

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

**North American Electric Reliability  
Corporation**

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**Docket No. RC11-6-004**

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

**SEPTEMBER 18, 2015**

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## I. INTRODUCTION

The North American Electric Reliability Corporation (NERC) respectfully submits this compliance filing and report on the Find, Fix, Track and Report (FFT) program in fulfillment of its commitment to an annual filing made in the above-captioned proceeding,<sup>1</sup> and in compliance with the Federal Energy Regulatory Commission's (FERC or Commission) June 20, 2013 Order<sup>2</sup> and September 18, 2014 Order.<sup>3</sup>

The FFT program is an important part of the overall risk-based approach to the Compliance Monitoring and Enforcement Program (risk-based CMEP) implemented by NERC and the Regional Entities<sup>4</sup> over the last few years. The FFT program has been in place since September 2011 and has allowed the ERO Enterprise to gain significant experience in addressing noncompliance through different processes, based on the risk such noncompliance posed to the reliability of the bulk power system (BPS). That experience informed the development of additional tools, implemented by the ERO Enterprise since 2013, through the Reliability Assurance Initiative. Therefore, the status of the

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<sup>1</sup> See *North American Electric Reliability Corporation*, "Petition Requesting Approval of New Enforcement Mechanisms and Submittal of Initial Informational Filing Regarding NERC's Efforts to Refocus Implementation of its Compliance Monitoring and Enforcement Program," Docket No. RC11-6-000 (filed Sept. 30, 2011); *North American Electric Reliability Corporation*, "Order Accepting with Conditions the Electric Reliability Organization's Petition Requesting Approval of New Enforcement Mechanisms and Requiring Compliance Filing," 138 FERC ¶ 61,193 (Mar. 15, 2012), *order on clarification*, 139 FERC ¶ 61,168 (May 31, 2012); *North American Electric Reliability Corporation*, "Order on Compliance Filing," 140 FERC ¶ 61,215 (Sept. 20, 2012); *North American Electric Reliability Corporation*, Docket No. RC11-6-003 (Feb. 25, 2013) (unpublished delegated letter order).

<sup>2</sup> See *North American Electric Reliability Corporation*, "Order on Compliance Filing," 143 FERC ¶ 61,253 (June 20, 2013) (June 20 Order) (accepting NERC's March 15, 2013 compliance filing and report regarding the implementation and progress of the Find, Fix, Track, and Report (FFT) program, and approving four FFT program enhancements).

<sup>3</sup> See *North American Electric Reliability Corporation*, "Order on Compliance Filing," 148 FERC ¶ 61,214 (Sept. 18, 2014) (September 18 Order) (accepting NERC's June 20, 2014 compliance filing and report regarding the implementation and progress of the FFT program and approving FFT program enhancements to expand FFT treatment to noncompliance that will be mitigated within one year from the date of FFT posting).

<sup>4</sup> NERC and the Regional Entities are collectively referred to herein as the Electric Reliability Organization (ERO) Enterprise.

FFT program, which is the focus of this compliance filing and report, needs to be considered in the context of the overall risk-based CMEP.

Among the goals of the risk-based CMEP is the tailoring of enforcement processes to be commensurate with the risks of the underlying noncompliance. The FFT program's success since 2011 demonstrated the propriety of such an approach and led to the creation of the compliance exception program as an additional streamlined processing mechanism for minimal risk issues. Another component of risk-based enforcement is the self-logging program, which enables registered entities that qualify for the program to log their own minimal risk issues with a presumption that those issues will receive compliance exception treatment. As discussed below, these tools continue to allow the ERO Enterprise to streamline the processing of lower risk noncompliance and gain administrative efficiencies, while still providing full visibility to the ERO Enterprise and FERC of all noncompliance and associated risk to the reliability of the BPS. This sustained visibility ensures that the ERO Enterprise and FERC have the ability to continue to perform their respective reliability oversight roles.

## **II. THE FFT PROGRAM HAS SUCCESSFULLY EVOLVED SINCE ITS IMPLEMENTATION IN 2011**

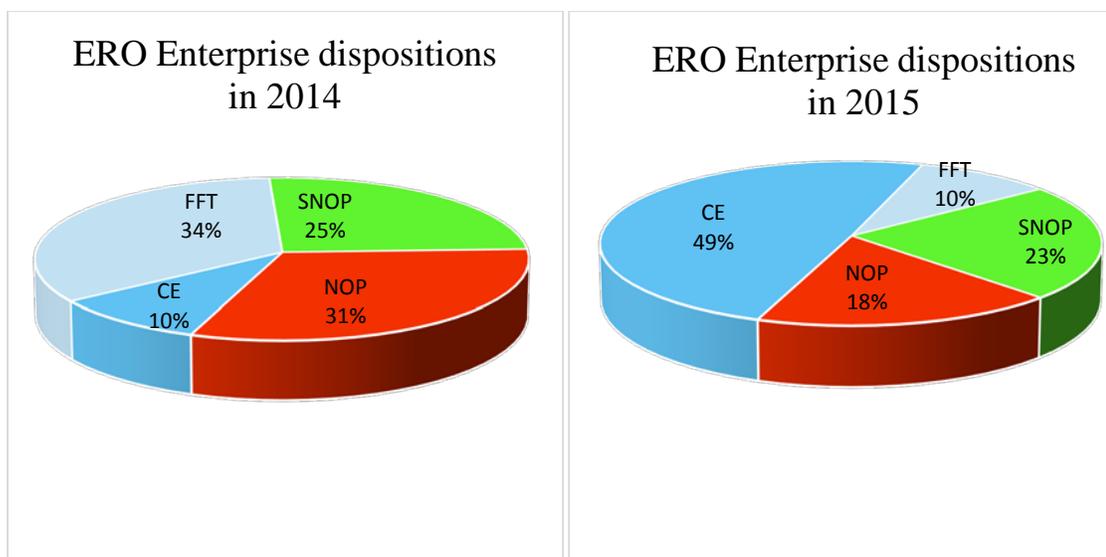
The FFT program is a mature processing mechanism that the ERO Enterprise applies effectively to resolve minimal and moderate risk issues in an efficient manner. Since 2011, NERC has processed over two thousand FFTs. The FFT program was a significant step in implementing a risk-based approach to enforcement of Reliability Standards which recognizes that not all instances of noncompliance require the same type of process and documentation. While noncompliance, regardless of the level of risk posed, is expected to be identified and mitigated, the analysis of the noncompliance processed by the ERO Enterprise indicates that the vast majority of the caseload

typically posed a minimal or moderate risk to the reliability of the BPS. The risk-based CMEP, including the FFT program, allows the ERO Enterprise to scale the enforcement process to match the risk posed by the noncompliance. The availability of streamlined programs for minimal and moderate risk issues allows the ERO Enterprise to focus its finite resources on higher-risk noncompliance. Full Notices of Penalty remain as the valuable tool for describing the resolution of such cases. For these more complex cases, Full Notices of Penalty can explain the compliance challenges faced by the registered entity, while conveying useful information to industry about reliability risks and the actions to mitigate those risks. In this way, Full Notices of Penalty serve an educational function to deter undesired behavior with significant monetary penalties and guide registered entities toward robust mitigation and above-and-beyond activities that enhance the reliability and security of the BPS. Full Notices of Penalty help to provide balance within the risk-based CMEP as complements to FFTs and compliance exceptions.

In 2014 and 2015, compliance exceptions supplanted FFTs as the primary disposition method for minimal risk issues that are eligible for streamlined processing. The following charts illustrate this evolution.<sup>5</sup>

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<sup>5</sup> “Key Compliance Enforcement Metrics and Trends” at p. 22 provides the percentage of compliance exception (CE), FFT, spreadsheet notice of penalty (SNOP), and full notice of penalty (NOP) dispositions in 2014 (Feb. 11, 2015) (available at <http://www.nerc.com/pa/comp/CE/Compliance%20Violation%20Statistics/Compliance%20Violation%20Statistics%20-%20Fourth%20Quarter%202014.pdf>) (Compliance Enforcement Metrics and Trends).



In 2013, NERC processed 794 FFTs. The number of FFTs dropped significantly in 2014, to 409, mostly because of the continuing decline in the number of newly identified noncompliance, but also because of the introduction of the compliance exception processing mechanism, which was used to resolve 150 issues. From January through August 2015, 346 minimal risk issues have been processed as compliance exceptions, while the number of FFTs has fallen to 63. As noted, both compliance exceptions and the FFT program increase efficiency in processing noncompliance with their simplified processes and streamlined reporting in spreadsheets.<sup>6</sup>

As described in the Risk-Based CMEP Filing, compliance exceptions are a logical next step for the FFT program.<sup>7</sup> The use of compliance exceptions allows for the disposition of minimal risk noncompliance without the initiation of an enforcement action. Compliance exceptions are part of an entity's compliance history only to the extent that they serve to inform the ERO Enterprise of

<sup>6</sup> Only 4% of NERC's noncompliance inventory contains violations that are at least two years old. See Compliance Enforcement Metrics and Trends at p. 15.

<sup>7</sup> See *North American Electric Reliability Corporation*, "Informational Filing of the North American Electric Reliability Corporation Regarding Implementation of Reliability Assurance Initiative," Docket No. RR15-2-000 (filed Nov. 3, 2014) (Risk-Based CMEP Filing).

potential risk. Subject to the conditions set forth by the Commission in the Risk-Based CMEP Order, compliance exceptions are not, however, part of an entity's violation history for purposes of aggravation of penalties. The Regional Entity has the ability to pursue a matter that otherwise would qualify for compliance exception treatment if recurrence of prior compliance exceptions indicates an increased risk or other concern. NERC and FERC staff examine compliance exceptions and FFTs submitted by the Regional Entities on a monthly basis to ensure the Regional Entities and registered entities are appropriately addressing the risks of the noncompliance.<sup>8</sup>

Another relevant tool used in the processing of minimal risk noncompliance is the self-logging program. Registered entities found by a Regional Entity to be eligible, after a formal review of internal controls,<sup>9</sup> may be granted approval to log noncompliance for subsequent review in lieu of submitting a Self-Report. Approved registered entities maintain a log with a detailed description of the noncompliance, the basis for its minimal risk determination, and the mitigating activities completed or to be completed.<sup>10</sup> If the Regional Entity has any issues with the evidence of mitigating activities submitted by the registered entity, the Regional Entity will seek to resolve the issues with the registered entity. Where the verification of mitigating activities reveals a pattern or practice of: 1) lack of mitigation activity completion; or 2) poor recordkeeping, the Regional Entity may modify or revoke the registered entity's self-logging eligibility. Mitigation of logged items is verified by Regional Entities on a sample basis. NERC and FERC exercise oversight over the entire program.

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<sup>8</sup> *North American Electric Reliability Corporation*, "Order on Electric Reliability Organization Reliability Assurance Initiative and Requiring Compliance Filing," 150 FERC ¶ 61,108 at P 44 (Feb. 19, 2015) (Risk-Based CMEP Order).

<sup>9</sup> The methodology for the review of a registered entity's internal controls related to self-assessment of noncompliance is described in Section IV below.

<sup>10</sup> Risk-Based CMEP Filing at p. 57.

As a result, the Regional Entities, NERC, and FERC continue to have visibility of all compliance issues and potential risks to reliability.<sup>11</sup> In exceptional circumstances where a logged issue indicates a heightened reliability risk or contains a material misrepresentation, the ERO Enterprise and FERC maintain the ability to pursue such noncompliance according to the CMEP and FERC regulations. Accordingly, all logged noncompliance will be processed as either a compliance exception or as a Possible Violation subject to the enforcement provisions of the CMEP. The progress of the FFT program through the compliance exception program, along with self-logging, have succeeded in effectively streamlining the handling of noncompliance while still allowing the Regional Entities, NERC, and FERC to satisfy their respective oversight roles in assuring reliability.

### **III. REVIEW OF ANNUAL SAMPLE OF 2014 FFTs**

#### **A. NERC Oversight of the FFT Program**

NERC engages in various activities to oversee the FFT process. Regional Entities submit public and non-public versions of the FFTs to NERC, in the NERC-provided template, for processing on a monthly basis. NERC reviews a representative sample of FFTs during the 60-day period following the posting of the FFTs on NERC's website. FFTs with ongoing mitigation activities at the time of processing are also included in this review. Following its review of the FFT samples, NERC coordinates any questions or concerns it may have with FERC staff, which conducts an independent review during the same 60-day period.

In addition to sampling during this 60-day review period, NERC also conducts a separate, annual sampling and process review of the FFTs to gather information for NERC's annual filing with FERC. The annual sampling and process review is done in coordination with FERC staff.

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<sup>11</sup> See Risk-Based CMEP Order at P 36.

The results of the review performed in connection with FFTs processed in Fiscal Year 2014 (October 1, 2013 to September 30, 2014) are provided below.

The results indicate that the program remains successful. While there are opportunities for further streamlining in the areas of mitigation documentation and verification, the review indicates that the program continues to be properly implemented.

### **B. Annual Sampling and Process Review for 2014 FFTs**

During the first quarter of 2015, NERC and FERC staff jointly performed the annual sampling and process review of the Regional Entities' FFT programs. Instead of performing separate reviews, as in the previous two years, NERC and FERC staff collaborated to provide enhanced coordination in oversight of the Regional Entities. The purpose of the review was to gather information on the implementation and effectiveness of the FFT program across all eight Regional Entities. The methodology and criteria are described in more detail in the **Appendix**. The review covered four major categories: 1) clarity of the description of the issue and sufficiency of facts included; 2) alignment of the risk determination with the facts and circumstances of each particular FFT; 3) timeliness and appropriateness of mitigation; and 4) consideration of the registered entity's compliance history and compliance program by the Regional Entities. Of note, of the 100 FFTs reviewed, NERC and FERC staff did not identify any noncompliance that was inappropriate for FFT treatment.<sup>12</sup>

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<sup>12</sup> This included 91 minimal risk issues and 9 moderate risk issues. Of the 477 FFTs processed from October 2013 to September 2014, the sampling included 50 critical infrastructure protection (CIP) FFTs (20% of CIP processed) and 50 non-CIP FFTs (22% of non-CIP processed).

NERC and FERC staff's review of the record included evaluation of the methods utilized by the Regional Entities to process Possible Violations as FFTs.<sup>13</sup> NERC and FERC staff reviewed Regional Entity internal documents, including enforcement process diagrams, procedure manuals, step-by-step internal processes, checklists, and FFT Notice Letters. The purpose of this review was to analyze the consistent application of the FFT program across the Regional Entities.

Several Regional Entities utilized documentation tools that facilitated NERC staff's understanding of the Regional Entity's FFT processing procedure. For example, Texas Reliability Entity, Inc. (Texas RE) and Midwest Reliability Organization (MRO) provided detailed FFT internal procedures that are constructive additions and show consistent day-to-day enforcement processes. Texas RE's FFT procedure creates a detailed record of the issue and thoroughly explains how it processes FFTs, including: monitoring method, documents reviewed, issue description, enforcement's findings, processing track (FFT, SNOP, or Full NOP), risk assessment, and mitigation actions. The documents were helpful in identifying the review processes, including the decision-making processes to demonstrate accountability from each reviewer and execution of a consistent process. The procedure also includes a section to track the dates and reviewers for each FFT evaluation step, such as registered entity notification, certification of completion receipt, internal compliance program (ICP) consideration, and compliance history. MRO's FFT procedure was helpful to understanding the entity's process from start to finish. The procedure identifies dates for FFT identification and review, when the FFT spreadsheet is reviewed by MRO and NERC, review of the FFT notice and risk assessment, and date of signature on the received affidavit. If followed consistently, such procedures could help to ensure appropriate rigor in the

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<sup>13</sup> The FFTs included have already passed the 60-day review and did not contain any material misrepresentations by the registered entities; thus the survey results do not give reason to re-open any of the sampled FFTs.

Regional Entity's determination of FFT treatment. Execution of consistent procedures across the ERO Enterprise enables desired consistency from Regional Entity to Regional Entity and increases the confidence of industry in the risk-based CMEP. As the ERO Enterprise's use of the risk-based CMEP continues to evolve, it is important that the Regional Entities review such procedures periodically and update them as needed to reflect any changes when processing FFTs and compliance exceptions.

1. *Findings Regarding Description of the Issue and Risk Assessments*

NERC and FERC staff reviewed the description of the issue as it pertained to each of the FFTs sampled. In the vast majority of the FFTs in the sample set, the description of the issues contained information that adequately addressed the cause of the issue and described the facts as they pertained to reliability and the Reliability Standards at issue. While the Regional Entities consistently provided adequate descriptions, in some cases, there was a lack of detail and adherence to the NERC FFT template and its guidance on the important elements in an issue description. NERC staff observed that a few of the processed FFTs would have benefited from additional information, enabling better matching of the issue description with what the Regional Entities provided in the supporting documentation. On occasion, the Regional Entities omitted from the issue description and risk assessments relevant facts and circumstances. Although the facts and circumstances were not always critical for risk assessment, they would have facilitated better understanding by NERC and FERC staff of the issue or risk to the reliability of the BPS.

Based on feedback from FERC staff following the previous FFT review, NERC made changes to the FFT template on May 31, 2014. The changes required Regional Entities to include a discussion of the root cause, duration of the violation, and the statement, "no harm is known to have occurred." NERC and FERC staff found that some Regional Entities did not follow these

template requirements after May 31, 2014. The Regional Entities should examine the root cause of the violation at the time they are gathering evidence of a violation. This practice should encourage the registered entities to include root cause analysis in their Self-Reports. Root cause analysis helps Regional Entities to assess accurately the risk associated with a given violation and ensure the registered entity effectively prevents recurrence. The duration of the violation also helps with assessing risk. Further, the “no harm” statement was excluded from some of the FFTs. In order to support the inclusion of the “no harm” statement, the registered entity and the Regional Entity examine the facts and circumstances of the noncompliance to confirm that the issue posed a minimal or moderate risk to reliability and produced no actual harm. The inclusion of these pieces of information helps to confirm that the ERO Enterprise is implementing the risk-based CMEP in a manner that protects reliability.

Through review of the provided documents, NERC found that the Regional Entities consistently and accurately addressed the risk presented by the issue through provision of mitigating factors and compensating measures in place for the duration of the issue. For the most part, the Regional Entities supported their risk determinations with facts that existed at the time of the issue. The Regional Entities provided after-the-fact determinations only in conjunction with facts known at the time of the issue to reinforce the risk determinations. 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.

## *2. Findings Regarding Evaluation and Documentation of Mitigation Activities*

As part of the FFT sampling, NERC determined that the Regional Entities were requiring timely mitigation of the FFTs to address both the instant issue and abatement of future occurrences. Most of the sampled mitigation activities explicitly included measures designed to prevent

recurrence of noncompliance. Such measures included implementation of tracking systems, process and procedure updates, template updates, training of employees and contractors, and reclassification of assets. Pursuant to Commission orders, the Regional Entities also continued to require registered entities to submit an affidavit signed by an officer of the company stating that mitigation activities were completed.

Although many of the samples reviewed by NERC staff had formal Mitigation Plans, the evidence provided by the Regional Entities indicate that the Regional Entities are cognizant that formal Mitigation Plans are not mandatory. However, NERC found some of the Regional Entities still require formal Mitigation Plans instead of mitigation activities and the Regional Entities verify completion of those plans prior to submitting the FFT for processing. NERC continues to work with the Regional Entities to eliminate such practices. Accepting mitigation activities for lesser risk issues that qualify for streamlined processing should further increase processing efficiencies. This is also appropriate in light of the commitment, by the ERO Enterprise, to consistency in its interactions with registered entities, particularly in the mitigation of noncompliance. The requirements to document mitigation activities and inform the Regional Entity regarding completion remain. However, in instances where the Self-Report or some other document describes what has been done or will be done to mitigate the noncompliance, submission of a formal Mitigation Plan should not be treated as a requirement.

### *3. Findings Regarding FFTs with Ongoing Mitigation Activities*

NERC tracks all FFTs that are processed with ongoing mitigation activities and contacts the Regional Entities periodically to ensure completion within one year. In 2014, NERC tracked 23 FFTs with ongoing mitigation activities. The Regional Entities notified NERC of the

completion of mitigation activities for all of the FFTs following the 90-day or one-year requirement from the date of processing.

NERC also included 12 out of 38 FFTs with ongoing mitigation activities as part of its annual sample. NERC staff observed that the Regional Entities followed up in a timely fashion with the registered entities on issues with ongoing mitigation activities. In all the FFTs reviewed as part of the sample, the Regional Entities provided an affidavit or certification upon completion of the activities. Although unnecessary, some Regional Entities also verified completion of all mitigation activities.<sup>14</sup> Overall, the Regional Entities have successfully implemented the enhancements in the FFT program to include issues with ongoing mitigation activities and ensure timely remediation of the issues.

#### *4. Findings Regarding Consideration of Compliance History and Internal Compliance Programs*

NERC reviewed the Regional Entities' evaluation of the registered entities' compliance histories, ICPs, and management practices and found that, in general, the Regional Entities consider these factors in determining if FFT treatment is appropriate for Possible Violations. There was some inconsistency, however, in the information provided by the Regional Entities.

Some Regional Entities stated that the compliance history was taken into consideration while evaluating noncompliance for FFT treatment, yet there was no supporting documentation provided or it was not clear how the compliance history was considered. Other Regional Entities submitted compliance history records for the registered entity, but did not indicate they reviewed

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<sup>14</sup> Verification can be a useful control of the quality of the mitigation activities performed by registered entities. However, the program has, from inception, contemplated that such verification should occur only on a sample basis.

the compliance history when evaluating the issue because this information was not included in the final FFT. In other instances, the registered entity had negative compliance history regarding the same facts and circumstances as the instant issue, but the Regional Entity did not indicate in the final FFT that it considered the compliance history. In feedback discussions with the Regional Entities, NERC and FERC staff emphasized the importance of addressing compliance history to ensure a particular issue does not represent conduct that is the same or similar to a prior noncompliance.

Based on a recommendation by FERC staff, Regional Entities will evaluate the compliance history of an entity regarding Reliability Standards CIP-005-3 R1.5 and CIP-006-3 R2.2, involving protections for electronic access control and monitoring devices (EACMs) and Physical Access Control Systems (PACS), and consider the referenced substantive requirements where performance was not met. Under CIP Version 5, BES Cyber Systems, EACMS, and PACS will be subject to the same requirements. Accordingly, when examining whether a subsequent noncompliance involves same or similar conduct, the Regional Entities will need to account for the specific CIP protections that were not provided in the previous noncompliance under previous CIP versions.

#### **IV. ADDITIONAL INFORMATION ON THE EVALUATION OF INTERNAL CONTROLS**

In the September 18 Order, the Commission requested additional explanation from NERC regarding the evaluation of internal controls.<sup>15</sup> This evaluation occurs most prominently, in the context of the disposition of noncompliance, as part of the evaluation for eligibility for self-logging. In its compliance filing following the Risk-Based CMEP Order, NERC submitted the

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<sup>15</sup> September 18 Order at P 36.

methodology, developed in collaboration with the Regional Entities, describing how Regional Entities will review those internal controls associated with a registered entity's ability to self-assess in the context of the self-logging program.<sup>16</sup> Through the self-logging program, the ERO Enterprise seeks to encourage registered entities to detect, accurately assess the risk of, and adequately mitigate minimal risk noncompliance with the Reliability Standards. In evaluating whether a registered entity is eligible for the program, therefore, a Regional Entity will review those internal controls the registered entity has in place to self-address its failure to comply with a Reliability Standard. In determining eligibility for self-logging, the Regional Entities consider whether a registered entity is capable of self-identifying and mitigating minimal risk noncompliance on its own, as demonstrated by, among other things: 1) the registered entity's history of initiative and recognition of compliance obligations; 2) the registered entity's reliable and accurate self-reporting of noncompliance to the Regional Entities; 3) the registered entity's history of mitigating its noncompliance in a timely and thorough manner; 4) the quality, comprehensiveness, and execution of the registered entity's ICP; 5) the registered entity's cooperation with the Regional Entity during enforcement actions, compliance monitoring activities, and Regional Entity outreach; and 6) the registered entity's performance during regional Compliance Audits.

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<sup>16</sup> See *North American Electric Reliability Corporation*, "Compliance Filing of the North American Electric Reliability Corporation," Docket No. RR15-2-000 at pp. 13-15 (filed May 20, 2015). In the Risk-Based CMEP Filing, NERC also described the Internal Control Evaluation (ICE) process. NERC and the Regional Entities developed ICE to more effectively consider existing internal controls and entity risk mitigation practices around CMEP objectives and compliance with Reliability Standards. As directed in the Risk-Based CMEP Order, NERC will address the implementation of ICE in the compliance filing in February 2016.

V. **THE ROLE OF FFTS IN THE RISK-BASED CMEP AND A PROPOSAL TO COMBINE THE EVALUATION OF COMPLIANCE EXCEPTIONS WITH THE ANNUAL SAMPLING OF FFTs**

As described above, NERC and FERC staff coordinated the annual FFT review that is the focus of this report. When planning for the next annual review, NERC and FERC staff recognized the value in examining compliance exceptions in the same manner and at the same time as FFTs. Evaluating FFTs and compliance exceptions at the same time streamlines NERC and FERC's oversight of the programs.

NERC proposes to initiate this combined review in October 2015 and include FFTs and compliance exceptions processed from October 1, 2014 through September 30, 2015. Following prior practice, NERC would then file the results of this review in the next report it would submit one year after Commission action on the instant report. This combined review and reporting cycle would subsume the annual review and reporting cycle proposed in the Risk-Based CMEP Filing for the compliance exception program. That would not affect, in any other way, NERC's annual report on the risk-based CMEP, which is due to the Commission by February 19, 2016.

## VI. CONCLUSION

NERC respectfully requests that the Commission accept this report in compliance with the June 20 Order and September 18 Order, and approve NERC's proposal to consolidate the annual reviews of FFTs and compliance exceptions into a single report as discussed above.

Respectfully submitted,

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Dated: September 18, 2015

## **APPENDIX**

### **Methodology and Criteria Applied in FFT Sampling**

NERC and FERC's 2015 review involved a coordinated sample of 100 processed FFTs for the period of October 2013 through September 2014. Using a coordinated sample made the review more efficient. FERC staff performed the sampling of FFTs, with feedback from NERC on specific FFTs to be included in the sample. NERC staff issued data requests to the Regional Entities, with agreement from FERC staff, on behalf of both organizations.

FERC staff used RATS-STATS<sup>17</sup> to select 50 CIP and 50 non-CIP FFTs from a total of 477 FFTs. The selected sample included all nine moderate risk FFTs and 12 out of 38 FFTs that were processed with ongoing mitigation.

The percentage selection for each Regional Entity was comparable to the number of FFTs processed by that Regional Entity during the applicable period, as demonstrated in Table 1 below. FRCC and MRO had the smallest number of FFTs, and their sample sizes were smaller than those of the other Regional Entities. In contrast, WECC processed the largest number of FFTs, leading to a larger sample size.

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<sup>17</sup> RATS-STATS is a statistical audit tool used by the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services and developed by the Regional Advanced Techniques Staff (RATS).

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

	<b>Total Processed</b>	<b>Selected<sup>18</sup></b>	<b>Percent representation of total processed</b>	<b>Percent representation of selected</b>
<b>Total</b>	<b>477</b>	<b>100</b>	<b>% of 477</b>	<b>% of 100</b>
FRCC	33	7	7%	7%
MRO	17	7	4%	7%
NPCC	55	13	12%	13%
RF	61	13	13%	13%
SERC	44	10	9%	10%
SPP RE	81	16	17%	16%
TRE	53	8	11%	8%
WECC	133	26	28%	26%

NERC requested the Regional Entities to provide all FFT-related documents for the items included in the sample set, including but not limited to: FFT procedural documents; follow-up or sampling program procedures; source documents; notices of FFT eligibility; documents describing mitigation activities; certifications; affidavits; verification documents, if applicable; and evidence demonstrating the issue was successfully remediated. NERC examined the selected FFTs and the documents received using a seven-point criteria described in NERC’s FFT Process Review Checklist.<sup>19</sup> The criteria were based on four major categories: 1) description of the issue was clear and sufficient facts were included; 2) the risk was aligned with the facts and circumstances of each particular FFT and was in fact minimal; 3) closed FFTs were mitigated timely and appropriately,

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<sup>18</sup> The selection included one multi-regional FFT each for ReliabilityFirst (RF) and Texas Reliability Entity, Inc. (TRE). Both FFTs had three issue tracking IDs associated with RF, TRE, and Southwest Power Pool Regional Entity (SPP RE). For the purpose of selection, these were counted as one issue each for RF and TRE, as the lead Regional Entity. The other Regional Entities represented in the table are abbreviated as follows: Florida Reliability Coordinating Council, Inc. (FRCC), Midwest Reliability Organization (MRO), Northeast Power Coordinating Council, Inc. (NPCC), SERC Reliability Corporation (SERC), and Western Electricity Coordinating Council (WECC).

<sup>19</sup> NERC’s FFT Process Review Checklist is included as **Attachment 1**.

and open FFTs were mitigated within 90 days or one year of processing; and 4) the registered entities' compliance history and ICP were considered by the Regional Entities.

In addition to the above criteria, NERC staff reviewed the documents provided by the Regional Entities to assess their internal processes when determining whether FFT treatment is appropriate for Possible Violations, as well as to ensure consistency and accuracy in the application of the program across the Regional Entities. The detailed record, starting from identification of a Possible Violation in a source document and ending with an affidavit or verification of completion of mitigation activities, facilitated an understanding of the Regional Entities' processes for FFT treatment.

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

# 2014 – 2015 FFT Process Review Checklist

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## Attachment 1

### FFT Process Review Checklist

Sampling Period: October 1, 2013 – September 30, 2014

Regional Entity:

FFT Sampling performed by:

<b>Issue tracking ID</b>	<b>Standard</b>	<b>Requirement</b>	<b>Mitigating activities complete at the time of posting – Open/Closed FFT</b>
Issue Tracking ID 1			
Issue Tracking ID 2			

S – Satisfactory, U – Unsatisfactory, NA – Not Applicable

## 2014 – 2015 FFT Process Review Checklist

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### General

Item	Requirement	Documents Reviewed	Comments/Conclusion
A	Any procedural documents or training documents that are used for the FFT process.	<i>Include document title, date, and revision, if applicable.</i>	<i>Summary of the process that the documents address and if they discuss how the FFT program functions.</i>
B	Follow-up or Sampling Program, e.g., audit or spot-check documents, related to closed FFTs.  The RE has 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.		

Evaluation:

### Issue Tracking ID:

No.	Requirement	Status	Comments/Conclusion
1	The description of the issue was adequate and includes the following:	S	

S – Satisfactory, U – Unsatisfactory, NA – Not Applicable

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	<ul style="list-style-type: none"> <li>a) Description of the issue, underlying</li> <li>b) Discovery method of the issue</li> <li>c) Start and end dates of the issue</li> <li>d) Explanation 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 or moderate risk 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 potential and actual risk, not just after-the-fact determinations.</li> <li>c) Risk statement based on facts at the time of the issue</li> <li>d) Actual harm to the BPS is discussed</li> <li>e) Compared to the evidence, the posted description of the risk assessment accurate and reasonably complete.</li> </ul>	S	

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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 FFT appear to be appropriately remediated (mitigated)?</li> </ul> <p>Or</p> <p>For issues with open mitigation activities at the time of posting, include the information above and state whether the mitigating activities were completed within 90 days from the date of posting.</p>	S	
4	<p>An affidavit of completion signed by an officer with knowledge of the remediation or other Mitigation Verification Document was included.</p>	S	
5	<p>While not required, completion of mitigating activities verified.</p> <p>For ongoing mitigation, activities were successfully completed and certified.</p>	S	

S – Satisfactory, U – Unsatisfactory, NA – Not Applicable

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6	<p>Consideration, if any, of the registered entity’s internal compliance program.</p> <p>a) List any aspects of the ICP that were considered by the RE.</p>	S	
7	<p>The RE considered the compliance history when evaluating this issue.</p> <p>a) There have not been any re-occurrences since the mitigation activities were completed.</p>	S	

**NERC Enforcement comments:**

*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?”*
2. *Did the risk assessments include potential and actual level of risk to reliability, including mitigating factors during pendency of the issue? The risk was not considered a minimal risk simply because of no adverse impact (“no harm no foul”). Was the risk determined in a consistent manner? Were moderate risk issues appropriate for the FFT program? (If applicable)*
3. *Were the issues mitigated successfully? For ongoing mitigation, was it successfully completed and certified?*
4. *Were the registered entity programs reviewed consistently? Did they include preventative and corrective processes and procedures, internal controls, and evidence of the registered entity’s culture of compliance? Was there consideration of compliance history?*

**Lessons Learned / recommendations from process review:**

*[Type a quote from the document or the summary of an interesting point. You can position the text box anywhere in the document. Use the Text Box Tools tab to change the formatting of the pull quote text box.]*

**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 18<sup>th</sup> day of September 2015.

/s/ Gizelle Wray

Gizelle Wray  
*Counsel for the North American Electric  
Reliability Corporation*