



NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

December 15, 2009

**RE: Crowe Horwath Process Evaluation Report for NERC's Compliance Enforcement, Registration, and Certification Program**

NERC Stakeholders:

This afternoon, NERC posted a Process Evaluation Report for NERC's compliance enforcement, registration, and certification program, in accordance with Section 406 of NERC's Rules of Procedure. Section 406 requires NERC to provide for an independent audit of its compliance monitoring and enforcement program at least once every three years. The evaluation leading to this report was conducted at NERC's request and in coordination with the Compliance and Certification Committee by Crowe Horwath, an independent consultant, from July through October, 2009.

Crowe Horwath's assessment highlighted many important accomplishments of NERC's "start up" compliance program, noting that "procedurally, NERC's compliance area has achieved a great deal despite their short existence as an organization." Other highlights included that process objectives are well understood by NERC staff and that there is clearly a culture of policy and process adherence within the department.

The assessment also makes a number of recommendations to NERC, including clarifications to its Rules of Procedure, the completion of certain process documents still in progress, and improvement with respect to the consistency of output from the eight Regional Entities. The assessment also observes that current staffing levels may not be appropriately aligned for the department's workload, though other factors (such as process inefficiencies) may contribute to constraints. Additional monitoring, technology improvement, and enhanced controls over data security, confidentiality, and physical security are also recommended.

The report can be found at: [http://www.nerc.com/files/Compliance\\_Evaluation\\_Report\\_121509.pdf](http://www.nerc.com/files/Compliance_Evaluation_Report_121509.pdf).

NERC has already begun to address some of these recommendations and is committed to addressing the remainder as part of its efforts to institute changes based on feedback gathered in the July 2009 *Three-Year Performance Assessment*. Issues specific to oversight of the Regional Entities will be evaluated and addressed as part of the ongoing work to revise the Delegation Agreements. The Committee has forwarded the report to NERC's incoming CEO, Gerry Cauley, and will begin working with him immediately upon his arrival at NERC after the New Year to develop plans for implementing improvements in the compliance process.

The audit serves as a testament to the work that has been done so far by both NERC and the Regional Entities and outlines opportunities for improvement for the Electric Reliability Organization as a whole. We look forward to working with the Regional Entities and our stakeholders as we continually improve the compliance process.

Questions regarding the document or NERC's efforts to address recommendations contained therein should be directed to David Hilt, Vice President and Director of Compliance at NERC at 609.577.3076 or via e-mail at [david.hilt@nerc.net](mailto:david.hilt@nerc.net).

Best Regards and a Happy Holiday Season to All.

Paul Barber  
Chairman  
NERC Board of Trustees Compliance Committee

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