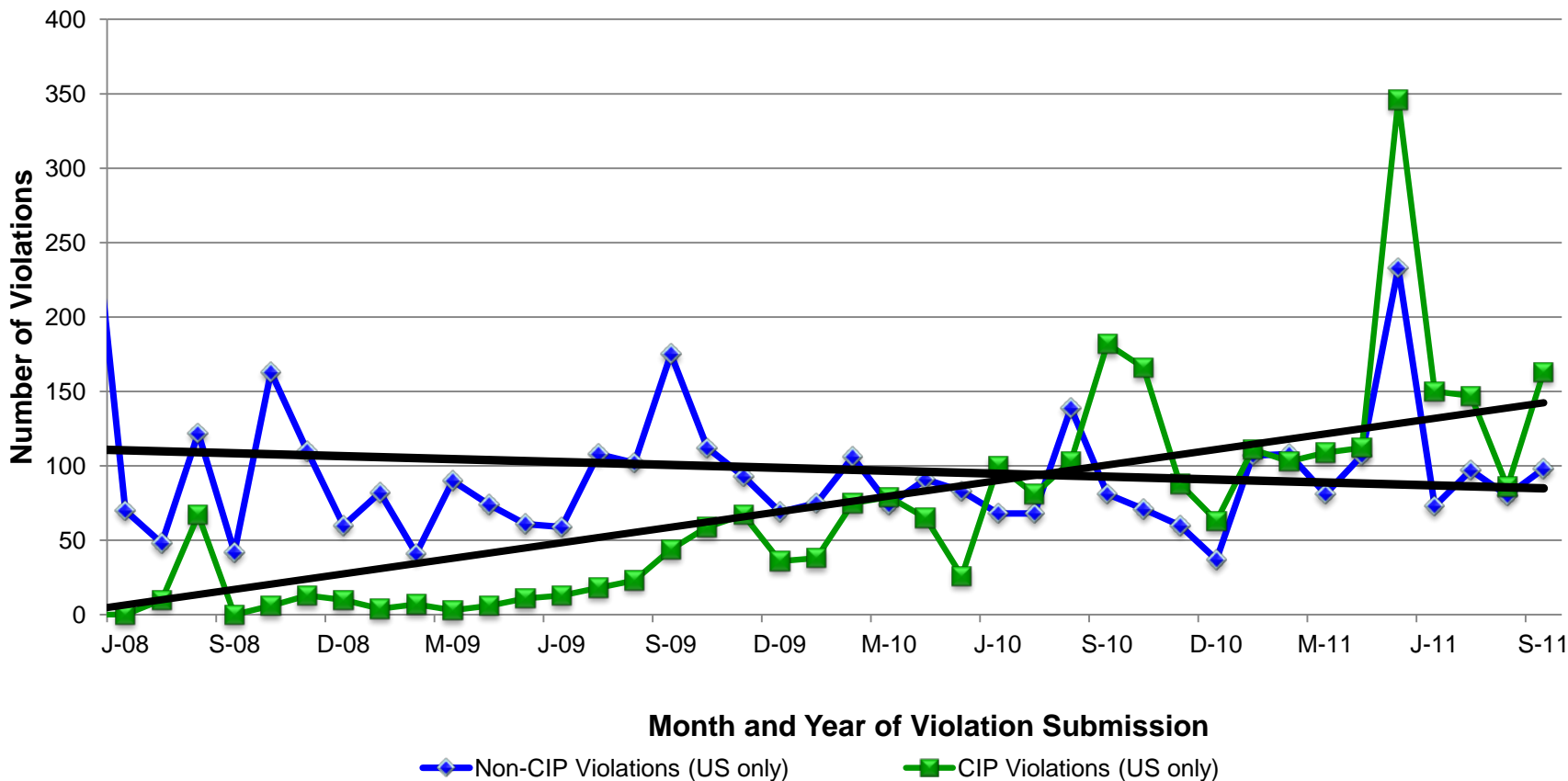
# Violations Approved by BOTCC



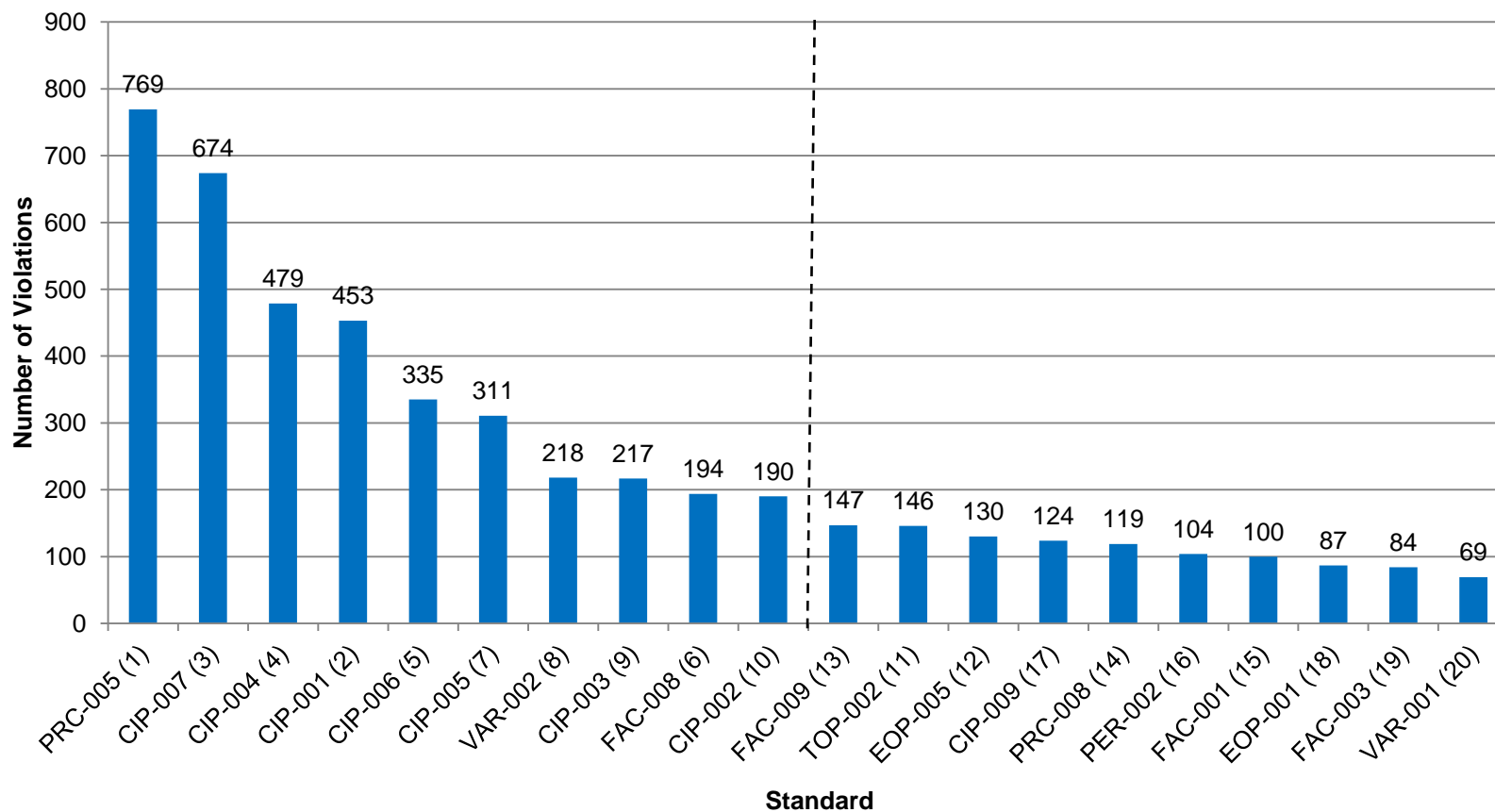
# Deem Date Trend for Active and Closed Violations



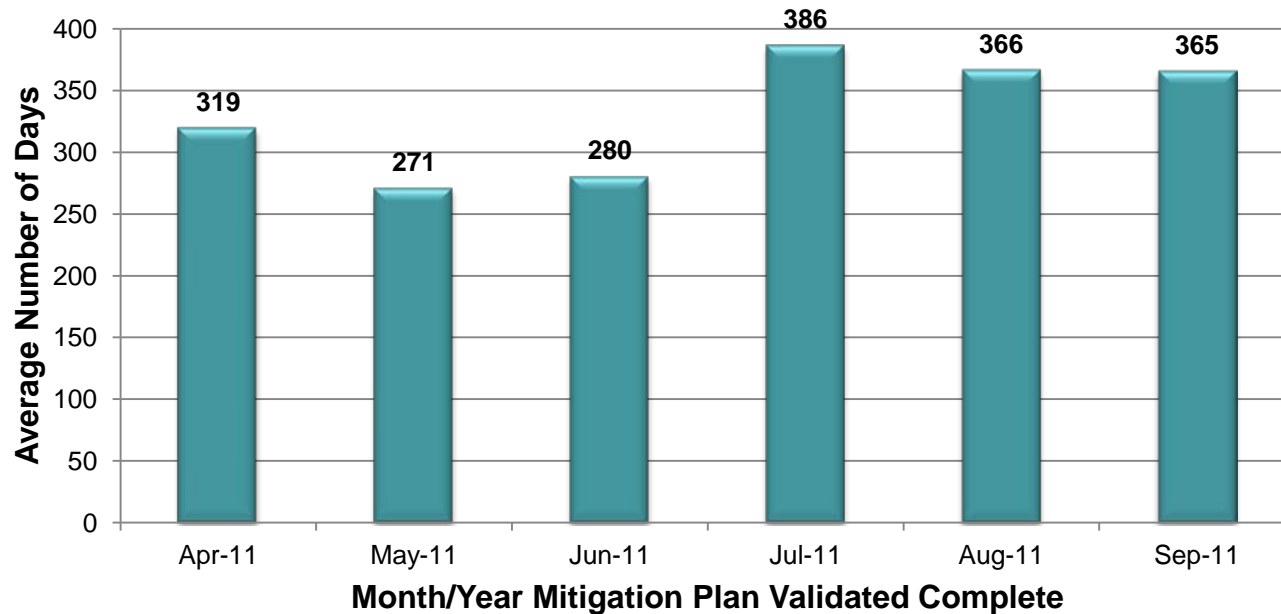
# CIP versus Non-CIP Violation Trend All Time



# Top 20 Enforceable Standards – Violated Active and Closed Violations thru 9/30/11



Total of 575 violations with a 6 month average days to validate of 330





	<b>Approved NOP Violations</b>	<b>Approved FFTs</b>	<b>Total Filed with FERC</b>
<b>September</b>	119	128	219
<b>October</b>	48	133	159
<b>November</b>	117*	44*	

\*Anticipated

	<b>September NOP/FFT</b>	<b>October NOP/FFT</b>	<b>November NOP/FFT</b>
<b>FRCC</b>	12/30	0/25	0/2
<b>MRO</b>	0/24	1/9	0/11
<b>NPCC</b>	0/2	0/4	0/7
<b>RFC</b>	58/8	15/17	72/14
<b>SERC</b>	0/22	0/2	0/3
<b>SPP RE</b>	8/24	0/8	0/6
<b>TRE</b>	0/12	0/13	0/1
<b>WECC</b>	41/6	32/55	35/1

## Violations “at NERC” as of October 19, 2011

- 152 are BOTCC-approved
  - 40 from pre-September—33 scheduled for filing on October 31, 2011, with balance awaiting mitigation-related activities (MRA)
  - 52 from September—awaiting execution or MRA
  - 60 from October
- 130 are scheduled for BOTCC action in November and December