

**Draft****2012 NERC Corporate Performance Measures**

February 2, 2012

During the last few years, NERC has been improving its process for measuring corporate and department performance against goals, objectives, and pre-established metrics. Incentive compensation for all NERC officers and employees is now tied to these yearend corporate and department results, as well as to individual performance assessments. NERC has most recently adopted internal tools for measuring individual performance to include electronic tracking of corporate and department results in 2012. Weighting among the corporate, department and individual components varies, depending on level of seniority in the company.

With each successive year, an effort has been made to improve the performance metrics themselves, first by reducing them to a smaller number of more important metrics (in 2010, NERC business activities totaled over 60 metrics spanning all NERC business activities). In addition, the substance of the metrics has been improved each year to increase the focus on results that improve reliability and to decrease focus on counting the numbers of NERC activities performed. This is a continuing challenge that will be refined each year as management strives to balance measuring results that NERC can directly control (e.g., NERC sponsored activities), versus the overall reliability performance of the bulk power system and risk mitigation.

NERC has collaborated with the eight Regional Entities to create a common strategic planning framework, the **Electric Reliability Organization Enterprise Strategic Plan 2012-2015**. This plan has evolved from the strategic plan that was reviewed by the NERC Board of Trustees (Board) in February 2011. The updated version of the Strategic Plan is being used by NERC and the Regional Entities as they formulate business plans and budgets for the coming year. For 2012, NERC is presenting its corporate performance measures using the framework provided by the ERO Enterprise Strategic Plan, spanning goals in three areas: 1) standards and compliance; 2) risks to reliability; and 3) coordination and collaboration.

The specific measures presented below were derived from goals and objectives outlined in the **2012 NERC Business Plan and Budget**, which was approved by the NERC Board on August 4, 2011 and accepted by the Federal Energy Regulatory Commission in its order issued October 20, 2011. The strategic plan from February 2011 was an additional resource.

The 2012 NERC corporate measures are subject to review by the Corporate Governance and Human Resources Committee on February 8, 2012, and approval by the Board on February 9, 2012.

## 2012 NERC Corporate Performance Measures – Draft February 2, 2012

### **1. Standards and Compliance**

- a) *Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner.* These standards establish threshold requirements for ensuring the bulk power system is planned, designed, operated, and maintained in a manner that minimizes risks of cascading failures, avoids damage to major equipment, or limits interruptions of bulk power supply.

	<b>Objective</b>	<b>Measure</b>	<b>2012 Target</b>	<b>2012 Stretch</b>
1.	Develop a technically sufficient set of results-based reliability standards, with each requirement providing a clearly identified performance expectation and reliability benefit.	Number of new, or substantively revised standards delivered to board for approval, excluding retirements	12 standards	16 standards
2.	Be accountable to applicable regulatory authorities and the public for standards that provide an adequate level of reliability.	Year-end reduction (in percent) of standards-related directives remaining compared to 260 directives at 2012 year beginning. Total remaining at yearend includes any new directives issued	20% reduction to 208	30% reduction to 182
3.	Working with industry, develop options to improve the efficiency and timeliness of standards development such that high priority standards may be targeted for completion in one year.	Process revisions that meet the one year criterion	Drafted for public comment	Revisions complete and ready for board approval by yearend
4.	Work with industry to develop technical references or application guides for reliability standards to ensure clarity and facilitate implementation.	Develop plan a) listing priorities based on risk and clarity gap, and b) identifying formats and procedures (use existing formats as appropriate such as RSAWs, regional entity application guides, standards references, CANs, etc.)	Plan and templates developed	10 application guides delivered
5.	Develop a robust set of critical infrastructure reliability standards that enable industry to adapt to continuously changing threats and vulnerabilities by emphasizing security risk management.	Complete the CIP Version 5 standards (or equivalent) by yearend 2012	Approved by industry through successive ballot	Approved by industry through recirculation ballot and ready for board approval

b) *Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.*

The ERO will retain and refine its ability to use standards enforcement when warranted and impose penalties and sanctions commensurate with risk.

	<b>Objective</b>	<b>Measure</b>	<b>2012 Target</b>	<b>2012 Stretch</b>
6.	Continue to develop enhancements to enforcement processing to achieve efficient and timely compliance outcomes, including streamlined procedures for lesser risk violations and improved workflow and tools at NERC and regional entities. Explore alternatives to refining discretion focused on targeting violations most implicated in large events.  Further develop FFT enhancements, spreadsheet NOPs, and other efficiencies and options for exercising discretion for lesser risk violations.	Average process duration for lesser risk violations filed in 2012 from discovery to filing, excluding those with discovery dates preceding July 1, 2011  Average process duration for greater risk violations from discovery to filing, excluding those with discovery dates preceding July 1, 2011  Yearend six-month rolling average of total FFT and spread-sheet NOPs filed monthly as a percent of active violations pending	6 months  12 months  4%	4.5 months  10 months  6%
7.	Reduce NERC/RE caseload index (proxy for how many months work remain in caseload).	Six-month rolling average of total active violations divided by monthly closings including dismissals		Scale from 12 months 100% credit to 22 months 0% credit
8.	Close outstanding enforcement cases with violation dates from 2007 – 2010.	Number of cases remaining unfiled for which violation date precedes January 1, 2011	75% reduction, excluding those held by proceedings at FERC or court	Zero left, excluding those held by proceedings at FERC or court
9.	Identify nature of violations associated with most significant system events and develop a plan for addressing risks in these areas.	Report on requirements most correlated to significant events (Category 3 and above) and plan for addressing risks	Report on risks correlated to significant events	Report on risk control strategies to address

- c) Promote a culture of compliance with mandatory reliability standards across the industry. The ERO will support the industry by identifying procedures, practices and controls to address reliability risks resulting from noncompliance.

	<b>Objective</b>	<b>Measure</b>	<b>2012 Target</b>	<b>2012 Stretch</b>
10.	Develop a program to allow compliance trials following NERC board approval of reliability standards, for the purpose of allowing industry to come into compliance and mitigate compliance risk while the ERO validates compliance measures and procedures, minimizing inefficiencies and detrimental effects of learning through enforcement.	Develop report outlining process and instruments to be used, and identifying candidate standards for demonstration	Report published	Pilot initiated
11.	Educate industry on effective compliance programs and effective reliability risk controls.	Identify and document case studies of entities with exemplary compliance risk and reliability risk controls  Continue CIP-002 Sufficiency Review Program (SRP) to evaluate entities' Critical Assets and Critical Cyber Assets lists	1 large entity and 1 small entity  Conduct 8 SRPs	1 additional case study  Conduct 10 SRPs
12.	Develop risk-based compliance monitoring approaches to maximize reliability benefits and improve efficiencies, and to encourage effective internal controls at registered entities.	Identify and assess through pilot testing alternative risk-based approaches to monitoring compliance, including use of sampling methods	Report on alternative approaches for monitoring compliance	Complete three pilot tests to demonstrate methods

## 2. Risks to Reliability

- a) Identify the most significant risks to reliability. The ERO will identify and prioritize reliability risks, develop effective solutions and interventions, and monitor results.

	<b>Objective</b>	<b>Measure</b>	<b>2012 Target</b>	<b>2012 Stretch</b>
13.	Trend reliability issues and improvement opportunities and share results transparently with bulk power system owners, operators, and users.	Report on state of reliability identifies risk clusters and trends	Report delivered by Q3	Report completed by Q2
14.	Provide a event analysis program that engages bulk power system owners, operators, and users in determining root causes, lessons learned, and other improvement opportunities; ensure all events meeting criteria are	Percent reporting of reportable events and quality of reports as measured by NERC review	100% of reportable events have reports submitted	80% approval according to quality review criteria

	catalogued, prioritized, and assessed for improvement opportunities.			
15.	Develop and maintain situational awareness capability that meets the needs of FERC, NERC, and applicable registered entities.	Delivery of SAFNR tool	System delivery and testing complete	All U.S. reliability coordinators connected
16.	Deliver reliability assessments of strategic emerging issues that may impact reliability.	Number of special issue reports approved	4 special issue reports approved	6 special issue reports approved

- b) *Be accountable for mitigating reliability risks.* The ERO will work with industry stakeholders and experts to ensure the mitigation of known risks to reliability using standards enforcement and other methods where appropriate.

	Objective	Measure	2012 Target	2012 Stretch
17.	Improve time to complete mitigation activities.	Average time from identification of a possible violation to entity stating mitigation complete	Mitigation times trend downward over 2012	Mitigation times reduced 10%
18.	Manage a consistent program for issuing advisories, recommendations and essential actions, and track and report mitigation results. Conduct these activities using tools, processes, and authorities.	Plan – design for tracking recommendations from alerts, event analysis, and other sources  Tools – specify tool for tracking recommendations  Implementation	Develop requirements and plan for tracking recommendations  Specifications for tools  System in testing	Tools: Implement NERC Alert system (build or buy) as scoped by 2012 Target  Develop in SharePoint or acquire solution  System operational
19.	Develop and implement risk management strategies for highest tier reliability risks.	Identify high priority risk management projects and develop plan  Identify success measures and benchmark  Implement plan	2 projects identified and planned  Measures for each project  Project started	3 projects  Benchmarks complete  On schedule at yearend

20.	<p>Enhance situational awareness within the electricity sub-sector and with government through ES-ISAC, such as presence at NCCIC and other governmental classified forums.</p>	<p>Establish presence on NCCIC floor.</p> <p>Develop and implement initial declassified NCCIC framework in ES-ISAC</p> <p>Unclassified information products for registered entities based on classified sources</p> <p>Continue to expand ES-ISAC website to include secured members-only portal</p> <p>Classified briefings</p>	<p>2 ES-ISAC staff have access to NCCIC</p> <p>Design ES-ISAC wall of knowledge component</p> <p>Continually populate ES-ISAC portal with indicator bulletins</p> <p>Registration on ES-ISAC portal by 35% of registered entities</p> <p>1 classified briefing</p>	<p>3 ES-ISAC team staffing access to NCCIC</p> <p>Test initial prototype</p> <p>Registration on ES-ISAC portal by 50% of registered entities</p> <p>2 classified briefings</p>
21.	<p>Facilitate the conduct of comprehensive emergency, disaster, and business continuity planning.</p>	<p>Develop and test national security crisis response plan; test internally and then externally via participation in exercises, such as Cyber Storm IV d</p>	<p>Develop and review plans; test internally</p>	<p>Test internally and assess during 1 additional exercise, such as Cyber Storm IV</p>
22.	<p>Develop cyber security risk assessment tools for industry use, including maturity or mode of attack models.</p>	<p>Perform exercises based on attack tree modeling input and tied to maturity model output</p> <p>Support DOE maturity model initiative</p>	<p>4 exercises at host entities</p> <p>DOE adopts NERC framework</p>	<p>6 exercises at host entities</p> <p>DOE pilot completed</p>

- c) *Promote a culture of reliability excellence.* The ERO will facilitate a learning environment throughout the industry through event causal analysis, communication of lessons learned, tracking of recommendations, and implementation of best practices.

	<b>Objective</b>	<b>Measure</b>	<b>2012 Target</b>	<b>2012 Stretch</b>
23.	Assist industry in improving reliability data modeling, including generator and turbine controls and load modeling.	Continue workshops on improved modeling. Engage all three interconnections in model improvement  Execute plans to improve models. Prioritize improvements towards specific study	Report on improvement requirements and plan for improvement  2012 models suitable for Frequency Response Studies in the Eastern Interconnection. Document in a report to the PC	Data request to support model improvement  Engage EPRI in improve load modeling research
24.	Align and expand the role of technical committees in supporting ERO functions and developing initiatives to improve reliability, with clear accountability to the board.	Engage committees by providing identified emerging reliability issues and seek joint solutions	Committees tracking on total of 6 key initiatives reporting to board	Comprehensive yearend report to board on priority initiatives and plans
25.	Complete and initiate demonstration of NIST/ DOE/ NERC cybersecurity guidelines for industry.	Finalize and implement comprehensive NIST/DOE/NERC Risk Management Guidelines	Finalize document and conduct public rollout	Initiate 3 demonstration users

### 3. Coordination and Collaboration

- a) *Improve transparency, consistency, quality and timeliness of results.* The ERO will accomplish this through effective coordination, collaboration and process improvements.

	<b>Objective</b>	<b>Measure</b>	<b>2012 Target</b>	<b>2012 Stretch</b>
26.	Maintain easy-to-navigate, accessible reliability information through a library of lessons learned from event analyses, best practices, examples of excellence, and other resources for reliability improvement.	Implement NERC public website using SharePoint 2010	Website operational	Implement metadata for rapid search capability
27.	Develop and implement an industry-wide communications plan to build awareness of work by the ERO and industry to improve reliability.	Develop quarterly reporting mechanism to detail ERO activities that addresses BPS risk	Reports for Q2-4 2012	Reports for Q1-4 2012

- b) *Operate as a collaborative enterprise.* The ERO will communicate expectations clearly and foster collaboration to deliver important results in advancing system reliability.

	<b>Objective</b>	<b>Measure</b>	<b>2012 Target</b>	<b>2012 Stretch</b>
28.	Develop highly qualified and trained staffs at NERC and the regional entities, including enhancement of qualifications in auditing, investigations, enforcement, and other essential staff roles.	Develop certification criteria for critical ERO functions  Conduct continuing training on auditing, investigating, root cause, and human factors	Auditor qualifications documented  95% of all auditors and investigators have 2 days of training or more	Investigator qualifications also  100% of auditors and investigators at NERC and regions, programs available to registered entities
29.	Deliver the initial modules of a secure information management system to achieve efficiencies, consistency of outcomes, effective process controls, and more transparent accountability across the statutory functions of ERO enterprise.	Deliver business requirements and functional requirements for one ERO application.	Design one agreed upon ERO application.	Implement one agreed upon ERO application.

- c) *Improve efficiencies and cost effectiveness.* The ERO will accomplish this by engaging the support of stakeholders, being an efficient steward of resources, and leveraging information systems to create efficiencies and process controls.

	<b>Objective</b>	<b>Measure</b>	<b>2012 Target</b>	<b>2012 Stretch</b>
30.	Develop an ERO-wide risk management program with effective internal controls to ensure the ERO is addressing organizational risks and successfully fulfilling its statutory mission.	Governance established  Risk management executive hired  Initial assessment and priorities reported  2012 work plan completed and budget for 2013		Charter approved  Hire completed  Report to RMICS by yearend  2012 work plan 100% complete and 2013 plan in budget

31.	Address recommendations and directives from the Three-Year ERO Assessment and previous audits.	Recommendations completed from 3 year assessment	90%	100%
		Recommendations completed from FERC audit and previous audits	90%	100%
32.	Implement additional operating and financial controls to improve resource efficiency and allocation	Budgetary performance  2013 NERC budget filed	Yearend working capital equal to or greater than budgeted  5% increase or less	Combined expense and fixed asset expenditures within budget  0% increase or less
33.	Better integration and decision making process with regions, including decision making with respect to management of overall ERO resources.	Improvements to EROMG governance and decision-making  Organization and accountability of joint NERC and RE work groups  ERO business planning	Updated charter  All work groups assessed and have clear accountabilities  Common goals and assumptions	8 leadership coordination meetings  Completion of 100% of deliverables in work plans  Total ERO 2013 statutory budget is 5% below projection filed in 2012, excluding WECC grant

# 2012 NERC Performance Report

*Initial Draft*

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President and CEO  
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**RELIABILITY | ACCOUNTABILITY**



- 2012 corporate performance measures based on
  - 2012 corporate business plan and budget
  - Three-year ERO Performance Assessment
  - 2012-2015 ERO Enterprise Strategic Plan (goals, objectives, and pre-established metrics)
- Progress reviewed quarterly with management team
  - Goals and objectives shared with work teams to include the eight regions
  - Electronic tracking
- Results tied to performance compensation at corporate and department levels
  - Individual performance is third component

# Three Major Goal Areas

- Corporate performance measures are structured around the framework provided by the ERO Enterprise Strategic Plan, spanning goals in three areas:
  - Standards and compliance
  - Risks to reliability
  - Coordination and collaboration

# Priority Objectives and Actions

- Develop new or substantively revised reliability standards
- Improve standards development
- Develop technical references or application guides
- Develop critical infrastructure reliability standards
- Reduce caseload index, close outstanding enforcement cases, and enhance enforcement process
- Identify violations associated with significant events and plan for addressing those risks
- Educate on effective compliance and reliability risk controls
- Develop risk-based compliance monitoring

# Priority Objectives and Actions

- Trend reliability issues
- Provide event analysis program
- Develop and maintain situational awareness (includes ES-ISAC)
- Deliver reliability assessments or emerging issues
- Improve time to complete mitigation activities
- Issue advisories, recommendations, and mitigation results
- Develop and implement risk management strategies and emergency and business continuity planning
- Develop cyber security risk assessment tools
- Improve reliability data modeling

# Priority Objectives and Actions

- Align and expand role of technical committees
- Demonstrate cybersecurity guidelines
- Develop lessons learned library and industry-wide communications plan
- Develop highly qualified and trained staff
- Develop modules of a secure information management system
- Develop an ERO-wide risk management program
- Address recommendations from Three-Year ERO Performance Assessment
- Implement financial controls and improve resource efficiency
- Integrate and improve decision making process with regions