

Florida Reliability Coordinating Council
Compliance Monitoring and Enforcement Program



FLORIDA **R**ELIABILITY **C**OORDINATING **C**OUNCIL
1408 N. Westshore Blvd., Suite 1002
Tampa, Florida 33607-4512

FRCC Board of Directors Approval: December 8, 2006

FRCC Compliance Monitoring and Enforcement Program

TABLE OF CONTENTS

1.0 INTRODUCTION..... 1

1.1 Definitions..... 1

**2.0 IDENTIFICATION OF ORGANIZATIONS RESPONSIBLE FOR
COMPLYING WITH RELIABILITY STANDARDS..... 5**

3.0 COMPLIANCE MONITORING PROCESSES..... 5

3.1 Compliance Audits..... 8

3.2 Self-Certification..... 13

3.3 Spot Checking..... 15

3.4 Investigations of Reliability Standard Violations..... 17

3.5 Self-Reporting..... 20

3.6 Periodic Data Submittals..... 22

3.7 Exception Reporting..... 24

3.8 Complaints..... 24

4.0 ANNUAL IMPLEMENTATION PLANS..... 27

4.1 NERC Compliance Program Implementation Plan..... 27

4.2 FRCC Implementation Plan..... 27

5.0 ENFORCEMENT ACTIONS..... 27

5.1 Notification to Registered Entity of Alleged Violation..... 28

5.2 Registered Entity Response..... 29

5.3 Hearing Process for Compliance Hearings..... 29

5.4 Settlement Process..... 29

5.5 NERC Appeal Process..... 30

5.6 Notice of Penalty..... 32

6.0 MITIGATION OF VIOLATIONS OF RELIABILITY STANDARDS..... 32

6.1 Requirement for Submission of Mitigation Plans..... 32

6.2 Contents of Mitigation Plans..... 34

6.3 Timetable for Completion of Mitigation Plans..... 34

6.4 Submission of Mitigation Plans..... 35

6.5 Review and Acceptance or Rejection of Proposed Mitigation Plans..... 35

6.6 Completion/Confirmation of Implementation of Mitigation Plans..... 36

6.7 Recordkeeping..... 37

7.0 REMEDIAL ACTION DIRECTIVES..... 37

8.0 REPORTING AND DISCLOSURE..... 40

9.0 DATA RETENTION AND CONFIDENTIALITY..... 40

9.1 Records Management..... 40

9.2 Retention Requirements..... 41

9.3 Confidentiality and Critical Energy Infrastructure Information..... 41

ATTACHMENT 1 – PROCESS FOR NON-SUBMITTAL OF REQUESTED DATA

ATTACHMENT 2 – FRCC COMPLIANCE HEARING PROCESS

FRCC Compliance Monitoring and Enforcement Program

COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 INTRODUCTION

The purpose of the Florida Reliability Coordinating Council (FRCC) is to promote and ensure the reliable operation of the interconnected bulk electric systems in Florida through the establishment of reliability standards and the enforcement of compliance with these standards. The FRCC Compliance Monitoring and Enforcement Program (FRCC CEP), is designed to monitor Registered Entities in the FRCC Region¹ for compliance with both NERC Reliability Standards and FRCC Regional Reliability Standards² and will be effective the date that FERC identifies Reliability Standards will be mandatory and enforceable.

Copies of the FRCC CEP, Reliability Standards, reporting forms, and Mitigation Plan templates can be found on the FRCC Compliance website at the following link: <http://www.frcc.com/cc.htm>

Any questions in regards to the information provided in this document should be addressed to:

FRCC Manager of Compliance
1408 N. Westshore Blvd., Suite 1002
Tampa, FL 33607-4512
Phone: (813) 289-5644
Email: compliancemanager@frcc.com

1.1 Definitions

- 1.1.1 Alleged Violation:** A potential violation that the FRCC has completed its accuracy and completeness review of and has determined that evidence exists to indicate a Registered Entity has violated a Reliability Standard.
- 1.1.2 Annual Audit Plan:** A plan developed annually by the FRCC that includes the Reliability Standards and Registered Entities to be audited, the schedule of Compliance Audits, and Compliance Audit Participant requirement(s) for the calendar year.
- 1.1.3 Applicable Governmental Authority:** A governmental body other than the U.S. Federal Energy Regulatory Commission (“FERC”) with authority to enforce Reliability Standards against a Registered Entity.

¹ The FRCC Region is peninsular Florida east of the Apalachicola River.

² FRCC Regional Reliability Standards go beyond, add detail to, or implement NERC Reliability Standards, or cover matters not addressed in NERC Reliability Standards.

FRCC Compliance Monitoring and Enforcement Program

- 1.1.4** Business Days: Monday, Tuesday, Wednesday, Thursday and Friday with the following exceptions as defined by the yearly FRCC Holiday Schedule. New Years Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, the Day after Thanksgiving, Christmas Eve and Christmas Day.
- 1.1.5** Complaint: An allegation that a Registered Entity violated a Reliability Standard.
- 1.1.6** Compliance Audit: A systematic, objective review and examination of records and activities to determine whether a Registered Entity meets the requirements of applicable Reliability Standards.
- 1.1.7** Compliance Audit Participants: Registered Entities scheduled to be audited and the audit team members.
- 1.1.8** Compliance Enforcement Authority: NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.
- 1.1.9** Contested Violation: An Alleged Violation for which the Registered Entity disputes the violation and/or the penalty and sanction determination.
- 1.1.10** Compliance Violation Investigation: A comprehensive investigation, which may include an on-site visit with interviews of the appropriate personnel, to determine if a violation of a Reliability Standard has occurred.
- 1.1.11** Confirmed Violation: An Alleged Violation for which an entity has: 1) accepted the finding of the violation by FRCC or NERC and will not seek an appeal, 2) completed the appeals process within NERC, or 3) allowed the time for submitting an appeal to NERC to expire.
- 1.1.12** Exception Reporting: Information provided to the FRCC by a Registered Entity indicating that exceptions to a Reliability Standard baseline norm have occurred (e.g., a system operating limit has been exceeded). Some Reliability Standards require Exception Reporting.
- 1.1.13** Mitigation Plan: An action plan developed by a Registered Entity to (i) correct a violation of a Reliability Standard and (ii) prevent re-occurrence of the violation. A Mitigation Plan is required whenever a Registered Entity violates a Reliability Standard as determined by any means including FRCC decision, settlement agreement, or otherwise.
- 1.1.14** NERC Compliance Registry: A compilation of the Regional Compliance Registries from each Regional Entity plus the entities for which NERC serves as the Compliance Enforcement Authority.

FRCC Compliance Monitoring and Enforcement Program

- 1.1.15** NERC Compliance Monitoring and Enforcement Program Implementation Plan: The annual NERC Compliance Monitoring and Enforcement Program Implementation Plan that specifies the Reliability Standards that are subject to reporting by Registered Entities to the FRCC in order to verify compliance and identifies the appropriate monitoring procedures and reporting schedules for each such Reliability Standard.
- 1.1.16** Periodic Data Submittals: Modeling, studies, analyses, documents, procedures, methodologies, operating data, process information or other information to demonstrate compliance with Reliability Standards and provided by Registered Entities to the FRCC on a time frame required by a Reliability Standard or an ad hoc basis.
- 1.1.17** Regional Compliance Registry: A list, pursuant to Section 500 of the NERC Rules of Procedure of the owners, operators or users of the bulk power system or the entities registered as their delegates for the purpose of compliance within FRCC's geographic footprint that perform one or more functions in support of reliability of the bulk power system. The Registry is used to determine the Reliability Standards applicable to the Registered Entity.
- 1.1.18** Regional Implementation Plan: An annual plan, submitted by November 1 of each year to NERC for approval, in accordance with NERC Rule of Procedure Section 401.6 and the NERC Compliance Monitoring and Enforcement Program Implementation Plan, that identifies (1) all Reliability Standards identified by NERC to be actively monitored during each year, (2) other Reliability Standards proposed for active monitoring by the FRCC, (3) the methods to be used by the FRCC for reporting, monitoring, evaluation, and assessment of performance criteria with each Reliability Standard, and (4) the FRCC's Annual Audit Plan.
- 1.1.19** Registered Entity: An owner, operator, or user of the bulk power system or the entities registered as their delegates for the purpose of compliance that is included in the NERC and Regional Compliance Registry.
- 1.1.20** Reliability Standard: A NERC Reliability Standard or FRCC Regional Reliability Standard that has been approved by FERC for mandatory enforcement.
- 1.1.21** Remedial Action Directive: An action (other than a penalty or sanction) required by NERC or FRCC that (1) is to bring a Registered Entity into compliance with a Reliability Standard or to avoid a Reliability Standard violation, and (2) is immediately necessary to protect the reliability of the bulk power system from an imminent threat.

FRCC Compliance Monitoring and Enforcement Program

- 1.1.22** Required Date: The date given a Registered Entity in a notice from the FRCC by which some action by the Registered Entity is required. Such date shall provide the Registered Entity a reasonable period of time in which to take the required action, given the circumstances and the action required.
- 1.1.23** Self-Certification: Attestation by a Registered Entity of compliance or non-compliance with Reliability Standards for which Self-Certification is required by the FRCC and that are included for monitoring in the Regional Implementation Plan.
- 1.1.24** Self-Reporting: A report by a Registered Entity of a violation of a Reliability Standard, based on its own assessment in order to provide prompt reports of any Reliability Standard violation and the actions taken or are being taken to resolve the violation
- 1.1.25** Spot Checking: A process in which the FRCC requests a Registered Entity to provide information to support the Registered Entity's Self-Certification, Self Report, or periodic data submittal and to assess whether the Registered Entity complies with Reliability Standards. A Spot Check may also be random or initiated in response to events, as described in the Reliability Standards, or by operating problems, or system events. A Spot Check may require an on-site review to complete.

FRCC Compliance Monitoring and Enforcement Program

2.0 IDENTIFICATION OF ORGANIZATIONS RESPONSIBLE FOR COMPLYING WITH RELIABILITY STANDARDS

The FRCC shall register the organizations responsible for complying with Reliability Standards, in accordance with Section 500 of the NERC Rules of Procedure. Each Registered Entity shall inform the FRCC within 30 days of changes to its Registration information. The FRCC shall inform each Registered Entity at the time of registration of the Reliability Standards that are applicable to the Registered Entity. The FRCC shall maintain on its website a current listing of Reliability Standards that are applicable to all Registered Entities.

The FRCC will designate a contact person(s) and require each Registered Entity to designate a contact person(s) responsible for sending and receiving all necessary information and communications concerning compliance matters. The FRCC will designate where Registered Entities are to send information, data, Mitigation Plans, or any other compliance-related correspondence.

The FRCC shall develop, maintain, and provide to NERC a Regional Compliance Registry with updates whenever changes occur to the registry. NERC shall maintain the NERC Compliance Registry on its Web site. NERC will provide FERC and Applicable Governmental Authorities monthly updates to the NERC Compliance Registry.

3.0 COMPLIANCE MONITORING AND ENFORCEMENT PROCESSES

The FRCC will monitor, assess, and enforce compliance with Reliability Standards using eight (8) monitoring processes to collect information in order to make assessments of compliance: (1) Compliance Audits, (2) Self-Certifications, (3) Spot Checking, (4) Compliance Violation Investigations, (5) Self-Reporting, (6) Periodic Data Submittals, (7) Exception Reporting, and (8) Complaints. These processes are described in sections 3.1 through 3.8 below.

Enforcement actions taken by the FRCC through the Compliance Program may include the imposition of remedial actions, sanctions, and penalties, where applicable, which shall be based on the schedule of penalties and sanctions approved for implementation by FERC. The imposition and acceptance of sanctions and penalties shall not be considered an acceptable alternative to any Registered Entity's continuing obligation to comply with the Reliability Standards. Registered Entities found in violation of a Reliability Standard will be required to mitigate the violation regardless of any enforcement actions taken.

The FRCC Compliance Staff will consider all aggravating and mitigating factors along with the alleged violation, and then make the initial sanction and / or penalty determination. The FRCC Compliance Committee (CC) will then review and concur with the FRCC Compliance Staff determination of the violation and sanction and / or penalty. If the FRCC CC does not concur with the FRCC Compliance Staff determination, and the FRCC Compliance Staff after discussion with the FRCC CC, maintains its original determination, then the disagreement will be sent to the FRCC Board Compliance Committee for a ruling on the disagreement. If the FRCC Compliance Staff does not contest the decision of the FRCC CC within thirty (30) days, it

FRCC Compliance Monitoring and Enforcement Program

shall be deemed to have accepted the FRCC CC determination of violation, sanction and/or penalty as applicable.

Prior to any enforcement action or hearing, the FRCC may request a fact and circumstances review of an alleged violation.

The Compliance Program requires timely data from Registered Entities to effectively monitor compliance with Reliability Standards. If data, information or other reports to determine compliance requested from a Registered Entity are not received by the Required Date, the FRCC may execute the steps described in **Attachment 1, Process for Non-submittal of Requested Data.**

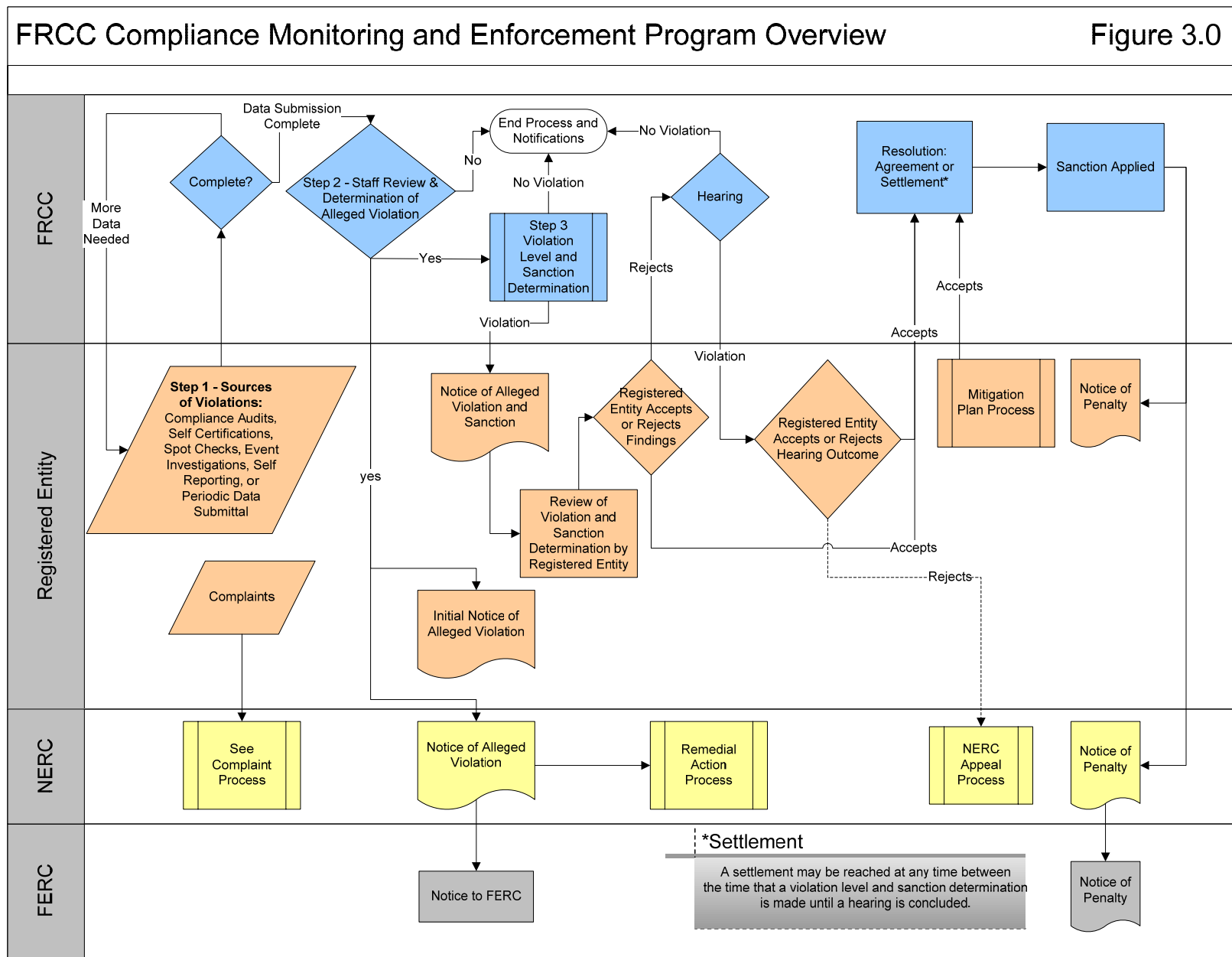
Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information is unreasonable, the party may request a written determination from the NERC compliance program officer.

Figure 3.0 FRCC Compliance Program Process depicts the overall process steps for the Compliance Program and each of the subsequent process diagrams are either inputs to the overall process or represent an expansion of a single process (i.e., hearing process) shown on this diagram.

FRCC Compliance Monitoring and Enforcement Program

FRCC Compliance Monitoring and Enforcement Program Overview

Figure 3.0



FRCC Compliance Monitoring and Enforcement Program

3.1 Compliance Audits

All Registered Entities are subject to audit for compliance with all Reliability Standards applicable to the functions for which the Registered Entity is registered. Compliance Audits are conducted on the Registered Entity's site to the extent required by NERC Rule of Procedure 403.11.2. All Compliance Audits shall be conducted in accordance with audit guides established for the Reliability Standards included in the audit, consistent with accepted auditing guidelines as approved by NERC.

3.1.1 Compliance Audit Process Steps

The process steps for a Compliance Audit are as follows and as shown on **Figure 3.1**:³

- The FRCC distributes the Annual Audit Plan (developed in coordination with NERC) to the Compliance Audit Participants and NERC. The FRCC provides additional information to the Compliance Audit Participants, including audit materials, coordinating agendas and changes to the audit schedule as required. Prior to the audit, the FRCC informs the Registered Entity of the Reliability Standards to be evaluated. NERC or the FRCC provides the audit schedules to FERC or the Applicable Governmental Authority based upon the agreements in place with the Applicable Governmental Authority.
- At least two (2) months prior to commencement of a regularly scheduled audit, the FRCC notifies the Registered Entity of the audit, identifies the audit team members and their recent employment history, and requests data, including a completed NERC pre-audit questionnaire. If the audit team members change from the time of the original notification, the FRCC will promptly notify the Registered Entity of the change and will allow time for the Registered Entity to object to the member (see 3.1.5).
- The Registered Entity provides to the FRCC the required information in the format specified in the request.
- The audit team reviews the submitted information for conformance with the requirements of the Reliability Standards prior to performing the audit. The audit team follows NERC audit guidelines in the implementation of the audit. This shall include conducting an exit briefing with the Registered Entity, providing for a review of the audit report with the Registered Entity before it is finalized, and issuing an audit report, including an assessment of compliance with the Reliability Standards to the FRCC.
- The FRCC reviews the report developed by the audit team and completes an assessment of any Alleged Violations with the Reliability Standards identified in the report.
- The FRCC provides the final audit report to the Registered Entity and to NERC.
- If the FRCC concludes that a reasonable basis exists for believing a violation has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**.

³This process normally completes within sixty (60) days of the completion of compliance audit.

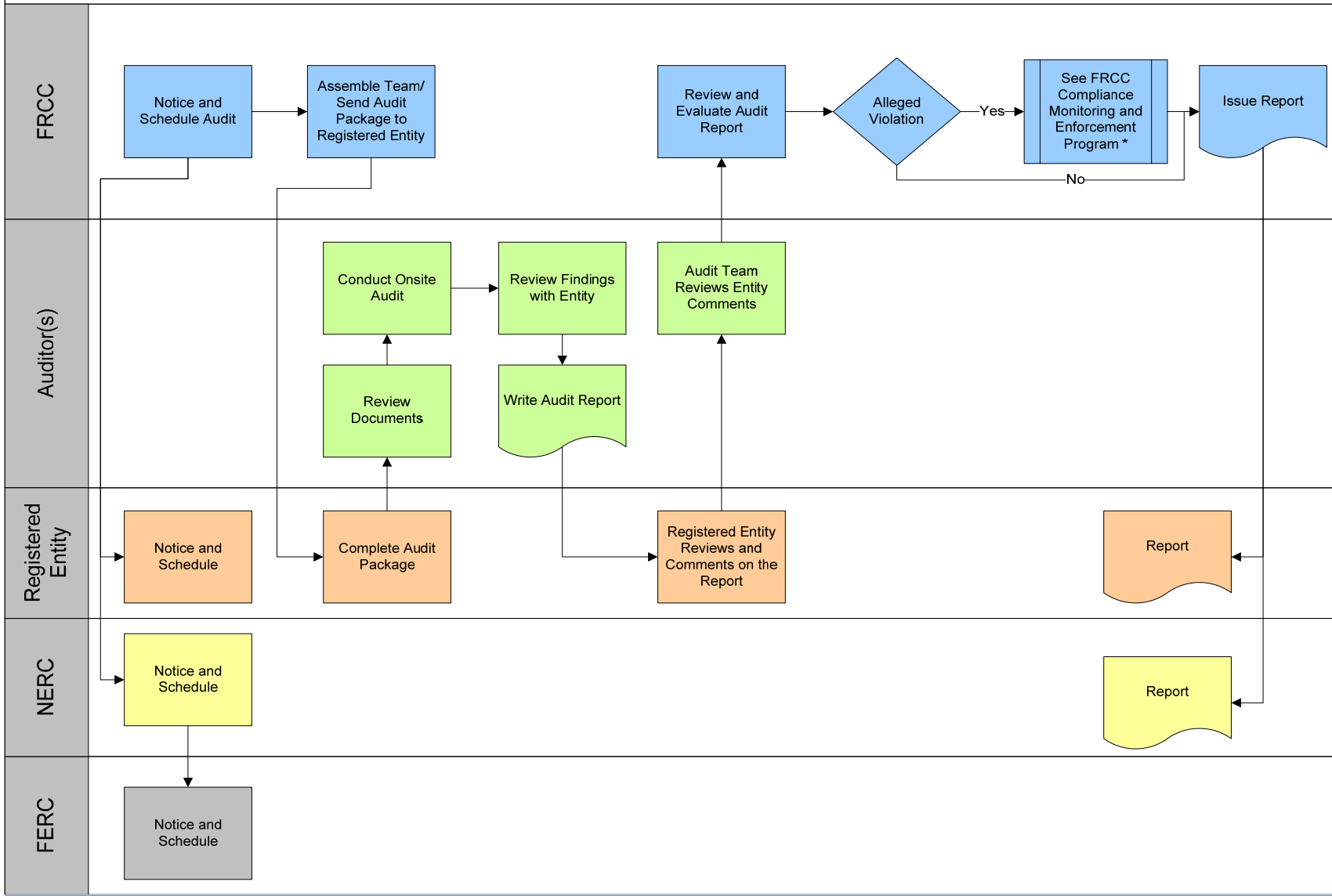
FRCC Compliance Monitoring and Enforcement Program

- FRCC will notify NERC of any Alleged Violations as required by Section 8.0.

FRCC Compliance Monitoring and Enforcement Program

Compliance Audit Process (Regularly Scheduled or Random)

Figure 3.1



* Processes merge at Step 3 (Violation Level and Sanction Determination) in the Compliance Monitoring & Enforcement Program Process Diagram located in the Compliance Enforcement Authority Functional Band

FRCC Compliance Monitoring and Enforcement Program

3.1.2 FRCC Annual Audit Plan and Schedule

The FRCC shall develop an Annual Audit Plan. The Annual Audit Plan of FRCC will be submitted to NERC for review and approval (see Section 4.2). NERC or the FRCC provides the Annual Audit Plans to FERC or the Applicable Governmental Authority consistent with the agreements in place with the Applicable Governmental Authority.

Prior to January 1 of the year covered by the Annual Audit Plan, the FRCC shall notify Registered Entities subject to Compliance Audits during the upcoming year, of the audit schedules, methods, and data requirements for the audit. The FRCC will give due consideration to any schedule changes requested by Registered Entities to avoid unnecessary burdens.

Revisions and additions to a FRCC Annual Audit Plan shall be approved by NERC and the Registered Entity shall be notified in a timely manner (normally 60 days in advance) of changes or revisions to scheduled audit dates.

3.1.3 Frequency of Compliance Audits

The FRCC will perform comprehensive Compliance Audits as required by the NERC Rules of Procedure based on criteria established by NERC. Additionally, an unscheduled Compliance Audit of any Registered Entity may be initiated by the FRCC if reasonably determined to be necessary to ensure the Registered Entities' compliance with Reliability Standards.

3.1.4 Scope of Compliance Audits

A Compliance Audit will include all Reliability Standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and three previous years, and may include other Reliability Standards applicable to the Registered Entity. If a Reliability Standard does not require retention of data for the full period of the audit, the audit will be applicable to the data retention period specified in the Reliability Standard.

3.1.5 Conduct of Compliance Audits

The audit team shall be comprised of staff personnel from the FRCC and may include contractors and industry volunteers as determined by the FRCC to be appropriate to comprise a sufficient audit team. The audit team leader shall be a staff member from the FRCC and is responsible for the conduct of the audit and preparation of the audit report. At their discretion, NERC Compliance Staff may participate on any FRCC compliance audit team either as an observer or as an audit team member as determined by the FRCC. Additionally, FERC and other regulatory bodies with regulatory authority for the Registered Entity may participate on the audit team for any audit of a Registered Entity.

Each audit team member must:

- Be free of conflicts of interests. For example, employees or contractors of the Registered Entity being audited shall not be allowed to participate as auditors in the Compliance Audit of the Registered Entity.

FRCC Compliance Monitoring and Enforcement Program

- Comply with the NERC Antitrust Compliance Guidelines and shall have either signed appropriate confidentiality agreements or acknowledgments that the confidentiality agreement signed by the FRCC is applicable.
- Audit team members must successfully complete all NERC or NERC-approved FRCC auditor training applicable to the compliance audit. As a transitional matter, for audits conducted prior to January 1, 2008, at least a majority of audit team members must have successfully completed such training.

Prior to the audit, copies of executed FRCC confidentiality agreements will be provided to the Registered Entity.

A Registered Entity subject to an audit may object to any member of the audit team on grounds of a conflict of interest or the existence of other circumstances that could interfere with the team member's impartial performance of his or her duties. Such objections must be provided in writing to the FRCC no later than fifteen (15) days prior to the start of on-site audit work. The FRCC will make a final determination on whether the member will participate in the audit of the Registered Entity. Nothing in this paragraph shall be read to limit the participation of NERC or Commission staff in the audit.

3.1.6 Compliance Audit Reports

The audit team shall develop a draft audit report that shall include a description of the objective, scope, and methodology of the audit; identify any Alleged Violations of Reliability Standards; identify any mitigation or Remedial Action Directives, which have been completed or pending in the year of the audit; identify the nature of any confidential information redacted. A separate document may be prepared that contains recommendations of the audit team. Any recommendations contained in that document will be considered non-binding. The draft report will be provided to the Registered Entity for comment.

The audit team will consider corrections based on comments of the Registered Entity and provide the final audit report to the FRCC who will review the report and assess compliance with the Reliability Standards and provide the Registered Entity with a copy of the final report. FRCC will provide the final report to NERC, which will in turn provide the report to FERC or the Applicable Governmental Authority. The Registered Entity shall receive the final audit report at least five (5) business days prior to the release of the report to the public. Work papers and other documentation associated with the audit shall be maintained by the FRCC in accordance with NERC requirements.

In the event the audit report identifies Alleged Violations, the final audit report, or pertinent part thereof, shall not be released to the public until after such Alleged Violations have been addressed and finally determined by the FRCC pursuant to the provisions of Section 5.0.

Information deemed by the FRCC or the Registered Entity as critical energy infrastructure information or confidential information (as defined in Section 1501 of the NERC Rules of Procedure) shall be redacted from any public reports.

FRCC Compliance Monitoring and Enforcement Program

3.2 Self-Certification

The FRCC may require Registered Entities to self-certify their compliance with Reliability Standards.

If a Self-Certification accurately identifies a violation of a Reliability Standard, an identification of the same violation in a subsequent Compliance Audit or Spot Check, will not subject the Registered Entity to an escalated penalty as a result of the compliance audit process unless the severity of the violation is found to be greater than reported by the Registered Entity in the Self-Certification.

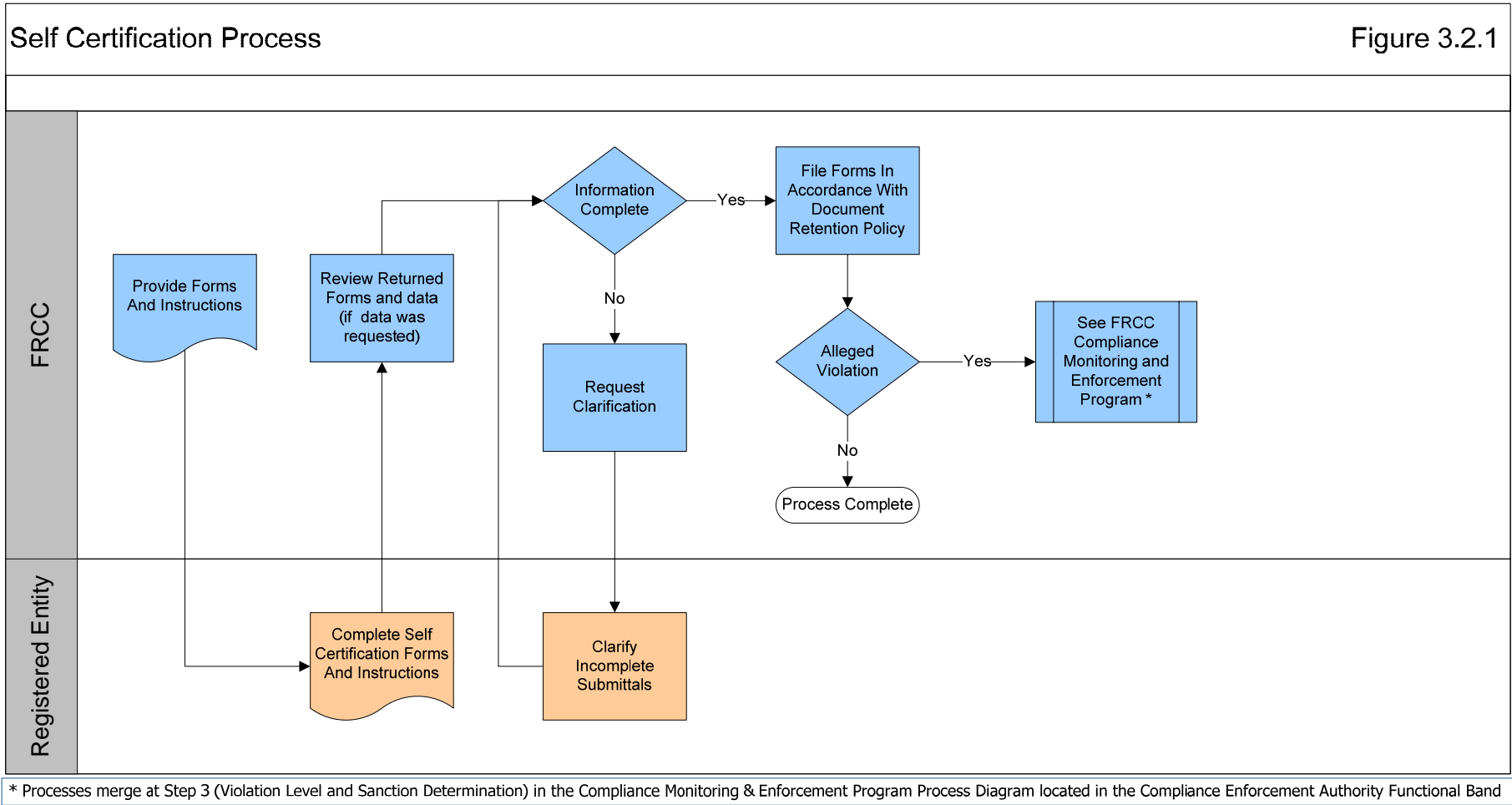
Self-Certification Process Steps

The process steps for the Self-Certification process are as follows and as shown in **Figure 3.2.1**:⁴

- The FRCC posts and updates the reporting schedule and informs Registered Entities. The FRCC ensures that the appropriate Reliability Standards, compliance procedures, and required submittal forms for the Reliability Standards being evaluated are maintained and available electronically.
- The FRCC requests the Registered Entity to make a Self-Certification within the advance notice period specified by the Reliability Standard. If the Reliability Standard does not specify the advance notice period, this request will be issued in a timely manner (normally thirty (30) days advance notice).
- The Registered Entity provides the required information to the FRCC.
- The FRCC reviews information to determine compliance with the Reliability Standards and may request additional data and/or information if necessary.
- The FRCC completes the assessment of the Registered Entity for compliance with the Reliability Standard (and with the Registered Entity's Mitigation Plan, if applicable). If the FRCC concludes that a reasonable basis exists for believing a violation has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- FRCC will notify NERC of any Alleged Violations as required by Section 8.0.

⁴If no non-compliances are found, this process normally completes within sixty (60) days of the FRCC's receipt of data.

FRCC Compliance Monitoring and Enforcement Program



FRCC Compliance Monitoring and Enforcement Program

3.3 Spot Checking

Spot Checking will be conducted by the FRCC. Spot Checking may be initiated by the FRCC at any time to verify or confirm Self-Certifications, Self Reporting, and Periodic Data Submittals. Spot Checking may also be random or may be initiated in response to events, as described in the Reliability Standards, or by operating problems, or system events. The FRCC then reviews the information submitted to verify the Registered Entity's compliance with the Reliability Standard. Compliance auditors may be assigned by the FRCC as necessary.

3.3.1 Spot Checking Process Steps

The process steps for Spot Checking are as follows and as shown in **Figure 3.3.1**:⁵

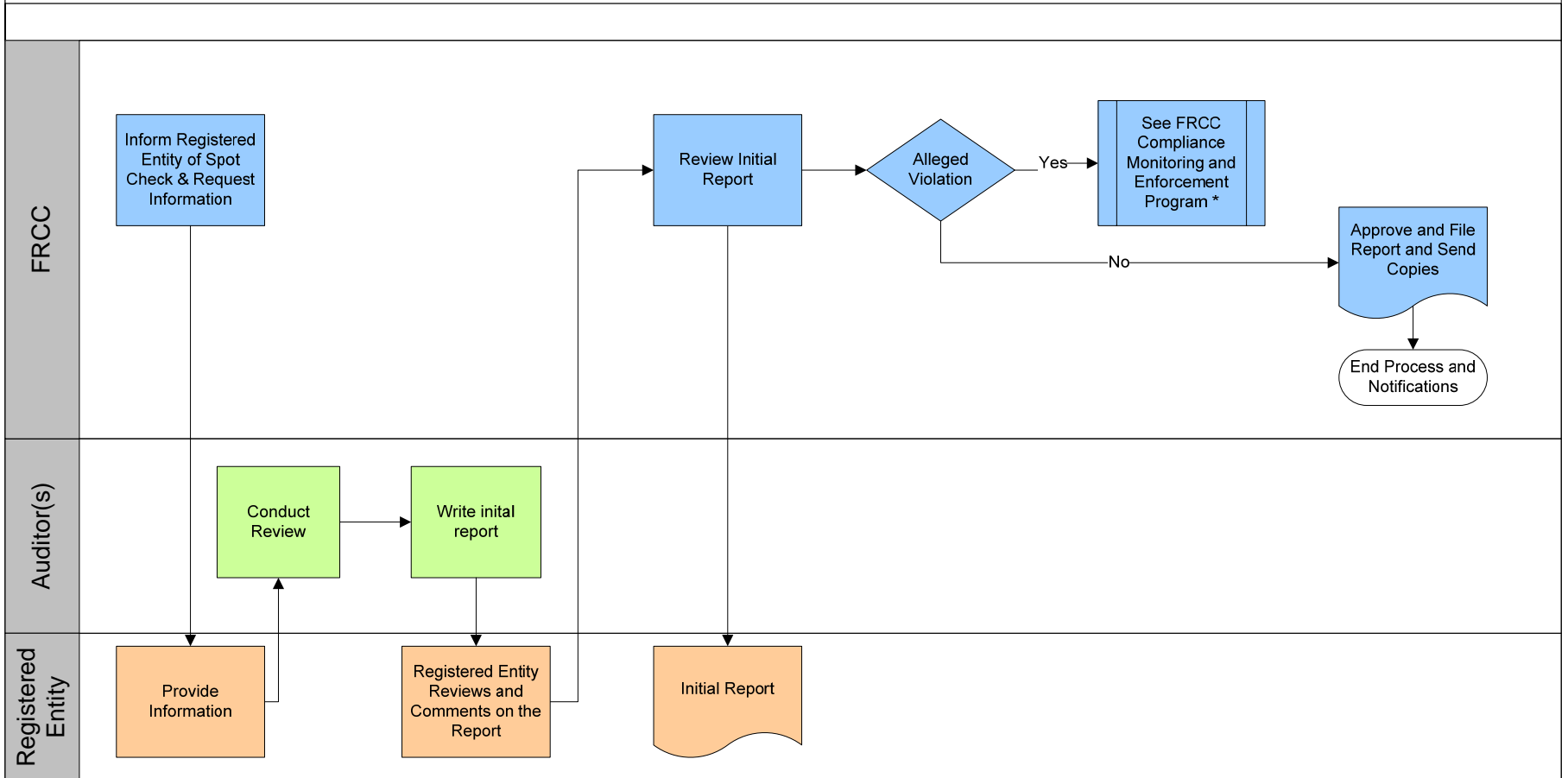
- The FRCC notifies the Registered Entity that Spot Checking will be performed and the reason for the spot check within the advance notice period specified by the Reliability Standard. If the Reliability Standard does not specify the advance notice period, any information submittal request made by the FRCC will allow at least twenty (20) days for the information to be submitted or available for review.
- The spot check may require submission of data, documentation, or possibly an on-site review.
- The Registered Entity provides required information to the FRCC in the format specified in the request.
- The FRCC reviews information to determine compliance with the Reliability Standards and may request additional data and/or information if necessary for a complete assessment of compliance.
- The FRCC completes and documents the assessment of the Registered Entity for compliance with the Reliability Standard and provides a report to the Registered Entity indicating the results of the spot check.
- If the FRCC concludes that a reasonable basis exists for believing a violation has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- FRCC will notify NERC of any Alleged Violations as required by Section 8.0.

⁵If no alleged violations are found, this process normally completes within ninety (90) days of the FRCC's receipt of data.

FRCC Compliance Monitoring and Enforcement Program

Spot Checking Process

Figure 3.3.1



* Processes merge at Step 3 (Violation Level and Sanction Determination) in the Compliance Monitoring & Enforcement Program Process Diagram located in the Compliance Enforcement Authority Functional Band

FRCC Compliance Monitoring and Enforcement Program

3.4 Investigations of Reliability Standard Violations

A Compliance Violation Investigation may be initiated at any time by the FRCC in response to a system disturbance, Complaint, or possible violation of a Reliability Standard identified by any other means. Compliance Violation Investigations will generally be led by FRCC staff. For good cause, NERC reserves the right to assume the leadership of a Compliance Violation Investigation. Compliance Violation Investigations are confidential. Confirmed Violations resulting from a Compliance Violation Investigation will be made public.

3.4.1 Compliance Violation Investigation Process Steps

The process steps for a Compliance Violation Investigation are as follows and as shown in **Figure 3.4.1**:⁶

- The FRCC is notified or becomes aware of circumstances indicating a possible violation of a Reliability Standard and determines whether a Compliance Violation Investigation is warranted. The FRCC notifies the Registered Entity and NERC within two (2) business days of the decision to initiate a Compliance Violation Investigation and the reasons for the investigation.
- NERC assigns a NERC Staff member to the Compliance Violation Investigation and to serve as a single point of contact for communications with NERC. NERC notifies FERC or other Applicable Governmental Authorities of a Compliance Violation Investigation within two (2) business days after NERC is notified of the decision to initiate a Compliance Violation Investigation.
- The FRCC requests data or documentation and provides a list of individuals on the investigation team and their recent employment history. The Registered Entity may object to any individual on the investigation team in accordance with Section 3.1.5. If the Reliability Standard does not specify the advance notice period, a request is normally issued with no less than twenty (20) days advance notice.
- Within ten (10) business days of receiving the notification of a Compliance Violation Investigation, a Registered Entity subject to an investigation may object to any member of the investigation team on grounds of a conflict of interest or the existence of other circumstances that could interfere with the team member's impartial performance of his or her duties. Such objections must be provided in writing to the FRCC prior to the start of on-site audit work. The FRCC will make a final determination as to whether the individual will participate in the investigation of the Registered Entity.
- If necessary, the Compliance Violation Investigation may include an on-site visit with interviews of the appropriate personnel and review of data.
- The Registered Entity provides the required information to the FRCC in the format as specified in the request.

⁶If no alleged violation(s) are found, this process normally completes within sixty (60) days following the decision to initiate a Compliance Violation Investigation.

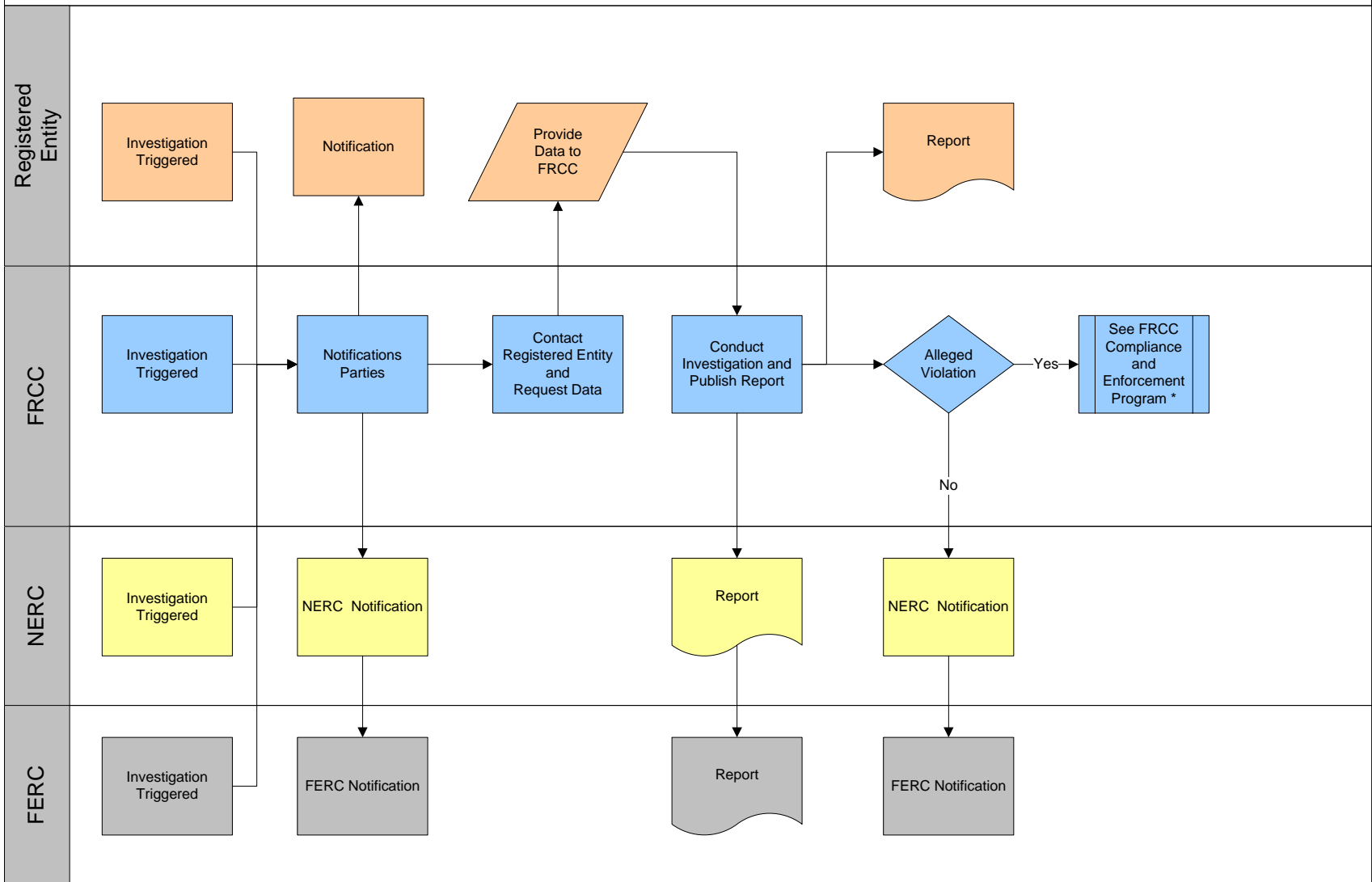
FRCC Compliance Monitoring and Enforcement Program

- The FRCC reviews information to determine compliance with the Reliability Standards. The FRCC may request additional data and/or information if necessary for a complete assessment or to demonstrate compliance.
- The FRCC completes the assessment of compliance with the Reliability Standard and/or approval of the applicable Mitigation Plan, writes and distributes the report, and notifies the Registered Entity.
- If the FRCC concludes that a reasonable basis exists for believing a violation has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- FRCC will notify NERC of any Alleged Violations as required by Section 8.0.
- If the FRCC determines that no violation occurred, it shall send the Registered Entity and NERC a notice that the investigation has been completed. NERC will in turn notify FERC.

FRCC Compliance Monitoring and Enforcement Program

Investigation Process

Figure 3.4.1



* Processes merge at Step 3 (Violation Level & Sanction Determination) box in the Compliance Monitoring & Enforcement Program Process Diagram located in the Compliance Enforcement Authority Functional Band

FRCC Compliance Monitoring and Enforcement Program

3.5 Self-Reporting

Self-Reporting is encouraged at the time a Registered Entity becomes aware; (i) of a violation of a Reliability Standard; or (ii) a change in the Violation Severity Level of a previously reported violation. Self-Reporting of a violation of a Reliability Standard is encouraged regardless of whether the Reliability Standard requires reporting on a pre-defined schedule in the Compliance Program and the violation is determined outside the pre-defined reporting schedule.

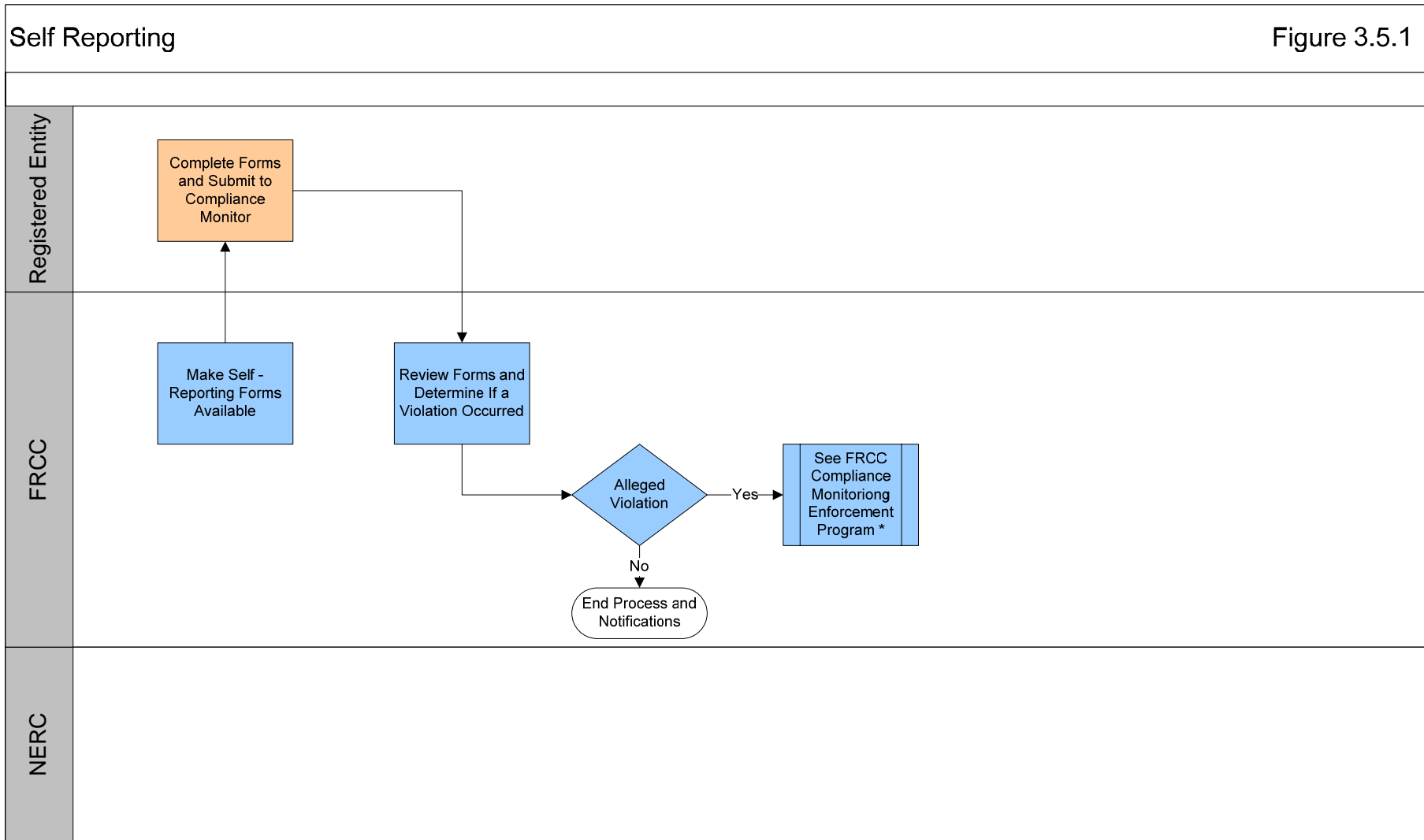
3.5.1 Self-Reporting Process Steps

The process steps for Self-Reporting are as follows and as shown in **Figure 3.5.1**:⁷

- The FRCC posts the Self-Reporting submittal forms and ensures they are maintained and available on its Web site.
- The Registered Entity provides the Self-Reporting information to the FRCC.
- The FRCC reviews the information to determine compliance with the Reliability Standards and may request the Registered Entity to provide clarification or additional data and/or information.
- The FRCC completes the assessment of the Registered Entity for compliance with the Reliability Standards and any Mitigation Plan, if applicable, and notifies the Registered Entity.
- If the FRCC concludes that a reasonable basis exists for believing a violation has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3, Notice of Alleged Violation, of the Compliance Program Process shown in **Figure 3.0**.
- The FRCC will notify NERC of any Alleged Violations as required by Section 8.0.

⁷This process normally completes within sixty (60) days following the FRCC's receipt of data.

FRCC Compliance Monitoring and Enforcement Program



* Processes merge at Step 3 (Violation Level and Sanction Determination) in the Compliance Monitoring & Enforcement Program Process Diagram located in the Compliance Enforcement Authority Functional Band

FRCC Compliance Monitoring and Enforcement Program

3.6 Periodic Data Submittals

The FRCC requires Periodic Data Submittals in accordance with the schedule stated in the applicable Reliability Standard, established by the FRCC, or on an as-needed basis. Requests for data submittals will be issued by the FRCC to Registered Entities with at least the minimum advance notice period specified by the applicable Reliability Standard. If the Reliability Standard does not specify an advance notice period, the request will normally be issued with no less than twenty (20) days advance notice.

3.6.1 Periodic Data Submittals Process Steps

The process steps for Periodic Data Submittal are as follows and as shown in **Figure 3.6.1**:⁸

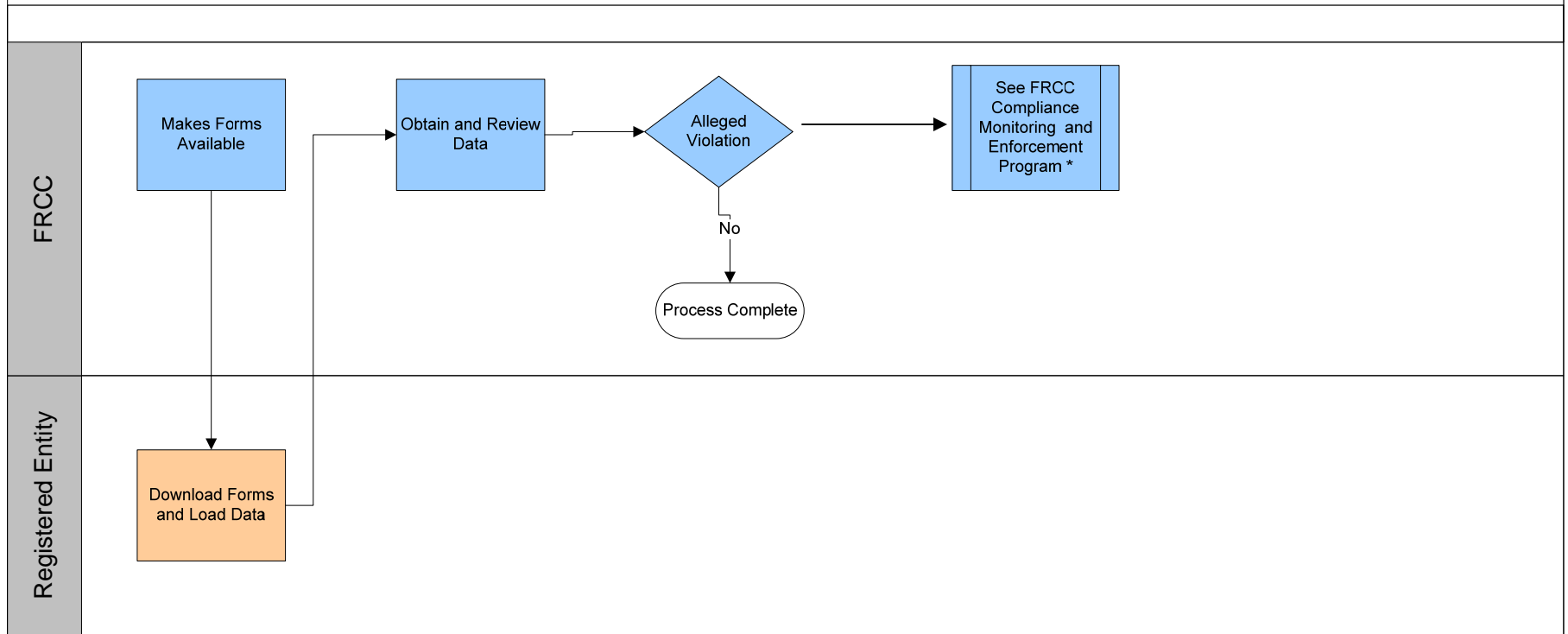
- The FRCC posts the current data reporting schedule on its web site and keeps Registered Entities informed of changes and/or updates. The FRCC ensures that the appropriate Reliability Standard compliance procedures and the required submittal forms for the Reliability Standards being evaluated are maintained and available via its Web site.
- The FRCC makes a request for a Periodic Data Submittal.
- The Registered Entity provides the required information to the FRCC in the format as specified in the request.
- The FRCC reviews the data submittal to determine compliance with the Reliability Standards and may request additional data and/or information for a complete assessment or to demonstrate compliance.
- The FRCC completes the assessment of the Registered Entity for compliance with the Reliability Standard and notifies the Registered Entity.
- If the FRCC concludes that a reasonable basis exists for believing a violation has occurred, it shall send the Registered Entity a notice containing the information set forth in Section 5.1 and the process moves to step 3 (Notice of Alleged Violation) of the Compliance Program Process shown in **Figure 3.0**
- FRCC notify NERC of any Alleged Violations as required by Section 8.0.

⁸If no violation(s) are found, this process generally completes within ten (10) business days of the FRCC's receipt of data.

FRCC Compliance Monitoring and Enforcement Program

Data Submittal

Figure 3.6.1



* Processes merge at Step 3 (Violation Level and Sanction Determination) in the Compliance Monitoring & Enforcement Program Process Diagram located in the Compliance Enforcement Authority Functional Band

FRCC Compliance Monitoring and Enforcement Program

3.7 Exception Reporting

Some Reliability Standards require reporting of exceptions to compliance with the Reliability Standard as a form of compliance monitoring. The FRCC shall require Registered Entities to provide reports identifying any exceptions to the extent required by any Reliability Standard.

The FRCC shall also require Registered Entities to confirm the number of exceptions that have occurred in a given time period identified by NERC, even if the number of exceptions is zero.

3.8 Complaints

Either NERC or FRCC may receive Complaints alleging violations of a Reliability Standard. The FRCC will conduct a review of each Complaint it receives to determine if the Complaint provides sufficient basis for a Compliance Violation Investigation, except that NERC will review any Complaint (1) that is related to FRCC, (2) where the FRCC determines it cannot conduct the review, or (3) if the complainant wishes to remain anonymous or specifically requests NERC to conduct the review of the Complaint.

If the Complaint is submitted to NERC, NERC will forward the information to the FRCC, as appropriate.

All anonymous Complaints will be reviewed and any resulting Compliance Violation Investigations conducted by NERC will be conducted in accordance with Section 3.8.2 to prevent disclosure of the identity of the complainant.

The FRCC will determine if the Complaint may be closed as a result of the initial review and assessment of the Complaint to determine if it provides sufficient basis for a Compliance Violation Investigation. The FRCC will report the results of its review of the Complaint to NERC. If, as a result of the initial review of the Complaint, the FRCC determines that a Compliance Violation Investigation is warranted, a Compliance Violation Investigation will be conducted in accordance with Section 3.4.

3.8.1 Complaint Process Steps

The detailed process steps for the Complaint process are as follows and as shown in **Figure 3.8.1**:⁹

- The complainant notifies NERC or the FRCC using the NERC compliance hotline, submitting a NERC complaint reporting form, or by other means. A link to the complaint reporting form will be posted on the NERC and FRCC Web sites. The Complaint should include sufficient information to enable NERC or the FRCC to make an assessment of whether the initiation of a Compliance Violation Investigation is warranted. NERC or the FRCC may not act on a Complaint if the Complaint is incomplete and does not include sufficient information.

⁹If no violations are found, this process normally completes within sixty (60) days following receipt of the Complaint.

FRCC Compliance Monitoring and Enforcement Program

- If the FRCC determines that a Compliance Violation Investigation is warranted, it initiates the Compliance Violation Investigation in accordance with Section 3.4; otherwise it takes no further action. The FRCC notifies the complainant, the Registered Entity, and NERC of the Compliance Violation Investigation. If the FRCC determines that a Compliance Violation Investigation is not warranted, it will notify the complainant, NERC, and the Registered Entity that no further action will be taken.
- The FRCC fully documents the Complaint and the Complaint review, whether a Compliance Violation Investigation is initiated or not.

3.8.2 Anonymous Complainant Notification Procedure

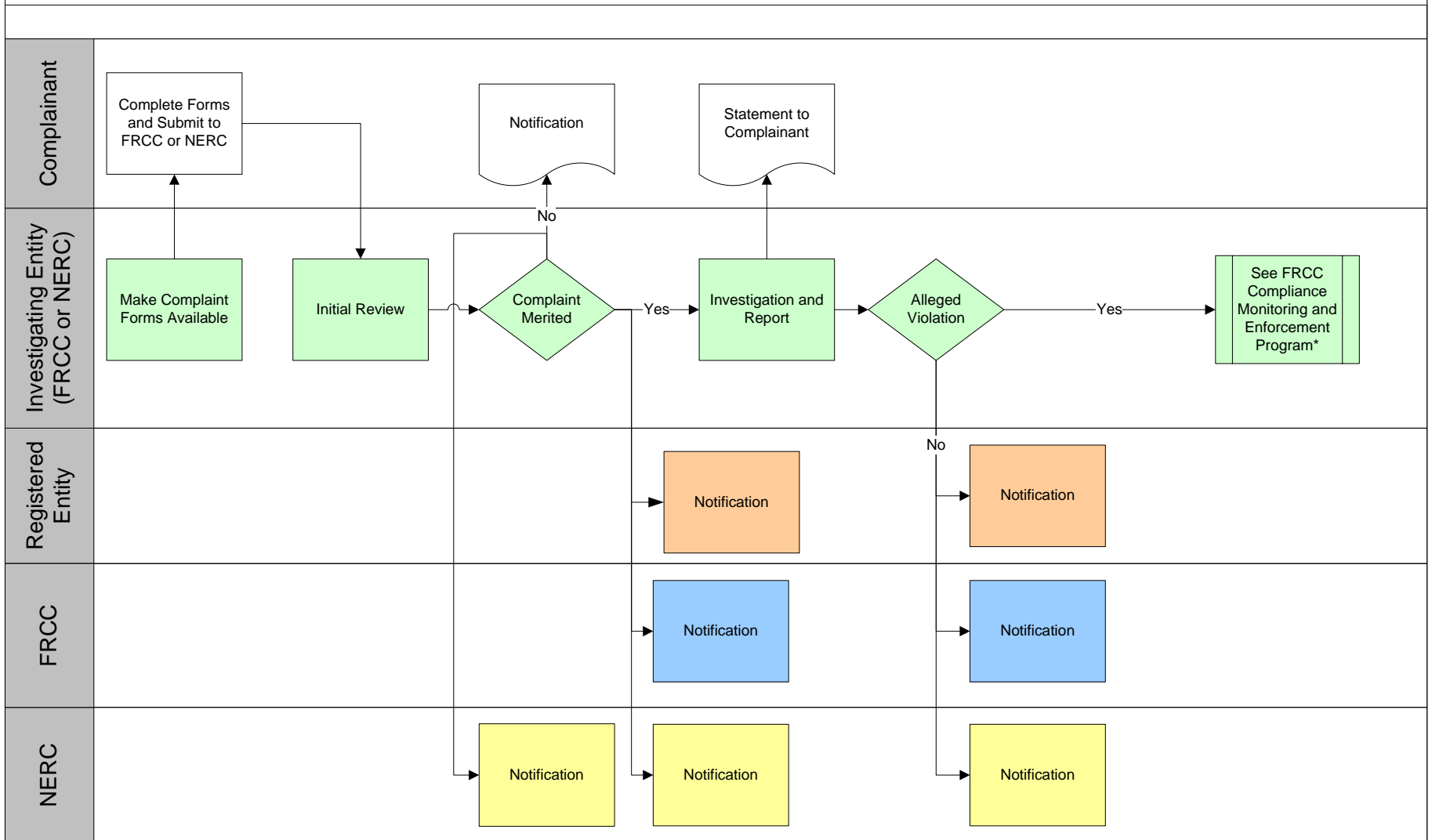
An anonymous complainant who believes, or has information indicating, there has been a violation of a Reliability Standard, can report the Alleged Violation and request that the complainant's identity not be disclosed.¹⁰ All Complaints lodged by a person or entity requesting that the complainant's identity not be disclosed shall be investigated by NERC following the procedural steps described in Section 3.8.1. Anonymous Complaints received by FRCC will be directed to NERC. NERC shall not disclose the identity of any person or entity reporting Alleged Violations to NERC that requests that his/her/its identity not be revealed. The identity of the complainant will only be known by NERC. If NERC determines that a Compliance Violation Investigation is not warranted, it will notify the complainant, FRCC, and the Registered Entity that no further action will be taken.

¹⁰NERC has established a Compliance Hotline that may be used for the submission of Complaints by persons or entities that do not want his/her/its identity disclosed (see www.nerc.com for additional information).

FRCC Compliance Monitoring and Enforcement Program

Complaint Process

Figure 3.8.1



+ Anonymous complainant identities will be withheld.

FRCC Compliance Monitoring and Enforcement Program

4.0 ANNUAL IMPLEMENTATION PLANS

4.1 NERC Compliance Program Implementation Plan

NERC will maintain and update the NERC Implementation Plan, to be carried out by Compliance Enforcement Authorities in the performance of their responsibilities and duties in implementing the NERC Compliance Monitoring and Enforcement Program. The NERC Implementation Plan will be provided to the FRCC by October 1 of each year and will specify the Reliability Standards requiring reporting by Registered Entities to the FRCC to provide verification of compliance through one of the monitoring methods described in this Compliance Plan document. The NERC Implementation Plan will be posted on the NERC Web site.

4.2 FRCC Implementation Plan

By November 1 of each year, FRCC will submit a Regional Implementation Plan for the following calendar year to NERC for approval. The Regional Implementation Plan and the FRCC's other relevant Compliance Program documents shall be posted on the FRCC's Web site.

5.0 ENFORCEMENT ACTIONS

The FRCC shall determine (i) whether there have been violations of Reliability Standards by Registered Entities within the FRCC's area of responsibility, and (ii) if so, the appropriate remedial actions, and penalties and sanctions, as prescribed in the NERC Sanction Guidelines (Appendix 4B to the NERC Rules of Procedure). NERC will work to achieve consistency in the application of the Sanction Guidelines by FRCC by direct oversight and review of penalties and sanctions, and the FRCC shall provide to NERC such information as is requested by NERC concerning any penalty, sanction, or remedial actions imposed by the FRCC.

Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information is unreasonable, the party may request a written determination from the NERC compliance program officer.

FRCC Compliance Monitoring and Enforcement Program

5.1 Notification to Registered Entity of Alleged Violation

If the FRCC alleges that a Registered Entity has violated a Reliability Standard, the FRCC shall provide written notice of Alleged Violation and sanction (signed by an officer or designee) to the Registered Entity (CEO or equivalent and compliance contact) and NERC. The FRCC may also issue an initial notice of Alleged Violation, without specifying the proposed penalty or sanction, to the Registered Entity. The notice of Alleged Violation and sanction shall contain, at a minimum:

- (i) the Reliability Standard and requirement(s) thereof the Registered Entity has allegedly violated,
- (ii) the date and time the Alleged Violation occurred (or is occurring),
- (iii) the facts the FRCC believes demonstrate or constitute the Alleged Violation,
- (iv) the proposed penalty or sanction, if any, determined by the FRCC to be applicable to the Alleged Violation in accordance with the NERC Sanction Guidelines, including an explanation of the basis on which the particular penalty or sanction was determined to be applicable,
- (v) notice that the Registered Entity shall, within thirty (30) days, elect one of the following options or the FRCC will deem the Registered Entity to have accepted the determination of violation and proposed penalty or sanction:
 - 1. agree with the Alleged Violation and proposed penalty or sanction, and agree to submit and implement a Mitigation Plan to correct the violation and its underlying causes, and may provide a response in accordance with Section 5.2, or
 - 2. agree to the Alleged Violation and agree to submit and implement a Mitigation Plan to eliminate the violation and its underlying causes, but contest the proposed penalty or sanction, and may provide a response in accordance with Section 5.2, or
 - 3. contest both the Alleged Violation and proposed penalty or sanction, and
- (vi) required procedures to submit the Registered Entity's Mitigation Plan.

NERC shall forward a copy of the notice of Alleged Violation to FERC within two (2) business days of receipt from the FRCC.

Upon acceptance of the Alleged Violation and proposed penalty or sanction, the final notice of the violation, penalty, and sanction will then be processed and issued to the Registered Entity.

FRCC Compliance Monitoring and Enforcement Program

5.2 Registered Entity Response

If the Registered Entity does not contest or does not respond to the notice of violation within thirty (30) days, it shall be deemed to have accepted the FRCC's determination of violation and sanction (if applicable), in which case the FRCC shall issue to the Registered Entity and NERC a final report of Confirmed Violation. A Registered Entity may provide a written explanatory statement to accompany the final report.

If the Registered Entity contests the Alleged Violation or the proposed sanction, the Registered Entity shall submit to the FRCC a response explaining its position, signed by an officer or equivalent, together with any supporting information and documents. The FRCC shall schedule a conference with a FRCC BCC appointed Compliance Advisory Panel (CAP) and the Registered Entity within ten (10) business days after receipt of the response. If the FRCC CAP and the Registered Entity are unable to resolve all issues within forty (40) days after the Registered Entity's response, the Registered Entity may request a hearing. If no hearing request is made within ten (10) business days, the violation will become a Confirmed Violation when filed by NERC with FERC or the Applicable Governmental Authority.

If a hearing is requested, the FRCC shall initiate the hearing process by convening the FRCC BCC and issuing a written notice of hearing to the Registered Entity and the FRCC BCC and identifying the FRCC's designated hearing representative.¹¹

5.3 Hearing Process for Compliance Hearings

The FRCC Hearing Process is set forth in **Attachment 2**.

5.4 Settlement Process

Settlement negotiations may occur at any time from the issuance of a notice of Alleged Violation and sanction until a Notice of Penalty is filed with FERC or Applicable Governmental Authority. All settlement negotiations will be confidential until such time as the settlement is approved by NERC. For all settlement discussions, the FRCC shall require the Registered Entity to designate an individual(s) authorized to negotiate on its behalf. All settlement agreements must conform to the requirements of NERC Rule of Procedure 403.18 and, if approved, must provide for waiver of the Registered Entity's right to further hearings and appeal.

The FRCC will issue a letter setting forth the final settlement terms including all penalties, sanctions and mitigation requirements provided for in the final settlement.

The FRCC shall report the terms of all settlements of compliance matters to NERC. NERC will review the settlement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under other similar circumstances. Based on this review, NERC will either approve the settlement or reject the settlement and notify the FRCC and the Registered Entity of changes to the settlement that would result in approval. If NERC rejects the settlement, the FRCC will attempt to negotiate a revised settlement agreement with the

¹¹If the dispute involves a proposed Mitigation Plan, which has not been accepted by the FRCC, the Registered Entity may file a request for hearing with the FRCC.

FRCC Compliance Monitoring and Enforcement Program

Registered Entity including any changes to the settlement specified by NERC. If a settlement cannot be reached, the compliance hearing process shall continue to conclusion.

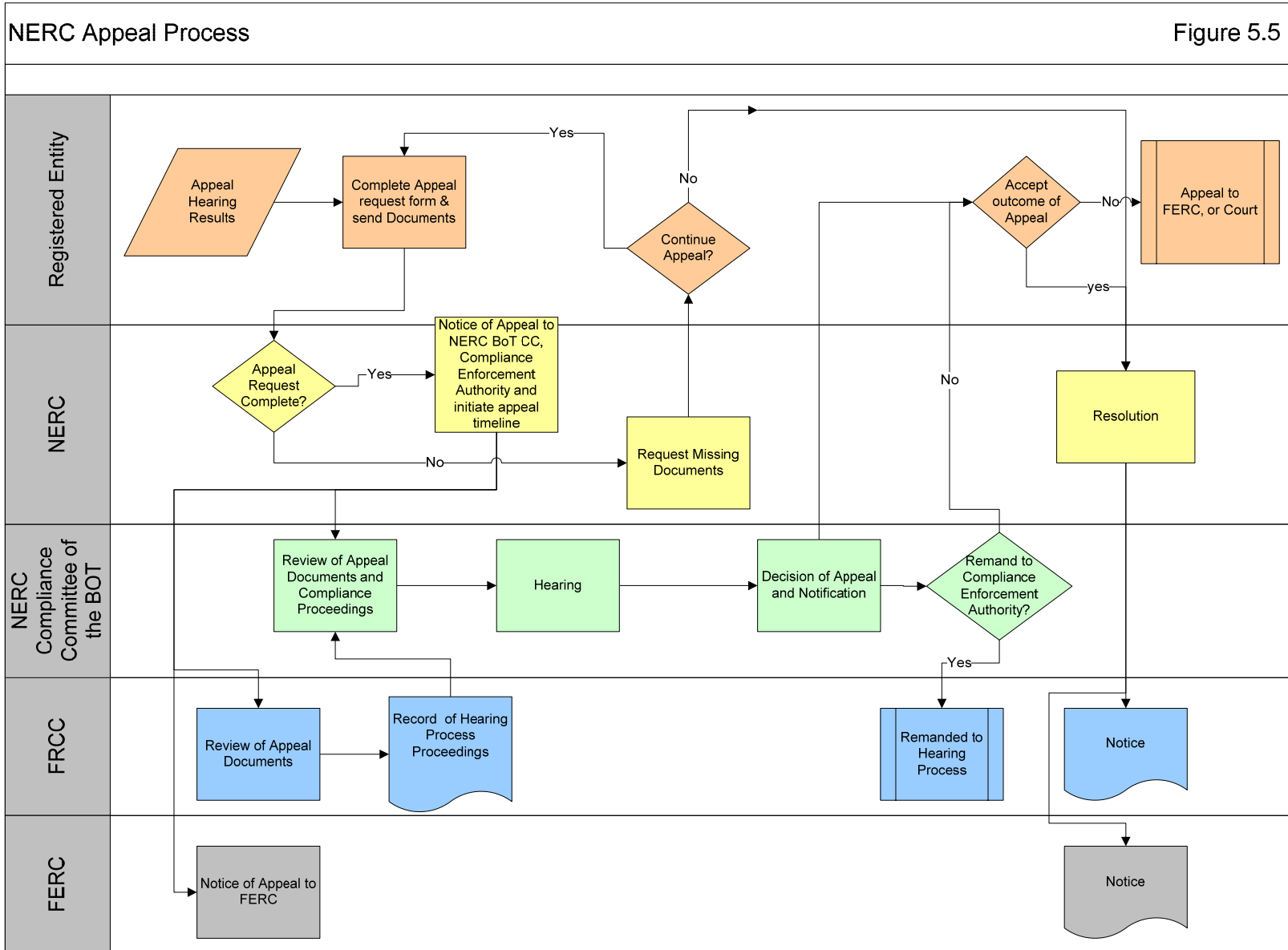
NERC will (i) report the approved settlement of the violation to FERC or the Applicable Governmental Authority, and (ii) publicly post the violation settled and the resulting penalty or sanction provided for in the settlement. The FRCC will issue a letter setting forth the final settlement terms including all penalties, sanctions and mitigation requirements provided for in the final settlement.

5.5 NERC Appeal Process

The Registered Entity may appeal the hearing body's decision to NERC, as provided for in NERC Rules of Procedure, Sections 407.3 and 410. The steps for the NERC appeals process are as shown in **Figure 5.5**:¹²

¹²This process generally completes within ninety (90) days of NERC's receipt of request for appeal.

FRCC Compliance Monitoring and Enforcement Program



FRCC Compliance Monitoring and Enforcement Program

5.6 Notice of Penalty

If the Registered Entity does not dispute the notice of Alleged Violation and the penalty and sanction or a decision has been entered finding a violation and all appeals have been concluded, NERC shall file a Notice of Penalty with FERC. NERC will include with the Notice of Penalty any statement provided by the Registered Entity as set forth in Section 8.0.

6.0 MITIGATION OF VIOLATIONS OF RELIABILITY STANDARDS

Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information is unreasonable, the party may request a written determination from the NERC compliance program officer.

6.1 Requirement for Submission of Mitigation Plans

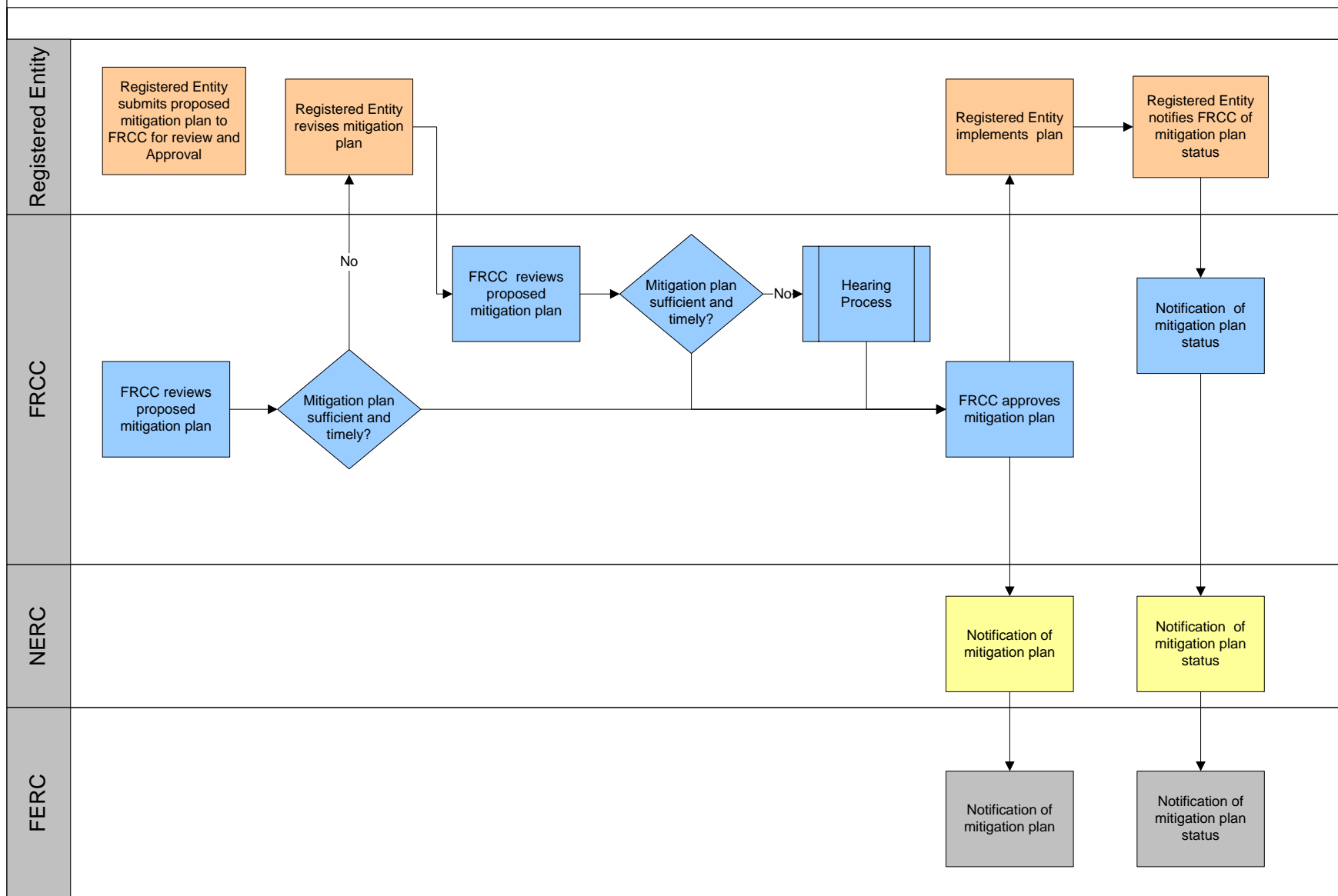
A Registered Entity found to be in violation of a Reliability Standard shall file with the FRCC (i) a proposed Mitigation Plan to correct the violation, or (ii) a description of how the violation has been mitigated, and any requests for extensions of Mitigation Plans or a report of completed mitigation.

Figure 6.1 shows the process steps for Mitigation Plans.

FRCC Compliance Monitoring and Enforcement Program

Mitigation Plan Process

Figure 6.1



FRCC Compliance Monitoring and Enforcement Program

6.2 Contents of Mitigation Plans

A Mitigation Plan shall include the following information:

- The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan. This person may be the Registered Entity's point of contact described in Section 2.0.
- The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.
- The cause of the Alleged or Confirmed Violation(s).
- The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
- The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed Violation(s).
- The anticipated impact of the Mitigation Plan on the bulk power system reliability and an action plan to mitigate any increased risk to the reliability of the bulk power-system while the Mitigation Plan is being implemented.
- A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
- Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined for not completing work associated with accepted milestones.
- Any other information deemed necessary or appropriate

The Mitigation Plan shall be signed by an officer or equivalent of the Registered Entity, which if applicable, shall be the officer that signed the Self-Certification or Self Reporting submittals.

6.3 Timetable for Completion of Mitigation Plans

The Mitigation Plan shall be completed in time to have a reasonable potential to correct all of the violation(s) prior to the next applicable compliance reporting/assessment period after occurrence of the violation for which the Mitigation Plan is submitted. In all cases the Mitigation Plan should be completed without delay. The FRCC will expect full compliance with the Reliability Standard to which the Mitigation Plan is applicable at the next report or assessment of the Registered Entity. At the FRCC's discretion, the completion deadline may be extended for good cause including: (i) short assessment periods (i.e., event driven or monthly assessments), and (ii) construction requirements in the Mitigation Plan that extend beyond the next assessment period or other extenuating circumstances. If the Mitigation Plan extends beyond the next applicable

FRCC Compliance Monitoring and Enforcement Program

reporting/assessment period, sanctions for any violation occurring during the implementation period will be held in abeyance and will be waived if the Mitigation Plan is satisfactorily completed.

Any violations assessed during the period of time the accepted Mitigation Plan is being implemented will be recorded by the FRCC with associated sanctions or penalties. FRCC will report any findings of violations recorded during this time period to NERC with the notation that the Registered Entity is working under an accepted Mitigation Plan with an extended completion date with penalties and sanctions held in abeyance until completion of the Mitigation Plan. Upon completion of the accepted Mitigation Plan in accordance with Section 6.6, the FRCC will notify the Registered Entity that any findings of violations of the applicable Reliability Standard during the period that the accepted Mitigation Plan was being implemented have been waived and no penalties or sanctions will apply. FRCC will also notify NERC of any such waivers of violations of Reliability Standards.

A request for an extension of any milestone or the completion date of the accepted Mitigation Plan by a Registered Entity must be received by the FRCC at least five (5) business days before the original milestone or completion date. The FRCC may accept a request for an extension or modification of a Mitigation Plan if the FRCC determines the request is justified, and shall notify NERC of the extension or modification within five (5) business days.

6.4 Submission of Mitigation Plans

A Mitigation Plan may be submitted at any time but shall have been submitted by the Registered Entity within thirty (30) days after being served the notice of Alleged Violation and penalty or sanction, if the Registered Entity does not contest the violation and penalty or sanction. If the Registered Entity disputes the notice of Alleged Violation or penalty or sanction, the Registered Entity shall submit its Mitigation Plan within ten (10) business days following issuance of the written decision of the hearing body, unless the Registered Entity elects to appeal the hearing body's determination to NERC. The Registered Entity may choose to submit a Mitigation Plan while it contests an Alleged Violation or penalty or sanction; such submission shall not be deemed an admission of a violation or the appropriateness of a penalty or sanction. If the Registered Entity has not yet submitted a Mitigation Plan, any subsequent violations of the Reliability Standard identified by the FRCC before the hearing body renders its decision will not be held in abeyance and will be considered as repeat violations of the Reliability Standard.

6.5 Review and Acceptance or Rejection of Proposed Mitigation Plans

Unless extended by the FRCC, it will complete its review of the Mitigation Plan, and will issue a written statement accepting or rejecting the Mitigation Plan, within thirty (30) days of receipt; otherwise the Mitigation Plan will be deemed accepted. If the FRCC rejects a Mitigation Plan, the FRCC will provide the Registered Entity with a written statement describing the reasons for the rejection, and will require the Registered Entity to submit a revised Mitigation Plan by the Required Date. The FRCC will notify the Registered Entity within ten (10) business days after receipt of a revised Mitigation Plan whether the FRCC will accept or reject the revised Mitigation Plan and provide a written statement describing the reasons for rejection and the Required Date for the second revised Mitigation Plan. If the second review results in rejection of the Mitigation Plan, the Registered Entity may request a hearing in accordance with the Hearing Process, by submitting to the FRCC a written request for hearing including an explanation of

FRCC Compliance Monitoring and Enforcement Program

why the Mitigation Plan should be accepted. After the hearing is completed, the FRCC will issue a written statement accepting a Mitigation Plan it deems as appropriate.

FRCC will notify NERC within (5) five business days of the acceptance of a Mitigation Plan.

6.6 Completion/Confirmation of Implementation of Mitigation Plans

The Registered Entity shall provide updates at least quarterly to the FRCC on the progress of the Mitigation Plan. The FRCC will track the Mitigation Plan to completion and may conduct on-site visits and review status during audits to monitor Mitigation Plan implementation.

Upon completion of the Mitigation Plan, the Registered Entity shall provide to the FRCC certification, signed by the Registered Entity's officer or equivalent responsible for the plan, that all required actions described in the Mitigation Plan have been completed and shall include data or information sufficient for the FRCC to verify completion. The FRCC shall request such data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard.

In the event all required actions in the plan are not completed within the applicable deadline including any extensions of the original deadline granted under section 6.3, any violation(s) of a Reliability Standard subject to the Mitigation Plan that occurred during the originally scheduled time period for completion will be enforced immediately and a new Mitigation Plan must be submitted for acceptance by the FRCC. In addition, the FRCC may conduct a compliance audit of, or issue a Remedial Action Directive to, the Registered Entity.

FRCC will provide to NERC the quarterly status reports and such other information as NERC requests, and will notify NERC when each Mitigation Plan is verified to have been completed.

FRCC Compliance Monitoring and Enforcement Program

6.7 Recordkeeping

The FRCC will maintain a record containing the following information for each Mitigation Plan:

- Name of Registered Entity.
- The date of the violation.
- Monitoring method by which the violation was detected, i.e., Self-Certification, self-reported, audit, investigation, Complaint, etc.
- Date of notification of violation and sanction.
- Expected and actual completion date of the Mitigation Plan and major milestones.
- Expected and actual completion date for each required action.
- Accepted changes to milestones, completion dates, or scope of Mitigation Plan.
- Registered Entity's completion notice and data submitted as evidence of completion.

7.0 REMEDIAL ACTION DIRECTIVES

The FRCC may issue a Remedial Action Directive when such action is immediately necessary to protect the reliability of the bulk power system from an imminent threat. A Remedial Action Directive may include, but is not limited to, any of the following: specifying operating or planning criteria, limits, or limitations; requiring specific system studies; defining operating practices or guidelines; requiring confirmation of data, practices, or procedures through inspection testing or other methods; requiring specific training for personnel; requiring development of specific operating plans; directing a Registered Entity to develop and comply with a plan to remediate a violation; imposing increased auditing or additional training requirements; and requiring a Registered Entity to cease an activity that may constitute a violation of a Reliability Standard.

A Remedial Action Directive may be issued to a Registered Entity at any time, including during any procedures relating to an Alleged Violation of a Reliability Standard. The FRCC will specify if a remedial action obviates the need for a Mitigation Plan.

Prior to issuing a Remedial Action Directive, the FRCC shall consult the FRCC Reliability Coordinator, if applicable, to ensure that the remedial action is not in conflict with directives issued by the Reliability Coordinator.

Any Remedial Action Directive shall include a deadline for compliance and will advise the Registered Entity that failure to comply with the directive within the required deadline may result in further Remedial Action Directives or significantly increased sanctions. The FRCC will monitor implementation of Remedial Action Directives as necessary to verify compliance.

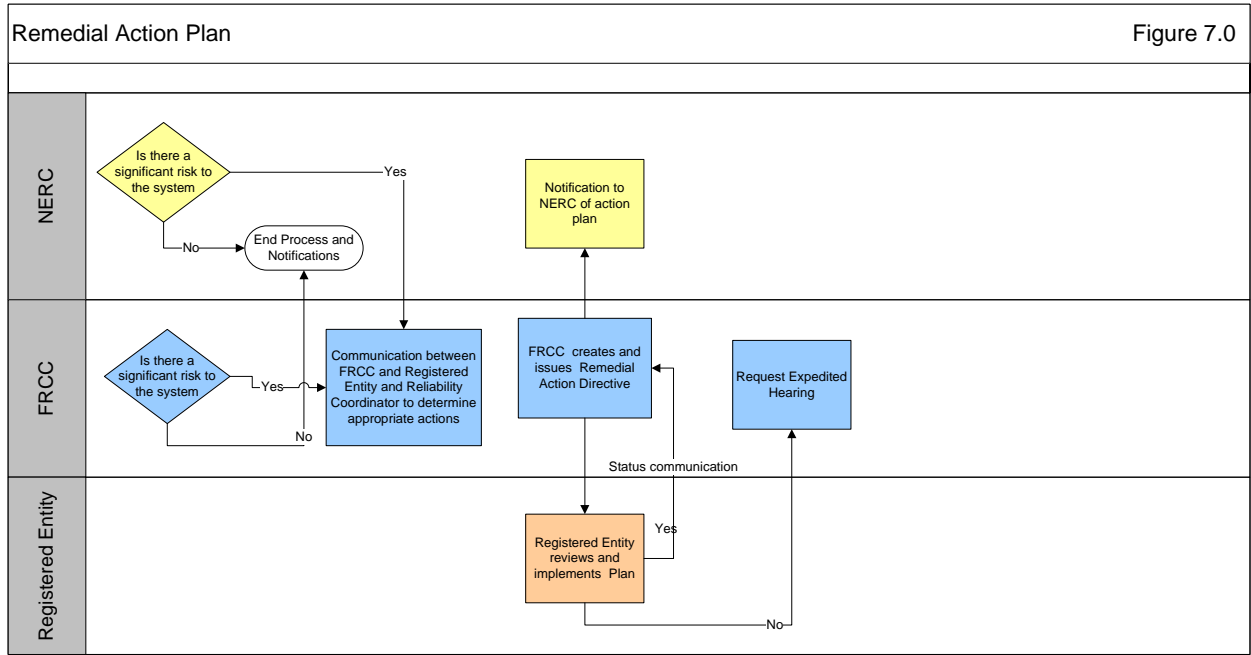
The FRCC will notify NERC within two (2) business days after issuing a Remedial Action Directive.

FRCC Compliance Monitoring and Enforcement Program

The Registered Entity may contest the Remedial Action Directive by giving written notice to the FRCC within two (2) business days following issuance of the directive and may request an expedited hearing. The hearing shall be conducted under the expedited hearing process set forth in Section 10.0 of **Attachment 2, Hearing Process**. The Registered Entity may proceed with implementing the Remedial Action Directive even if it is contesting the Remedial Action Directive.

Figure 7.0 shows the process steps for a remedial action.

FRCC Compliance Monitoring and Enforcement Program



FRCC Compliance Monitoring and Enforcement Program

8.0 REPORTING AND DISCLOSURE

FRCC shall prepare and submit to NERC all required reports (including those required by NERC Rules of Procedure, Sections 403.14, 403.18 and 403.19) containing current information concerning (1) Registered Entity compliance with Reliability Standards, (2) all Alleged and Confirmed Violations of Reliability Standards by Registered Entities, (3) the status of Alleged Violations, (4) sanctions and penalties, (5) remedial actions imposed, and (6) Mitigation Plan(s) accepted including dates for all required actions and for completion.

FRCC shall report to NERC, on a confidential basis, any Alleged Violations of Reliability Standards regardless of significance, whether verified or still under investigation, within five (5) business days, unless the violation has resulted in or has the potential to result in, a reduced level of reliability to the bulk power system (as provided in Section 408 of the NERC Rules of Procedure), in which cases the FRCC shall notify NERC within forty-eight (48) hours. NERC shall notify FERC within two (2) business days of receiving notice from the FRCC. Such reports shall include information regarding the nature of the Alleged Violation and its potential impact on the reliability of the bulk power system, the name of the Registered Entity involved, the status and timetable of any compliance violation assessment, and the name of a FRCC staff person knowledgeable about the violation or Alleged Violation to serve as a point of contact.

FRCC shall report to NERC at least quarterly the status of violations of Reliability Standards, regardless of significance, that have not yet resulted in a final determination of violation or have not completed the Hearing Process, or for which mitigation activities (including activities being carried out pursuant to a settlement) have not been completed. FRCC will ensure the information is current when these reports are provided.

FRCC shall report to NERC all Confirmed Violations of Reliability Standards by Registered Entities including all penalties, sanctions, Mitigation Plans and schedules, and settlements within ten (10) business days of each determination. At the same time, FRCC will provide the report to the affected Registered Entity, accompanied by a notice that the Registered Entity may provide a statement to NERC to accompany the report when posted by NERC. The Registered Entity's statement must be on company letterhead and include the name, title, and signature of an officer of the Registered Entity.

NERC will publicly post each report of a Confirmed Violation, together with any statement submitted by the Registered Entity, no sooner than five (5) business days after the report is provided by the FRCC to NERC and the Registered Entity.

NERC will provide reports quarterly to FERC on the status of all Alleged and Confirmed Violations for which mitigation activities have not been completed. NERC will publish public reports quarterly on its Web site of all Confirmed Violations of Reliability Standards during the quarter just completed, with the identity of the violator.

9.0 DATA RETENTION AND CONFIDENTIALITY

9.1 Records Management

The FRCC Records Management Policy shall provide for a routine and orderly process for the retention and disposal of electronic and paper records related to the Compliance Program, ensure

FRCC Compliance Monitoring and Enforcement Program

verification of compliance with appropriate business, regulatory, and legal requirements and at a minimum conform to the Reliability Standards data retention requirements of the Reliability Standards. The policy shall allow for the re-creation of records as required to implement the Compliance Program.

9.2 Retention Requirements

The FRCC Records Management Policy will require that information and data generated or received pursuant to Compliance Program activities, including a Hearing Process, will be retained for a minimum of five (5) years unless a different retention period is specified in a Reliability Standard or by an Applicable Regulatory Authority. If the information or data is material to the resolution of a controversy, the retention period for such data shall not commence until after the controversy is resolved.

Upon request from NERC, FRCC will provide to NERC copies of such information and data. NERC will retain the information and data in order to maintain a record of activity under the Compliance Program. In providing the information and data to NERC, FRCC shall preserve any mark of confidentiality.

9.3 Confidentiality and Critical Energy Infrastructure Information

9.3.1 Definitions

Information or data generated or received pursuant to Compliance Program activities, including a Hearing Process, shall be treated in a confidential manner pursuant to the provisions of Section 1500 of the NERC Rules of Procedure. The terms “confidential information,” “confidential business and market information,” “critical energy infrastructure information,” and “critical infrastructure” shall have the meanings stated in Section 1501 of the NERC Rules of Procedure.

9.3.2 Protection of Confidential Information

The Compliance Enforcement Authority personnel (including any contractors, consultants and industry volunteers) and committee members, and participants in Compliance Program activities shall be informed of, and agree to comply with, Section 1500 of the NERC Rules of Procedure concerning Confidential Information.

9.3.3 Critical Infrastructure Information

The FRCC will keep confidential all critical infrastructure information in accordance with Section 1500 of the NERC Rules of Procedures. Information deemed to be critical energy infrastructure information shall be redacted and shall not be released publicly.

FRCC Compliance Monitoring and Enforcement Program

ATTACHMENT 1

PROCESS FOR NON-SUBMITTAL OF REQUESTED DATA

If data, information, or other reports (including Mitigation Plans) requested by the FRCC from a Registered Entity are not received by the Required Date, the FRCC may sequentially execute the following steps for each Reliability Standard for which the FRCC has requested data, information, or other reports. The FRCC however will afford the Registered Entity reasonable opportunity to resolve a difficulty submitting data due to time or format issues.

- Step 1: The FRCC will issue a follow-up notification to the Registered Entity's designated contact.
- Step 2: The FRCC will issue a follow-up notification to the Registered Entity's Vice President or equivalent responsible for compliance (with a copy to NERC and the Registered Entity's designated contact).
- Step 3: The FRCC will issue a follow-up notification to the Registered Entity's Chief Executive Officer or equivalent (with a copy to NERC, the Registered Entity's Vice President or equivalent responsible for compliance and the Registered Entity's designated contact).
- A full compliance audit may be scheduled at this step.
- Step 4: Thirty (30) days after the Required Date, a Reliability Standard violation may be applied at the Severe Compliance Severity Level.
- Step 4 does not apply to Compliance Audits and mitigation tracking requests.

ATTACHMENT 2

COMPLIANCE ENFORCEMENT AUTHORITY HEARING PROCESS

This **Attachment 2** sets forth the procedures to be followed to conduct compliance hearings. In this **Attachment 2**, the FRCC and the Registered Entity are sometimes referred to as the “parties.” Subject to the authority of the hearing body to alter or extend any time periods or deadlines specified in this **Attachment 2** and to hold such numbers of conferences and hearings as are necessary, it shall be the objective of the hearing process to complete the steps specified herein for formal compliance hearings within ninety (90) days following the issuance of written notice that the hearing body is convened.

Figure ATT-2 shows the hearing process steps.

Figure ATT-2 –Hearing Process



*This merges with the Compliance Monitoring & Enforcement Program flow diagram at the Registered Entity Accepts or Rejects Hearing Outcome decision box

1.0 Designation of Hearing Body

All formal compliance hearings shall be held before the FRCC's Board Compliance Committee (BCC). The BCC is a balanced compliance panel reporting directly to the FRCC's Board of Directors. The membership of the BCC shall be one member of each of the five (5) sectors of FRCC who shall be a member of the Board of Directors. Each year, two (2) members from each Sector of the FRCC Board of Directors will volunteer to serve in a BCC pool. At the time a hearing request is received, the Chair of the FRCC Board of Directors will select one member from each Sector to form the BCC for that hearing. The Board Member from the Registered Entity that has requested the hearing will not be selected for that BCC. In the event one (1) Sector of the FRCC declines to participate on the BCC, the Chair of the FRCC Board of Directors shall randomly select one (1) additional BCC member from the remaining four (4) Sectors to constitute the BCC. The Chair of the FRCC Board of Directors shall designate the Chair of the BCC. The purpose, responsibility and governance of the BCC is attached as Exhibit A.

The FRCC shall initiate the hearing process in accordance with Section 5.2 of the Compliance Program by issuing a written notice to the Registered Entity and the members of the BCC, convening the BCC for a formal compliance hearing on the matter in dispute.¹ The written notice shall state the name of the FRCC's designated representative for purposes of the formal compliance hearing.

Following the convening of the BCC, no representative of a party shall communicate in writing (including by e-mail) to any member of the BCC regarding the matter to be heard without simultaneously providing a copy of the written communication to the other party, and no representative of a party shall communicate orally with any member of the BCC regarding the matter to be heard without a representative of the other party being present in person or by telephone. Nothing prevents the BCC from communicating with a person who has not previously been involved in the matter that is the subject of the hearing and is designated to act as a technical advisor to the BCC for the hearing. Should any written or oral communications occur in violation of this paragraph, the member(s) of the BCC receiving or participating in such communication shall promptly issue a written notice to a designated officer of the FRCC and to the Registered Entity, setting forth the date, time and place of the communication, the party representative involved in the communication, and a summary of the nature of the communication, and, if the communication was in writing (including by e-mail), shall attach a copy of the written communication.

The BCC may rule on all procedural and discovery matters. By agreement of the parties and with the approval of the BCC, any documents may be submitted or exchanged via e-mail.

The BCC may provide for additional procedures as it deems necessary to effectively carry out a compliance hearing.

2.0 Recusal of Member of Hearing Body

¹If the dispute involves a proposed Mitigation Plan which has not been accepted by the Compliance Enforcement Authority, the Registered Entity may initiate the hearing process by filing a request for hearing with the Compliance Enforcement Authority.

A BCC member shall decline appointment to the BCC or recuse himself or herself after appointment if participation on the BCC would violate the FRCC's Conflict of Interest or Code of Conduct policy.

The Registered Entity may raise an objection to any member of the BCC on grounds of a conflict of interest or the existence of other circumstances that could interfere with the member's impartial performance of his or her duties. Such objections must be provided in writing to the hearing body member within fifteen (15) days after the BCC is convened. If the petition is based on the fact of employment of the BCC member by another Registered Entity, that Registered Entity shall be served with a copy of the petition and supporting information. If the BCC member agrees with the petition, he or she shall indicate his or her agreement in writing to the BCC and to the FRCC's designated representative, and thereupon shall be recused from further participation of the BDD for that compliance hearing. If the BCC member does not agree with the petition, he or she shall, within ten (10) business days of receiving the petition, provide the BCC and the FRCC's designated representative with a written explanation (including supporting information) of why there is no conflict of interest or bias and the petition should be denied. The BCC will convene a special meeting and will determine (without participation of the BCC member who is subject of the petition), based on the materials presented, whether the potential for conflict of interest is sufficient to excuse the affected BCC member from participation in the compliance hearing. The remaining BCC members may request additional information from the petitioning Registered Entity or request the appearance of either or both the petitioning Registered Entity or the affected BCC member at the special meeting for further questioning. The remaining BCC members shall prepare a written explanation of their decision and provide a copy to both the petitioning Registered Entity and the affected BCC member.

3.0 Authorized Representatives

Both the FRCC and the Registered Entity shall submit to the BCC the names of the persons authorized to represent them in the Hearing Process. Such persons shall be officers or equivalents of the FRCC and the Registered Entity that have the authority to act on behalf of the FRCC and the Registered Entity, respectively. In addition, a party shall advise the BCC and the other party if the party will be represented by legal counsel. If either party elects to be represented by counsel, the party or its counsel shall so notify the BCC and the other party by a written notice stating the name, business address, telephone and facsimile numbers and e-mail address of counsel. If the FRCC elects to be represented by counsel, any actions to be taken or filings to be made as specified by this Compliance Hearing Process by the FRCC's designated representative may be made by its counsel, and any documents or notices to be sent to the FRCC's designated representative may be sent to its counsel. Should a party (i) elect initially to proceed in the compliance hearing process without counsel but then decide during the course of the hearing process to be represented by counsel, or (ii) elect during the course of the compliance hearing to be represented by different counsel, the BCC shall determine whether any additional time shall be allowed in the hearing process to enable the new or different counsel to become familiar with the matter.

4.0 Statement of Alleged Violation and Response by Registered Entity

The FRCC shall initiate the hearing process in accordance with Section 5.2 of the Compliance Program by issuing a written notice to the Registered Entity and the members of the BCC convening the BCC for a compliance hearing on the matter in dispute. If the dispute involves a

proposed Mitigation Plan that has not been accepted by the FRCC, the Registered Entity may initiate the hearing process by filing a request for hearing with the FRCC.

Within five (5) business days after the date the BCC is convened, the FRCC's designated representative shall file with the BCC (with copies to the Registered Entity) a copy of the written notice of the Alleged Violation and sanction that was originally provided to the Registered Entity, along with copies of any documents gathered and reviewed by the FRCC in the course of determining an Alleged Violation has occurred and in determining the proposed sanction or penalty. Within twenty (20) days after the date the BCC is convened, the Registered Entity shall file with the BCC (with copies to the FRCC's designated representative) a written statement of reasons why the Alleged Violation is in error and/or a written statement of reasons why the proposed penalty or sanction is inappropriate (if applicable in the particular case), along with copies of all documents relied on by the Registered Entity to support its position.

If the hearing involves a Mitigation Plan, within twenty (20) days after the BCC is convened, the FRCC shall file a report stating why the Registered Entity's proposed Mitigation Plan was not accepted.²

5.0 Setting of Hearings and Conferences

The BCC shall set a date for an initial conference within thirty (30) days after the date the BCC is convened. At the initial conference, the BCC shall establish specific procedures for the hearing including (i) any procedures for exchange of additional documents, (ii) any written testimony, (iii) the hearing date(s), and (iv) dates for any briefs. Subject to Sections 6.1 and 6.2 of this hearing process, each party shall be entitled to (i) present the testimony of witnesses, (ii) make an oral presentation of position, and (iii) file a written post-hearing brief.

The BCC may hold additional conferences. All notices of conferences and hearings shall set forth the date, time and place of hearing. The BCC shall issue a written memorandum setting forth the agreements and rulings made at each conference.

By agreement of the BCC and the parties, any conference or hearing may be conducted via teleconference, except that, subject to section 6.0 of this hearing process, witnesses shall personally appear at the hearing.

All conferences and hearings shall not be open to the public.

6.0 Conduct of Hearing

The hearing will be conducted under the provisions of this section 6.0 or under shortened procedures specified in section 6.1. Unless the Registered Entity or the FRCC requests a hearing under section 6.0 no later than ten (10) business days after the Registered Entity files its response to the FRCC pursuant to section 4.0, the hearing will be conducted under the shortened procedures specified in section 6.1.

²If the hearing involves a Mitigation Plan, at this point in the process the Registered Entity shall file its proposed Mitigation Plan and supporting information stating why the Mitigation Plan should be accepted.

The hearing need not be held on consecutive days, and shall be held at the executive offices of the FRCC unless the BCC decides on a different location after consulting with the parties.

The party requesting transcription of the hearing, the Registered Entity or the FRCC, will arrange and pay for transcription of the hearing. If a transcript is prepared, within ten (10) business days following issuance of the transcript, a party may submit proposed transcript corrections to the BCC. The BCC shall issue a written notice stating that the proposed transcript corrections are accepted, in whole or in part, or denied.

The BCC shall direct either (1) that the direct testimony of any witnesses be in written form, supported by affidavit, or (2) that a list of the names and addresses of the witnesses each party intends to present and a brief statement of the expected testimony of each witness be served on the other party and the BCC no less than ten (10) business days prior to the first day of the hearing in which the witness will be testifying. All witnesses shall be required to appear in person, unless waived by the parties and the BCC. Copies of exhibits shall be served on the other party and the BCC at least ten (10) business days prior to the date of the hearing in which the exhibit is introduced.

The BCC shall determine the order of presentation of evidence. All witnesses shall testify under oath or affirmation administered by a court reporter or notary public.

The BCC may exclude evidence that is immaterial or unduly repetitious or prejudicial. Evidence not otherwise admissible under generally-recognized rules of evidence may be admitted if it is of a type commonly relied on by reasonably prudent persons in the conduct of their affairs. The BCC may establish a procedure for the submission of motions for the exclusion of evidence prior to commencement of the hearing. Any written or documentary evidence excluded by the BCC shall be retained, and any proposed oral testimony may be documented by an offer of proof.

At the request of a party or the BCC, each party may make an opening and closing statement.

6.1 Shortened Procedure

Unless the Registered Entity or FRCC requests otherwise, hearings shall be conducted pursuant to a shortened procedure, in which (1) the requirements that testimony be under oath and transcribed shall not apply, (2) the prohibition against ex parte communications shall not apply, and (3) the BCC may consider evidence that would otherwise be excludable.

Within fifteen (15) days of the hearing, the BCC will deliberate in a one-day session and render a final decision resolving the matter. The decision of the BCC shall include the enforcement actions ordered, if any, including sanctions, financial penalties and remedial action directives.

6.2 Disposition without Evidentiary Hearing

If it appears to the BCC, based on a review of the Notice of Alleged Violation and Response, that there are no genuine issues of material fact, it may request the parties to identify in writing any such issues. Unless the parties' responses, supported by sworn affidavits, demonstrate that there are genuine issues of material fact, the BCC may proceed without any evidentiary hearing and render its decision based on the written filings and any oral presentation.

7.0 Submission of Post-Hearing Briefs

The parties may submit post-hearing briefs within twenty (20) days following completion of the hearing or on such other schedule established by the BCC. The parties may, and on request of the hearing body shall, submit proposed findings of fact and conclusions of law.

8.0 Record of the Compliance Hearing

If applicable, copies of the following documents shall be maintained by the BCC as the record of the hearing process:

- The written notice that the BCC has been convened.
- The notice of Alleged Violation and sanction issued by the FRCC and the response filed by the Registered Entity, including in each case all attachments thereto and documents provided therewith.
- If the hearing involves a Mitigation Plan, (i) the Registered Entity's proposed Mitigation Plan and supporting information as to why the mitigation plan should be accepted and (ii) the report of the FRCC stating why the Mitigation Plan was not accepted.
- Any requests for recusal of a member of the BCC and any responses to such requests.
- All motions, notices and responses filed by the parties during the hearing process.
- All documents that set forth or that summarize any ex parte communications.
- All notices and rulings issued by the BCC during the hearing process.
- The report issued by the BCC following each conference.
- All written testimony and all exhibits received into evidence.
- All written testimony and documentary exhibits that were proffered but not admitted into evidence.
- Any transcript(s) and minutes.
- The parties' post-hearing briefs.
- The written decision of the BCC.

9.0 Written Decision by the BCC

The BCC shall issue its written decision normally within thirty (30) days following the submission of post-hearing briefs, or, if waived, following the conclusion of the hearing. The written decision shall state the conclusion of the BCC with respect to Alleged Violations of Reliability Standards and proposed penalties or sanctions at issue in the hearing. If the hearing involves a Mitigation Plan, the written decision shall either accept or reject the Registered

Entity's proposed Mitigation Plan. If the proposed Mitigation Plan is rejected, the BCC may specify the provisions of the Mitigation Plan that the Registered Entity should be required to implement. The written decision shall explain the reasons for the BCC's conclusions and cite the testimony and exhibits relied on by the BCC in reaching its conclusions. Copies of the written decision shall be served electronically and by certified mail on the Registered Entity and on the FRCC's designated representative.

10.0 Expedited Hearing Process for Disputes Concerning Remedial Action Directives

A Registered Entity that disputes a Remedial Action Directive issued by the FRCC may request an expedited hearing. To facilitate the expedited hearing, the Chair of the FRCC Board of Directors will convene a BCC Task Force (TF) consisting of three members from the FRCC's BCC pool. The following expedited procedures shall be followed:

- The Registered Entity shall provide its request for hearing to the FRCC's designated representative in writing within two (2) business days after receipt of the Remedial Action Directive.
- The TF shall be convened within two (2) business days after receipt of the Registered Entity's request for a hearing.
- The TF shall conduct a hearing on the matter, in person or by teleconference, within seven (7) business days after the TF is convened. At the hearing, the FRCC shall explain why the Remedial Action Directive should be complied with, and the Registered Entity shall explain why the Remedial Action Directive is not necessary or should be modified.
- The TF shall issue a summary written decision within ten (10) business days following the hearing, stating whether the Registered Entity shall or shall not be required to comply with the Remedial Action Directive and identifying any modifications to the directive that it finds appropriate.
- If the TF's summary written decision concludes that the Registered Entity is required to comply with the Remedial Action Directive or any modification to such directive (including adjustments to the timetable for implementation), the Registered Entity shall be required to begin implementing the Remedial Action Directive upon receipt of the summary written decision, if it has not already implemented the Remedial Action Directive.
- Within thirty (30) days following issuance of its summary written decision, the TF shall issue a full written decision conforming to the requirements of Section 9.0 of this **Attachment 2**.

EXHIBIT A

BOARD COMPLIANCE COMMITTEE

In order to facilitate the resolution of contested findings of noncompliance and/or proposed penalties and/or sanctions by any Registered Entity, within the FRCC Region over NERC Reliability Standards and Regional Reliability Standards (collectively referred to herein as the “Reliability Standards”), the FRCC Board of Directors has authorized the formation of Board Compliance Committee (BCC). A BCC will be appointed by the Chair of the FRCC Board of Directors each time a hearing request is received and shall serve as the FRCC Hearing Body in connection with all compliance enforcement hearings.

1.0 PURPOSE

The primary purpose of the BCC is to serve as the FRCC Hearing Body in connection with compliance enforcement hearings. The BCC is established by the FRCC Board of Directors.

2.0 RESPONSIBILITY

The BCC will be responsible for managing all hearing proceedings and making decisions in connection with findings of noncompliance by the FRCC. To achieve its objectives, the BCC will:

- (1) Follow the Compliance Enforcement Hearing process approved by the Board of Directors in all BCC activities.
- (2) Manage the process of requesting and collecting information, hearing the arguments of the parties and conducting such inspections or investigations that it deems necessary and appropriate in connection with a contested finding of noncompliance.
- (3) Render its decisions for the resolution of a finding of noncompliance, including enforcement action such as sanctions and financial penalties and directives and/or remedial action.
- (4) Conduct all its affairs in a fair, independent and nondiscriminatory and equitable manner.
- (5) Report all BCC activities to the Board of Directors

3.0 MEMBERSHIP

Each year, two (2) members from each Sector of the FRCC Board of Directors will volunteer to serve in a BCC pool. At the time a hearing request is received, the Chair of the FRCC Board of Directors shall appoint the members of the BCC and shall designate the Chair of the BCC. The BCC will consist of one (1) Voting Member from each of the five (5) sectors in the FRCC, who shall be a member of the Board of Directors. In the event one (1) Sector of the FRCC declines to participate on the BCC, the Board of Directors Chair shall randomly select one (1) additional member from the remaining four (4) Sectors to constitute the BCC.

FRCC Industry Sectors are as follows:

- One (1) Member from the Investor Owned Utility Sector
- One (1) Member from the Suppliers Sector
- One (1) Member from the Non-Investor Owned Utility Wholesale Sector
- One (1) Member from the Load Serving Entity Sector
- One (1) Member from the Generating Load Serving Entity Sector

Each member of the BCC will be a full Voting Member. There will be no alternates or proxies for the BCC members.

3.1 Terms of Membership

The Chair of the FRCC Board of Directors shall appoint BCC Members for terms equivalent to the time it takes to complete the hearing for which they were selected. Members may be re-appointed to subsequent terms without any limits to the number of terms they serve.

3.2 Officers

The officers of the BCC shall consist of a Chair and a Vice-Chair. The Chair and Vice-Chair shall be appointed by the Chair of the FRCC Board of Directors.

- The Chair shall have overall responsibility and authority for management of the BCC and shall preside at meetings of the BCC.
- In the absence of the Chair, or in the event of the Chair's inability to act, the Vice-Chair shall perform the duties of the Chair.

4.0 HEARING

A BCC shall be convened when a Registered Entity requests a hearing to contest a violation and/or penalty and/or sanction and/or remedial action directive. When a Registered Entity requests a hearing, the FRCC will issue a written notice to the Registered Entity and the members of the BCC, convening the BCC for a compliance hearing.

Each attendee at BCC hearings, including BCC members, will be responsible for his/her individual costs of participation in the BCC.

All meetings of the BCC will be closed to the public to protect confidential information.

5.0 QUORUM AND VOTING

- For the BCC to take action at a hearing, three (3) of the five (5) members of BCC must be present.

- Each BCC member shall have one (1) vote with respect to decisions of the BCC. A simple majority will carry the vote.

6.0 CONFLICT OF INTEREST

No member of the BCC may be an employee of the Registered Entity involved in the findings of noncompliance, or employed by an Affiliate or Related Party of a Registered Entity, or have any financial interest (including stock ownership) in or other relationship with a Registered Entity that results in an actual or perceived conflict of interest. If any BCC member becomes subject to an actual or perceived conflict of interest, he or she shall recuse himself or herself from participating in all meetings, deliberations, discussions, and activities relating to the findings of noncompliance.

Any BCC member who recuses himself or herself from participating in the deliberations for a specific finding of noncompliance shall receive no information or materials relating to such matter, and shall return all such materials previously received or delete materials received electronically or otherwise.

7.0 CONFIDENTIALITY

To maintain the integrity of the Compliance Enforcement Program Hearing Process, all members of any BCC shall maintain the confidentiality of information obtained or shared during the proceedings.

8.0 ANTITRUST

The BCC members will abide by NERC's and FRCC's Antitrust Compliance Guidelines.