

Reliability*First* Corporation

COMPLIANCE AND ENFORCEMENT PROGRAM

REQUIREMENTS AND IMPLEMENTATION PROCESS

PREPARED BY
THE COMPLIANCE INTEGRATION TEAM

APPROVED BY
THE RELIABILITY*FIRST* BOARD OF DIRECTORS
DECEMBER 12, 2005



Reliability*First*

EFFECTIVE JANUARY 1, 2006
VERSION 0

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I. Introduction

The ReliabilityFirst Corporation (RFC), a Regional Reliability Council of the North American Electric Reliability Council, NERC, Compliance and Enforcement Program (CEP) described in this document is designed to assess and enforce compliance with all NERC and ReliabilityFirst Reliability Standards through compliance monitoring and compliance audits. The Member, Members Affiliates, and interconnected entities within the ReliabilityFirst region (collectively referred to as MAEs), are responsible and will be evaluated for compliance to NERC and ReliabilityFirst Reliability Standards. Actions taken by ReliabilityFirst under CEP, including the imposition of sanctions and penalties, where applicable, shall in no way be construed as an acceptable alternative to any MAEs continued obligation to comply with ReliabilityFirst and NERC Reliability Standards.

ReliabilityFirst will assess and enforce compliance with those standards and criteria for each MAE that has reporting responsibilities. The specific standards and criteria covered by the CEP are listed in Table 1, “Reliability Standards.” All MAEs that have an impact on reliability in ReliabilityFirst region are responsible to comply with all relevant NERC Reliability Standards and ReliabilityFirst Reliability Standards at all times. Compliance is subject to verification. The annual Compliance Enforcement Program will specifically monitor compliance to a specific subset of NERC Reliability Standards. MAE can be monitored for any and all relevant standards at any time via spot checks and audits.

Compliance with NERC Reliability Standards and ReliabilityFirst Reliability Standards fall into two categories. One category is where the Standard has defined compliance criteria, i.e. compliance and levels of non-compliance. The other category is where the Standard does not have specific compliance criteria. Both categories will be processed in accordance with this procedure affording the MAE a fair and appropriate due process.

II. Description of the ReliabilityFirst Compliance Structure and Process

A. Responsibilities and Make-Up of the ReliabilityFirst Compliance Structure

The ReliabilityFirst Functional Responsibilities in support of the CEP are illustrated in Chart A.

The ReliabilityFirst Board of Directors’ (BOD) Compliance Committee (CC) will provide oversight of the CEP, and assistance to the Compliance Staff, as required. The CC will administer enforcement actions as outlined in the CEP for non-compliance with the NERC and ReliabilityFirst Reliability Standards.

The ReliabilityFirst Compliance Director reports to the ReliabilityFirst President and provides functional support to the CC. The ReliabilityFirst Compliance Director will manage the CEP through performance of the compliance monitoring and assessment functions. The Staff will provide schedules and other information to MAEs; will assess compliance and non-compliance; assess and approve mitigation plans; prepare reports on findings of compliance or non-compliance; impose sanctions and penalties for non-compliance; recommend recognition for good compliance performance; review compliance and monitor scheduled implementation of mitigation plans; prepare and submit compliance reports to NERC and ReliabilityFirst, as required; and maintain the ReliabilityFirst website compliance information.

The ReliabilityFirst Compliance Staff will conduct the audits and investigations and may, at times, use an independent auditor to carry out the audits and investigations of entities within the region as required for implementation of the ReliabilityFirst CEP. Compliance audits will be scheduled to accommodate compliance reporting requirements. All relevant NERC Reliability Standards and the ReliabilityFirst Reliability Standards are subject to audit, not just the Standards selected by NERC to be monitored in the current year's CEP.

B. Scope and Schedules

The annual scope of the CEP can be found in the Compliance Schedule, which will be available on the ReliabilityFirst website. The Schedule identifies the specific Standards that will be monitored in support of the annual NERC Compliance Enforcement Program (CEP) and any additional Standards required by ReliabilityFirst. The applicable methods of monitoring are identified under the column titled "Options for Monitoring." All Standards in Table 1 (NERC and ReliabilityFirst) and any applicable MAIN, ECAR, and MAAC heritage standards (regional standards carried forward and in effect until incorporated as ReliabilityFirst Standards or deleted) are subject to compliance review either through self-certifications and/or data submittals, with verification through audits and/or spot checks. This determination of the scope and schedule will be made by the Compliance Director and reviewed for concurrence by the Compliance Committee (CC).

At a minimum the ReliabilityFirst annual CEP will include all of the standards in the NERC annual CEP. The expected dates for requesting and submitting data will be scheduled and made available to each MAE via the ReliabilityFirst website (www.rfirst.org) under the heading "Compliance Program", MAEs who were non-compliant in previous years to a Reliability Standard will be monitored for that standard until full compliance is achieved.

The ReliabilityFirst CEP will contain scheduled entity reporting time frames with typical timelines for the implementation of the CEP. Some of the time frames may subject the MAE to timeliness and escalated occurrence sanctions/ penalties, in addition to non-compliance penalties. If the Compliance Staff alters the timeline, the reporting time for the entities will be adjusted to allow for compliance reporting. If a new standard is being monitored, the implementation plan will take into consideration the new compliance requirements for the new standard. "Days" refer to working days throughout the CEP.

C. The ReliabilityFirst Compliance Process

Self-certification will be limited and only be used, where deemed appropriate, for specific Standards and under specific circumstances. Such measurements require that documentation, information or assessments be made available upon request, but do not require the information to be submitted to ReliabilityFirst compliance. They will be reviewed and validated via subsequent audits or spot checks on a periodic basis. The Self-Certification requires a Self-Certification Form with the signature of a corporate officer responsible for that specific activity.

ReliabilityFirst Compliance Staff will determine whether self-certification, data submittals, assessments, audits or investigations, exception reports, or spot checks are appropriate for each standard/measurement. All requests for information will be sent to the MAEs Compliance Contact (MCC). Any person responsible for the information in the MAE may forward the information to the Compliance Staff, with copies to the MCC.

The MCC is the MAE designated contact responsible for coordination of compliance requirements and compliance submittals to ReliabilityFirst.

ReliabilityFirst Compliance Process Overview (Chart B-1) provides an overview of the first four (4) steps in the compliance process. The ReliabilityFirst Compliance Process for data submittals, assessments, audits & investigations (Chart B-2) is followed, as appropriate. In either case, the same ReliabilityFirst Compliance Follow-up Process (Chart B-3) is used. The numbered *Steps* on these charts correspond to the descriptions below for each step in the process.

The Compliance Staff shall prepare the appropriate NERC reports (monthly, quarterly, and annual) documenting compliance and non-compliance of MAEs, sanctions and penalties imposed, and mitigation plans including scheduled completion and progress benchmarks, and transmit this report to NERC with copies to the respective ReliabilityFirst MAE contacts, as required.

D. ReliabilityFirst Compliance Process for Self-Certification

The ReliabilityFirst compliance process for self-certification (S/C) is shown on Chart B-1. Numbers in parentheses below identify the steps shown in the chart. For purposes of consistency, the step numbers for this process are the same as for the Data Submittal Process, even though some steps do not apply to the Self-Certification Process.

If the MAE indicates on the self-certification form that it is non-compliant, the MAE is required to provide a mitigation plan with the submittal. If the MAE believes that the Standard is not applicable to it, then it must indicate why it believes the Standard is not applicable. This information will support the ReliabilityFirst Staff's effort in determining the compliance assessment, developing the scope of the audits and providing a historical database.

If an MAE has been audited on a specific Standard, the MAE can be exempt from the self-certification of the same standard if deemed appropriate by the Compliance Staff.

- (1) The Compliance Staff posts the current reporting schedule on the ReliabilityFirst website and keeps the MAE informed of compliance changes and/or updates. The Compliance Staff ensures that the appropriate Reliability Standards, compliance procedures, and self-certification forms for the Standards being evaluated are maintained and made available to each MAE via the ReliabilityFirst website under the heading Compliance Program at (www.rfirst.org).
- (2) The Compliance Staff makes a request for the self-certification compliance submittals by posting on the website. This is supplemented by additional e-mail and phone communications, as required. This request will be issued to the MAE with at least the advance notice period specified by the Standard. If the Standard does not specify the advance notice period, this request will be issued with no less than twenty (20) Days' advance notice.
- (3) The MAE will forward a signed Self-Certification Form to the Compliance Staff (fax or e-mail, then original to follow) by the due date. An officer of the MAE responsible for the compliance action must sign the self-certifications. All levels of non-compliance require some form of mitigation plan. Mitigation plans can be in the form of an e-mail explaining the reason(s) for the Level One and Level Two non-compliance where compliance can be accomplished in a short period of time (the compliance reset period). However, if there has been a repeated interval of

Level One and Level Two non-compliance then a detailed mitigation plan, with progress benchmark dates and a scheduled completion date, will be required. Mitigation plans with progress benchmark dates and completion dates must be submitted for all Level Three and Level Four non-compliance violations.

- (4) The Compliance Staff reviews the submitted forms and determines findings of compliance. If the request is not submitted on the requested date, the Compliance Staff shall execute the following e-mails and/or letters to ensure submittal:

5 days after due date – non-submission of data five (5) Days after the due date will result in issuance of a new e-mail/letter request to the MAE MCC for the required information.

10 days after due date – non-submission of data ten (10) Days after the due date will result in issuance of an e-mail and letter to the responsible Vice-President of MAE. Copy of the letter will be sent to the CC.

20 days after due date- non-submission of data twenty (20) Days after the due date will result in issuance of an e-mail/ letter to the Chief Executive Officer of MAE. Confirmed non-submission of data twenty (20) Days after the due date will result in findings of Level 4 non-compliance.

- (5) By Day 30, the Compliance Staff completes an assessment of the MAE for compliance that includes the mitigation plan to comply to the standard, if required.

The process then moves to the Compliance Follow-up Process, Step 13, shown on Chart B-3.

E. ReliabilityFirst Compliance Process for Data Submittals, Audits, Investigations, and Events

The ReliabilityFirst compliance process for data submittals, audits, investigations, and events is shown on Charts B-1 and B-2. Data submittals include data to support assessments, modeling, studies, and analyses; documents; procedures; methodologies; operating data; and process information. Audits can be an annual requirement, three-year requirement, an event-driven special audit, spot-check, or as requested by the Board. Investigations can be initiated by Trigger Events occurring as described in the Standards, operating problems or any event or complaint identified from within or outside of the region that warrants follow-up. For trigger events, the ReliabilityFirst Compliance staff will be responsible for monitoring MAE performance to Reliability Standard requirements. The following numbers in parentheses identify the process steps shown on the charts.

- (1) The Compliance Staff posts the current reporting schedule on the ReliabilityFirst website and keeps reporting entities informed of changes and/or updates. This is supplemented by additional e-mail and phone communications as required. The Compliance Staff ensures that the appropriate Reliability Standards, compliance procedures, and required submittal forms for the Standards being evaluated are maintained and available via the ReliabilityFirst website. (www.rfirst.org).
- (2) The Compliance Staff makes a request for the data submittal, scheduled audit, Trigger Event, or investigation. This request will be issued to the MAE with at least the advance notice period specified by the Standard. If the Standard does not specify the advance notice period, this request will be issued with no less than twenty (20) Days' advance notice.

- (3) The MAE provides required information to the Compliance Staff in the format as specified in the request (e-mail, on disk or hard copy as appropriate or as requested). If the request is not submitted on the requested date, the Compliance Staff shall execute the following letters to ensure submittal:
- 5 days after due date – non-submission of data five (5) Days after the due date will result in issuance of a new e-mail/letter request to the MAE MCC for the required information.
- 10 days after due date – non-submission of data ten (10) Days after the due date will result in issuance of an e-mail and letter to the responsible Vice-President of MAE. (Return to Step 2.) Copy of the letter will be sent to the CC.
- 20 days after due date- non-submission of data twenty (20) Days after the due date will result in issuance of an e-mail and letter to the Chief Executive Officer of MAE. Confirmed non-submission of data twenty (20) Days after the due date will result in findings of Level 4 non-compliance.
- (4) The ReliabilityFirst Compliance Staff, reviews submitted information, conducts audits, analyzes events, and conducts reviews and investigations, assesses compliance findings, and documents compliance, and imposes sanctions and/or penalties in accordance with the compliance to the Standards. The ReliabilityFirst Staff may request additional data or information. For submittals prior to the due date, if the ReliabilityFirst Staff determines the MAE might not have complied with all of the criteria specified in a Standard’s measurement, it shall notify the MAE to provide additional or corrected data to demonstrate compliance
- (5) By Day 30, the Compliance Staff completes assessment of the MAE for compliance that includes the mitigation plan (if required) to the standard and informs the MAE through its MCC representative.
- (6) By Day 35, the allegedly non-compliant MAE, through its MCC representative, must notify the Compliance Staff, in writing, that it disputes the finding. It must also provide a justification for disputing the finding.
- (7a) If the MAE does not respond by Day 35, the Compliance Staff shall report the non-compliance and recommend the sanction and/or penalty and inform the individuals identified in the letter distribution section of Table 3 along with the CC. (Proceed to Step 10a on Chart B-3).
- (7b) If by Day 35 the MAE notifies the Compliance Staff that it still disputes the finding, the Compliance Staff will review the additional justification for disputing the finding and any additional information provided by the MAE, and reassess the compliance finding.
- (8) If the MAE is still in disagreement with the findings of the ReliabilityFirst Compliance Staff, the MAE can request a review by the CC. The alleged non-compliant MAE must submit to the CC its justification with additional supporting facts on the non-compliant condition explaining why it believes it is in compliance or why the MAE believes that the standard does not apply within five (5) Days of the further finding of non-compliance per Step 7b above.
- (9) The alleged non-compliant MAE will be afforded a minimum of ten (10) Days to prepare its explanation before being scheduled for compliance review at the next CC meeting. The CC reviews the facts presented by the Compliance Staff and by the MAE, and the committee determines whether the MAE was or was not in compliance. The CC makes its determination and if the judgment is for non-compliance, it shall also determine the level of non-compliance, sanction and/or penalty,

with Compliance Staff input, and mitigation plan requirements. The decision is reported directly to the MAE and the Compliance Staff and non-compliance is established or nullified. Once the CC determination is made, either party can appeal using the ReliabilityFirst Dispute Resolution Process beginning with Step 19 as shown in Chart B-4.

- (9a) If the CC determination is not challenged, the process then moves to the Compliance Follow-up Process, Step 10b, shown on Chart B-3 as described below.

F. Compliance Process for Standard Requirements where no Specific Compliance Criteria Exists.

- (1) During various NERC or Regional activities, such as audits, investigations, events, disturbance reports, reviews, etc., violations to NERC Standards and ReliabilityFirst Standards that do not include specific compliance monitoring criteria may be identified, i.e. "Possible Violations." These violations will be handled by the Compliance Program as described below.
- (2) When such a probable violation is identified, by the Compliance Staff, the Compliance Staff will communicate with the MAE involved and request further information related to the alleged non-compliance. This request could include a request for data, an audit, a spot check, and any other review/confirmation process as appropriate. Data must be submitted within twenty (20) Days from the initial request.
- (3) For any requested data, reporting MAE shall provide required information to the Compliance Staff as specified in the request (e-mail, on disk or hard copy as appropriate or as requested) by the designated due date. If the required Data Collection or Investigation information is not submitted on the requested date, the Compliance Staff shall execute the following letters to ensure submittal:
 - 5 days after due date – Non-submission of data five (5) Days after the due date will result in issuance of a new e-mail/letter request to the MAE MCC for the required information.
 - 10 days after due date – Non-submission of data ten (10) Days after the due date will result in issuance of an e-mail and letter to responsible Vice-President of the MAE. Copy of the letter will be sent to the CC.
 - 20 days after due date - Non-submission of data twenty (20) Days after the due date will result in issuance of an e-mail and letter to the Chief Executive Officer of the MAE. Confirmed non-submission of data twenty (20) Days after the due date will result in findings of Level 4 non-compliance.
- (4) The Compliance Staff will review all submitted information and may request the submission of additional data or information. If the required data is not submitted on the requested date, the Compliance Staff shall execute the letters as outlined in *Step 3* above.
- (5) By Day 30, the Compliance Staff completes its assessment of the MAE for compliance which includes the mitigation plan (if required) to comply with the standard and informs the MAE through its MCC representative.

- (6) By Day 35, the alleged non-compliant MAE, through its MCC representative must notify the Compliance Staff, in writing, that it disputes the finding. It shall also provide justification for disputing the finding.
- (7a) If by Day 35 the MAE does not respond, the Compliance Staff shall report the non-compliance and recommend the sanction and/or penalty and inform the individuals identified in the letter distribution section of Table 3 along with the CC (Proceed to *Step 10a* on Chart B-3).
- (7b) If by Day 35, the MAE notifies the Compliance Staff that it still disputes the finding, the Compliance Staff will review the additional justification for not accepting the finding and any additional information provided by the MAE and reassess the compliance finding.
- (8) If the MAE is still in disagreement with the findings of the Compliance Staff, the MAE can request a review by the CC. The alleged non-compliant MAE must submit to the CC its justification and additional supporting facts on the non-compliant condition explaining why it believes it is in compliance or why the MAE believes that the standard does not apply within five (5) Days of the finding on non-compliance per *Step 7b* above.
- (9) The alleged non-compliant MAE will be afforded a minimum of ten (10) Days to prepare its explanation before being scheduled for compliance review at the next CC meeting. The Compliance Committee reviews the facts presented by the Compliance Staff and by the MAE and determines whether the MAE was or was not in compliance. The CC makes its determination and if the judgment is for non-compliance, it shall also determine the level of non-compliance, sanction and/or penalty, with Compliance Staff input, and mitigation plan requirements. The decision is reported directly to the MAE and the Compliance Staff and non-compliance is established or nullified. Once a CC determination is made, either party can appeal directly to the ReliabilityFirst Dispute Resolution Process (DRP) beginning with Step 19 as shown in Chart B-4 as described below.

G. ReliabilityFirst Compliance Follow-up Process

This process is shown on Chart B-3. At any time during this process, the MAE can elect to use the ReliabilityFirst Dispute Resolution Procedure which can be found on the ReliabilityFirst website under the heading Compliance Program (www.rfirst.org)

- (10a) If non-compliance has been assessed by the Compliance Staff, the Compliance Staff imposes the sanction/penalty as delineated on the non-compliance matrix and notifies the MAE and requests a mitigation plan, if appropriate, within ten (10) Days of the finding.
- (10b) If the CC rules on a contested non-compliance, it will notify the MAE and the Compliance Staff of its ruling, with the sanction and/or penalty and request for mitigation plan, if required.
- (11) The non-compliant MAE submits a mitigation plan if required (see Section K, Mitigation Plans), explaining how it will achieve compliance in the future and providing a schedule with benchmarks and dates. When required, mitigation plans are to be submitted to the Compliance Staff within ten (10) Days of request.
- (12) If a required mitigation plan is not submitted within the 10-Day period the Compliance Staff will make a new request for the required mitigation plan. If the request is not submitted on the requested date, the Compliance Staff shall execute the following letters

5 days after due date – Non-submission of data five (5) Days after the due date will result in issuance of a new e-mail/letter request to the MAE MCC for the required information.

10 days after due date – Non-submission of data ten (10) Days after the due date will result in issuance of an e-mail and letter to responsible Vice-President of the MAE. A copy of the letter will be sent to the CC.

20 days after due date - Non-submission of data twenty (20) Days after the due date will result in issuance of an e-mail and letter to the Chief Executive Officer of the MAE. Confirmed non-submission of data twenty (20) Days after the due date will result in findings of Level 4 non-compliance.

- (13) When a mitigation plan is received, the Compliance Staff will review the mitigation plan and determine within ten (10) days whether it is acceptable or needs improvement. If the mitigation plan needs improvement, the Compliance Staff will explain why the plan was not accepted and ask the MAE to modify the plan or develop another mitigation plan. The Compliance Staff will notify the MAE within 10 Days that the mitigation plan is acceptable, and the MAE is then expected to implement the mitigation plan according to the accepted agreed upon schedule including benchmark progress dates.
- (14) If the Compliance Staff does not accept the second mitigation plan, the Compliance Staff will notify the CC and the MAE within ten (10) Days.
- (15) The MAE must submit to the CC the latest mitigation plan along with its supporting information stating why the mitigation plan should be accepted.
- (16) The CC reviews the facts presented by both the Compliance Staff and the MAE and determines whether the mitigation plan is not acceptable. The CC will make a determination and it will notify the MAE directly, along with the Compliance Staff. If the mitigation plan is acceptable, then the MAE will implement the mitigation plan; if unacceptable, the MAE may use the ReliabilityFirst Dispute Resolution Process, as set forth in Chart B-4 beginning with Step 19.

H. Recognition

- (17) The Compliance Staff prepares a report documenting compliance and non-compliance of MAE along with recognition granted for compliance, sanctions and penalties imposed, and mitigation plans accepted with benchmarks and dates, and transmits this report to NERC on request.

I. ReliabilityFirst Appeals Process

- (19) If the alleged non-compliant MAE disagrees with the Compliance Staff or subsequent CC determination, the non-compliant MAE must submit to the ReliabilityFirst President its written justification with supporting facts on the non-compliant condition or mitigation plan explaining why it is in compliance within five (5) Days of the compliance findings determination. If the non-compliant MAE disagrees with the CC Determination, the non-compliant MAE, within fifteen (15) Days of the CC Determination, must submit to the ReliabilityFirst Board written request for the ReliabilityFirst Board to hear an Appeal. The MAE will be afforded thirty (30) Days from the CC

Determination to prepare its written justification. This request must include a statement describing the contested matter with supporting data on the contested non-compliant finding/mitigation plan explaining why it considers itself compliant, or deserves a lesser level of non-compliance.

- (20) The ReliabilityFirst Board of Directors will review the evidence presented.
- (21) The ReliabilityFirst Board makes its determination and if the judgment is for non-compliance, it shall also determine the level of non-compliance, sanctions and penalties, and mitigation plan requirements. The decision is reported directly to the MAE, the CC and the Compliance Staff and non-compliance is thereby established or nullified. At any time during this process, the MAE can appeal the decision through the ReliabilityFirst Dispute Resolution Procedure.
- (22) The process then moves the appeal to the ReliabilityFirst Dispute Resolution Procedure as set forth on www.rfirst.org. Notwithstanding the foregoing, either of the parties involved in a dispute may, upon notice to ReliabilityFirst and all parties involved, elect to directly invoke the Dispute Resolution.

J. Audits and Investigations

Audits will be performed to satisfy the three-year compliance review/assessment requirement, verify self-certification compliance filings, or spot checks. ReliabilityFirst intends to audit one-third of the MAEs each year on a three-year cycle. An independent auditor at the request of the Compliance Staff or the MAE (at their expense with approval of the Compliance Director) may be utilized to perform the periodic audits. It is the intent of the ReliabilityFirst compliance program to conduct annual spot checks of selected Reliability Standards. An independent auditor also may be used by ReliabilityFirst Compliance to perform investigations, audits or spot checks. ReliabilityFirst Staff can initiate investigations whenever a Trigger Event occurs or other significant situation requires a detailed assessment. The ReliabilityFirst Compliance Director or ReliabilityFirst Staff can be part of the audit team that audits the ReliabilityFirst MAE. Audits will also include a random selection of additional standards not currently being evaluated in the annual ReliabilityFirst CEP.

If an MAE is non-compliant by self-certification or data submittal, the compliance audit shall establish the final determination of non-compliance and confirm the associated sanction and/or penalty and required actions. The MAE will not be penalized twice as a result of the annual audit process. The mitigation plan process must resolve all of the identified non-complying conditions.

Investigations typically are initiated by a Trigger Event as described in a monitored Standard. Complaints by others will be evaluated by the Compliance Staff and, if deemed valid, will trigger an investigation. Whether to carry out investigations by using the in-house ReliabilityFirst Staff or the independent auditor will be decided by the ReliabilityFirst Staff on a case-by-case basis.

K. Mitigation Plans

All levels of non-compliance require some form of mitigation plan. Mitigation plans can be in the form of an e-mail/letter explaining the reason(s) for the Level One and Level Two non-compliances where compliance can be accomplished in a short period of time (the compliance reset period). However, if there have been repeated intervals of Level One or Level Two non-compliance, a detailed mitigation plan with progress benchmarks and the dates will be required by the Compliance Staff. Mitigation plans with progress benchmarks and dates must be submitted for all Level Three and Level Four non-compli-

ance. MAEs are expected to correct all non-compliances in a timely manner. All non-compliant conditions for an MAE are subject to validation through follow-up assessments, spot checks or an audit.

Mitigation Plan Forms are to be submitted by the MAE upon request by the Compliance Staff to show how the MAE will change/improve/add to the MAE procedures, operations, systems, processes, data, etc. to become compliant. Mitigation plans at a minimum, shall include:

- Statement addressing non-compliance to Standard
- Reason(s) for non-compliance
- Actions being initiated to prevent recurrence of non-compliance, including date of expected completion of each action
- Contact for ReliabilityFirst follow-up if in addition to the MCC

Monitoring, acceptance, and the implementation of mitigation plans will be the responsibility of the Compliance Director and Staff. The Compliance Director may use on-site visits in monitoring the mitigation plan, including benchmark status reviews during audits. The MAE will notify ReliabilityFirst when all actions have been completed and must include data or information to verify compliance. If planned actions were omitted, the MAE must identify why they were found to be unnecessary. The ReliabilityFirst Compliance Director will determine if compliance is satisfied or if additional action or follow-up is necessary. The ReliabilityFirst Compliance Director will present any significant issue to the CC for further consideration, as needed. Any revision or modification to the initial mitigation plan must be submitted to ReliabilityFirst Compliance for approval before the original due date.

During mitigation plan development, the MAE assessment may conclude that the original non-compliance finding may be incorrect and how it should be revised. If the MAE believes it is in full compliance, the MAE must submit a signed Self-Certification Form or resubmit data to the ReliabilityFirst Compliance Staff. If appropriate, the ReliabilityFirst Compliance Director can rescind the non-compliance penalty upon review.

During implementation of an MAE approved mitigation plan, the MAE will continue to be monitored for compliance to the subject Standard with required benchmark status reviews of the mitigation plan. The MAE will remain in a non-compliant status until the mitigation plan is completed. Additional letter, sanctions and/or penalties will not be issued. ReliabilityFirst will continue to comply with NERC reporting criteria for the subject Standard.

L. Standards, Penalty Matrices and Recognition

ReliabilityFirst will monitor the NERC Reliability Standards and selected ReliabilityFirst Standards during the annual CEP Program. The requirements to meet full compliance and the levels of non-compliance will be those contained in the NERC and ReliabilityFirst Reliability Standards, unless indicated otherwise.

The Compliance Staff will prepare a report as necessary documenting compliance and non-compliance of MAEs along with compliance performance recognition, sanctions and/or penalties imposed, and mitigation plans accepted and acted upon and transmit such report(s) as requested by NERC or ReliabilityFirst.

The ReliabilityFirst Letter Sanctions portion of the matrix (Table 3) is to be applied to non-compliant performance for each Standard measured. Until directed by the ReliabilityFirst Board, only simulated financial penalties will be calculated and included in the sanction letters.

Letters will be sent to the individuals identified in the Letter Distribution Section of Table 3 indicating the non-compliance, sanctions and/or penalties, whether a mitigation plan or follow-up is required, and requesting a timeframe for completion. The corrective actions are expected to be completed and will be verified by the Compliance Staff.

Recognition of good performance is an important aspect of the compliance program. This recognition will be based on a calendar year of monitoring (i.e. January to December) unless otherwise determined by NERC or ReliabilityFirst. For any MAE that is fully compliant with all NERC and RFC Reliability Standards being monitored, a letter will be sent to that MAE CEO with appropriate copies to the MAEs MCC, and, as appropriate, to the ReliabilityFirst CC and the BOD and to NERC. ReliabilityFirst recognition for such achievement will also be posted on the ReliabilityFirst website and may be issued as a press release.

M. Policy on Data Retention and Confidentiality

Data Retention

Data received for purposes of the Compliance Enforcement Program will be retained for a minimum period of five (5) years or as deemed necessary by a NERC Reliability Standard. If the data is undergoing a review to address a question or controversy regarding such data, the data will be saved until the question or controversy is finally resolved.

All correspondence and related data between the Compliance Staff, MAE and the CC will be retained by the Compliance Director, as will regional summaries prepared by the Compliance Staff, for at least five (5) years.

Assigned ReliabilityFirst office staff will retain minutes and decisions of the CC and its correspondence with the Compliance Staff and with MAE for at least five (5) years.

The confidentiality of these records and data with respect to individual MAE will be maintained pursuant to the provisions of the ReliabilityFirst Confidentiality Agreements.

Confidentiality

Confidential Information is defined in Paragraph 1 of the ReliabilityFirst CEP Confidentiality Agreements for ReliabilityFirst Staff, MAEs, and Committee members representing MAEs (“Confidentiality Agreements”).

Each Member of the CC shall comply with the confidentiality provisions applicable to committee MAEs as set forth in the CC and in the ReliabilityFirst Confidentiality Agreement that are incorporated herein by reference. All CC members and attendees must acknowledge the ReliabilityFirst Confidentiality Agreement in writing before gaining access to any Confidential Information.

ReliabilityFirst MAEs shall comply with the confidentiality provisions applicable to ReliabilityFirst MAEs set forth in the ReliabilityFirst Confidentiality Agreement. All ReliabilityFirst MAEs must sign the ReliabilityFirst Confidentiality Agreement before gaining access to any Confidential Information.

N. Conflict of Interest

Recusal

Self-Initiated

If the CC is considering a specific matter (as opposed to general policy development) that would have a direct impact on a CC member's MAE, employer, or an entity in which a CC has an ownership interest, such MAE CC member shall recuse himself or herself from participating in the deliberations and voting of the CC in such matter. This does not apply to matters in which the MAE has only a general interest in the matter.

If an MAE CC member believes that he or she has a conflict of interest or bias or would otherwise be unable to make an objective decision regarding a specific matter before the CC, such MAE CC member shall disclose the nature of the conflict of interest or bias to the CC and recuse himself or herself from participating in the deliberations and voting of the CC in such matter.

Initiated by Others

Any MAE subject to the potential actions of the CC in a specific matter that reasonably believes another MAE CC member has a conflict of interest or bias or is otherwise unable to make an objective decision in such matter may petition the CC for the recusal of the affected MAE CC member from such matter. The subject MAE must petition the CC in writing at least ten (10) business Days before consideration of the matter by the CC. The petition shall be accompanied by relevant and supporting evidence with a copy of the petition and supporting evidence sent to the affected MAE. If the affected MAE agrees with the petition, such MAE shall indicate its agreement in writing to the CC and be recused from further participation and voting in the matter. If the affected MAE does not agree with the petition, the affected CC member shall, within ten (10) business Days of receiving the petition, provide the CC with a written explanation (including supporting evidence) of why there is no conflict of interest or bias. The CC will convene a special meeting and vote (without participation of both the affected and subject MAEs), based on the materials presented, on whether the potential for conflict of interest is sufficient to excuse the affected MAE from deliberation on that particular matter. The CC (without the affected MAE) may request additional information from the petitioning subject MAE or request the appearance of both parties at the special meeting for further questioning.

The CC shall prepare a written explanation of its ruling and provide a copy to both the affected and subject MAE.

Effect of Recusal

An MAE representative thus excused may not attend nor participate in those portions of the CC meeting involving that specific matter.

Any MAE who is recused from participating in deliberations for a specific matter shall receive no materials relating to such matter and shall return all such materials previously received.

O. Reporting and Disclosure

(Reference NERC Guidelines for Reporting and Disclosure approved by NERC BOT June 15, 2004 and effective July 1, 2004)

ReliabilityFirst shall report on a confidential basis to the NERC within 48 hours of the occurrence (or within 48 hours of when the regional council learns of the occurrence) all reportable violations of required NERC or Regional Reliability Standards, whether verified or still under investigation. Such reports shall include information regarding the nature and potential reliability impact of the alleged violations, the identity of the organizations involved, and the status and timetable of any investigation. The Standards to be reported within 48 hours will be as identified by NERC and posted on the NERC web site. Similar violations to ReliabilityFirst Standards will be posted on the ReliabilityFirst website, as required, and reported to NERC.

ReliabilityFirst shall report to NERC on a quarterly basis the details of all confirmed non-compliance violations of NERC or Regional Reliability Council Reliability Standards, regardless of significance. The reports will include the identity of the MAE found in non-compliance to the standard, characterize the relative seriousness of the non compliance and request follow-up mitigation plans with benchmarks and completion dates proposed to remedy or address such non compliance.

Any NERC or Regional Reliability Council activity that could result in a finding of non-compliance will have the following characteristics, at a minimum.

- The characteristics are a clear statement of the Reliability Standard that exists, stating the requirements and to whom the requirements apply, and a determination of compliance, and levels of non-compliance (if included in the standard)
- An understanding that Investigations will be conducted in a confidential manner
- An MAE under investigation will receive timely notice of the alleged violation, a reasonable opportunity to respond to findings and an opportunity to furnish a statement and/or mitigation plan to accompany the final report.
- A ReliabilityFirst MAE will be required to provide the necessary information to support any non-compliance follow-up mitigation plan or investigation activity with benchmark and completion dates.
- The final report, including findings, recommendations for corrective actions, and schedules for identified corrective actions, along with any accompanying statement from the audited organization, will be provided to the CEO and designated officer of the MAE under investigation. Copies will be sent to the CC.
- An MAE will have the opportunity to appeal any adverse findings through the applicable Dispute Resolution Process, up to and including FERC, prior to public disclosure.
- An MAE will receive reasonable notice before any public report is issued.

P. Dispute Resolution Procedure

Any disputes arising under the CEP Program will use the ReliabilityFirst Dispute Resolution Procedure as found on www.rfirst.org.

III. REGIONAL COMMUNICATIONS

A. Regional Approval of CEP

The CC will review and approve the requirements contained in this ReliabilityFirst Compliance and Enforcement Program Requirements and Implementation Process document.

B. Communications of Requirements

ReliabilityFirst has an extensive communications system within its existing organizational structure to serve ReliabilityFirst communication needs of the CEP Program. ReliabilityFirst Compliance Staff will communicate compliance requirements with the ReliabilityFirst Committees, working groups and task forces. These groups currently work together to address the operational, security and adequacy issues important to the Region. Any questions about the CEP Program should be directed through the ReliabilityFirst Compliance Director. If specific compliance measurement issues develop, the Compliance Staff will resolve the issue with the appropriate NERC or ReliabilityFirst committees and then communicate the findings to all MAEs.

All compliance communications using e-mail are sent to the MCC Representatives, with the subject clearly and boldly stating “Compliance Issue” and “Action Required” so that the communication will receive the appropriate attention. The MCC Representative will be responsible for communications within their MAE. ReliabilityFirst will evaluate the use of additional communications techniques such as expanded e-mail lists and the ReliabilityFirst website (www.rfirst.org) and apply its findings to future compliance activities.

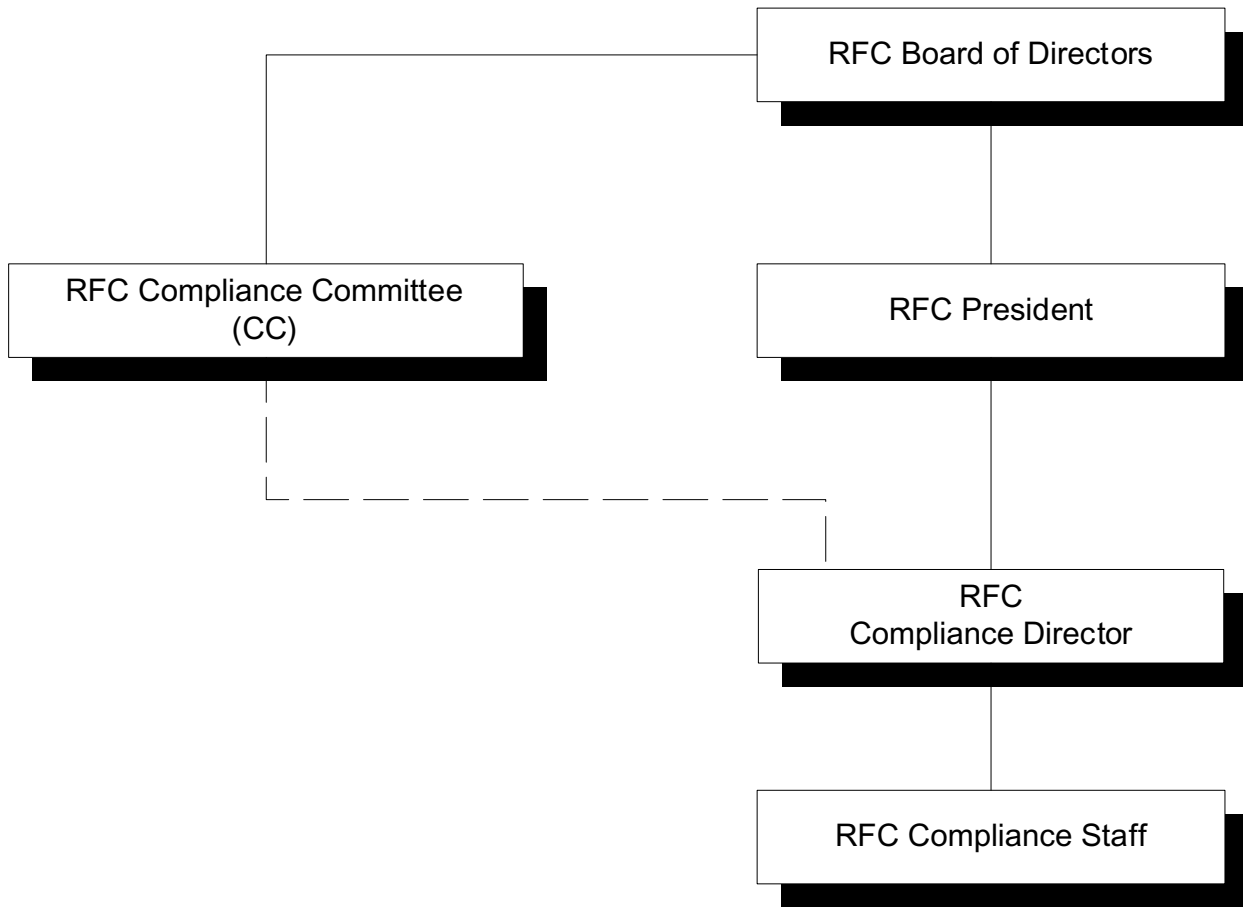
C. Regional Workshop

ReliabilityFirst will host timely workshops and conference calls (as required) to inform its MAEs of any significant changes to the CEP.

IV. CHARTS & TABLES

CHART A

ReliabilityFirst Corporation Functional Responsibility Compliance and Enforcement Program



Compliance Committee Functions

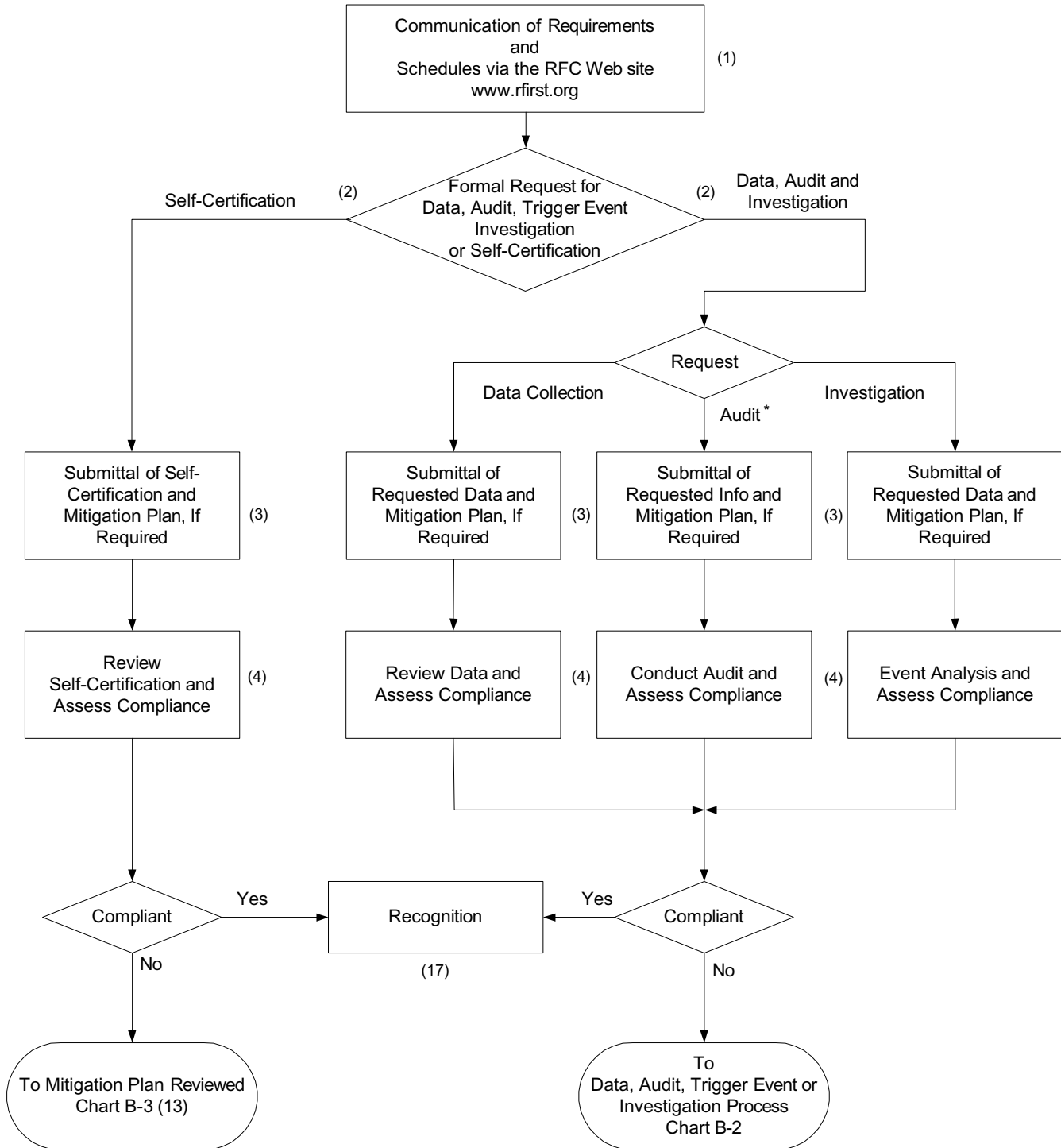
- Approve Compliance Program
- Evaluate Effectiveness of Compliance Program
- Enforcement
- Impose Sanctions and Penalties
- Dispute Resolution
- Review Sanction and Penalty Methodologies
- Rule on Contested Non-Compliance

Compliance Staff Functions

- Develop Compliance Program and Schedule
- Monitor and Review Compliance Results
- Communicate Compliance Requirements and Findings to MAE
- Collect and Review Compliance Information
- Perform Audits
- Report Findings to NERC and RFC
- Implement Delegated Actions from CC
- Assess Compliant and Non-Compliant Performance
- Accept/Reject Mitigation Plans

CHART B-1

ReliabilityFirst Compliance Process Overview (For Standards With or Without Compliance Criteria)



* Audits could be an audit for a reliability standard, a compliance audit on a three-year basis for all relevant reliability standards, or a spot check.

CHART B-2

ReliabilityFirst Compliance Process for Data Collection, Audits, and Investigations (for Standards With or Without Compliance Criteria)

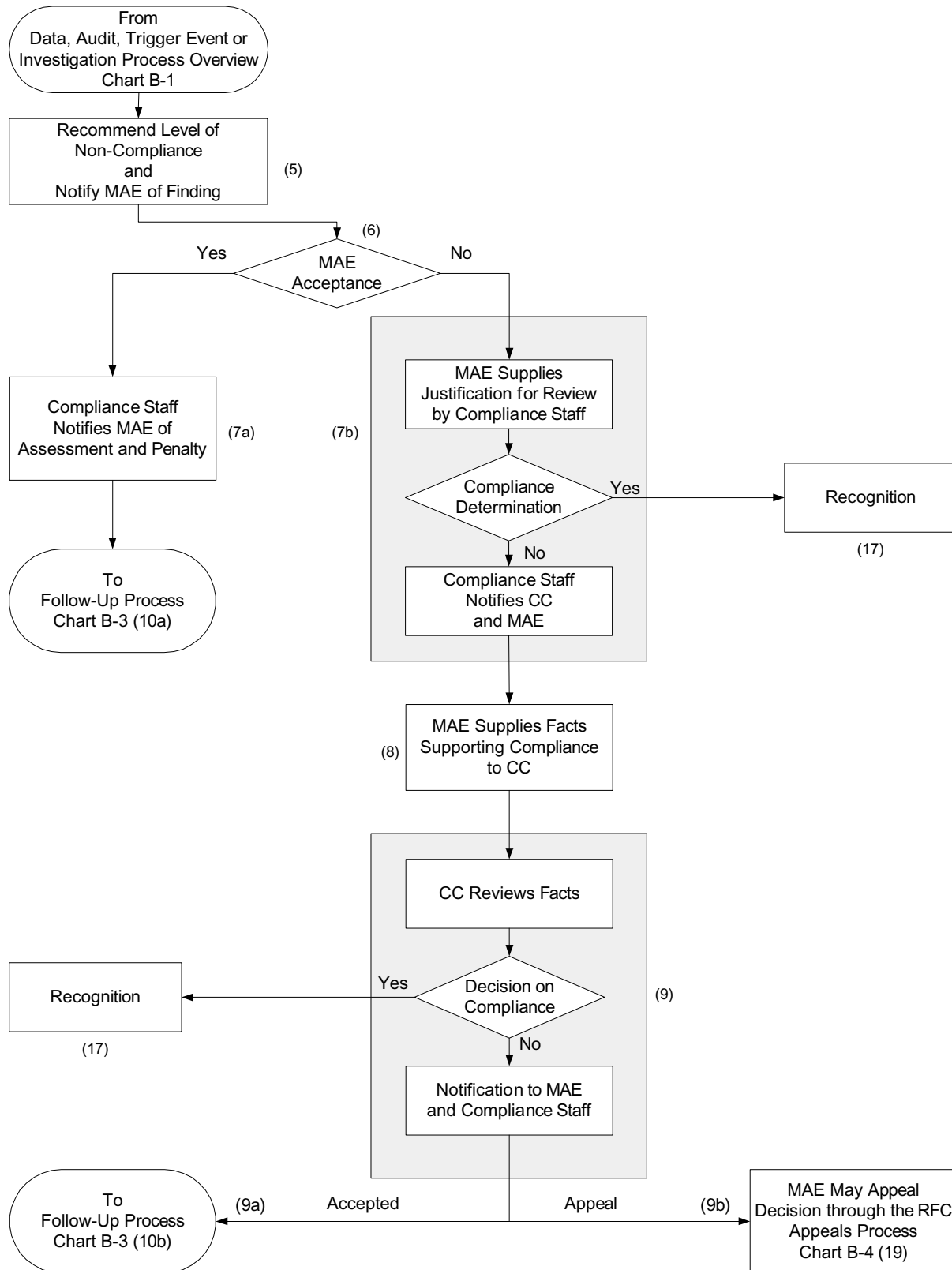


CHART B-3

ReliabilityFirst Compliance Mitigation Plan Follow-Up Process

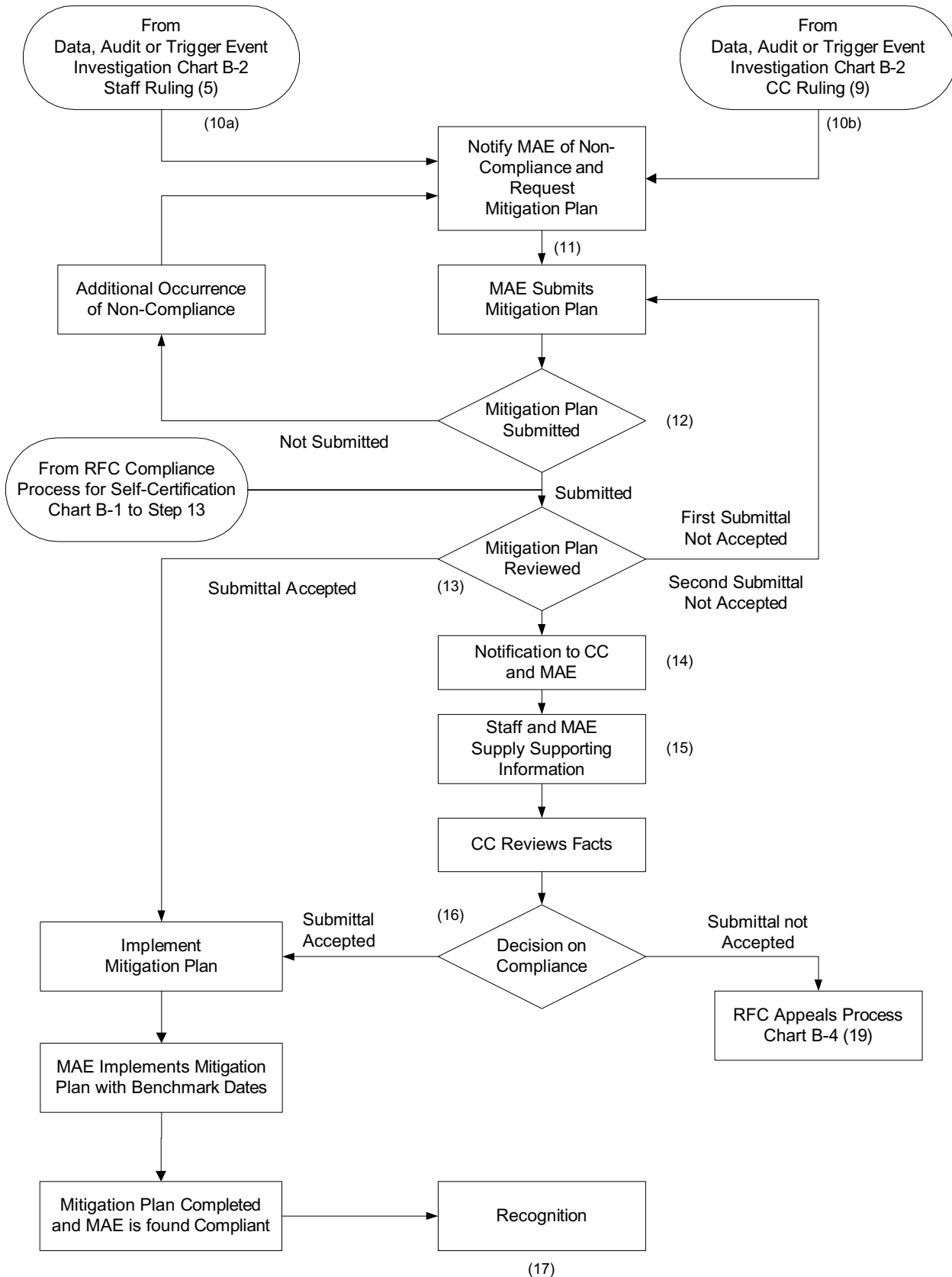


CHART B-4

ReliabilityFirst Dispute Resolution Process

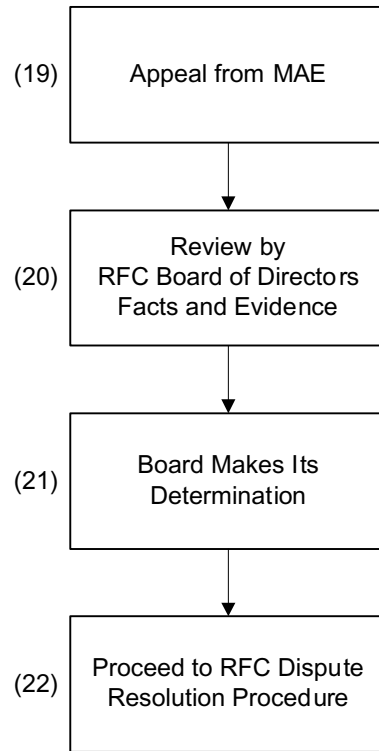


TABLE 1

NERC and ReliabilityFirst Reliability Standards

Reliability Standard	Title	Reference	Assigned Committee(s)	Monitoring Responsibility	Applicability To	Options for Monitoring
<i>Applicable to all ReliabilityFirst Members, Affiliates and Interconnected Entities (MAEs)</i>						
<u>RESOURCE AND DEMAND BALANCING</u>						
BAL-001-0	Real Power Balancing Control Performance (CPS 1, 2)			RRO	BA	D/C
BAL-002-0	Disturbance Control Performance (DCS)			NERC, RRO	BA, RRO, RSG	D/C
BAL-003-0	Frequency Response and Bias			RRO	BA	D/C or S/C
BAL-004-0	Time Error Correction			RRO	BA, RC	D/C or S/C
BAL-005-0	Automatic Generation Control			RRO	BA, GOP, LSE, TOP	D/C or D/R or S/C
BAL-006-0	Inadvertent Interchange			RRO	BA	D/C or S/C
<u>CRITICAL INFRASTRUCTURE PROTECTION</u>						
CIP-001-0	Sabotage Reporting			RRO	BA, GOP, LSE, RC, TOP	D/R or S/C
<u>COMMUNICATIONS</u>						
COM-001-0	Telecommunications			RRO	BA, NERCNet, RC, TOP	D/C or S/C
COM-002-0	Communications and Coordination			RRO	BA, GOP, RC, TOP	D/C or S/C
<u>EMERGENCY PREPAREDNESS AND OPERATIONS</u>						
EOP-001-0	Emergency Operations Planning			RRO	BA, TOP	D/R or S/C
EOP-002-0	Capacity and Energy Emergencies			RRO	BA, RC	
EOP-003-0	Load Shedding Plans			RRO	BS, TOP	D/R or S/C
EOP-004-0	Disturbance Reporting			RRO, NERC	BA, GOP, LSE, RC, RRO, TOP	D/R or L or S/C
EOP-005-0	System Restoration Plans			RRO	BA, TOP	D/R or S/C
EOP-006-0	Reliability Coordination - System Restoration			RRO	RC	D/R or S/C
EOP-007-0	Establish, Maintain, and Document a Regional Blackstart Capability Plan			NERC IDWG	RRO	D/R
EOP-008-0	Plans for Loss of Control Center Functionality			RRO	BA, RC, TOP	D/R or S/C
EOP-009-0	Documentation of Blackstart Generating Unit Test Results			RRO	GO, GOP	D/R or S/C
<u>FACILITIES DESIGN, CONNECTIONS AND MAINTENANCE</u>						
FAC-001-0	Facility Connection Requirements			RRO	TO	D/R or S/C
FAC-002-0	Coordination of Plans for New Facilities			RRO	DP, GO, LSE, PA, TO, TP	AT or S/C
FAC-003-0	Vegetation Management Program			RRO	TO	D/C or D/R or S/C
FAC-004-0	Methodologies for Determining Electrical Facility Ratings			RRO	GO, TO	D/C and/or D/R or S/C
FAC-005-0	Electrical Facility Ratings for System Modeling			RRO	GO, TO	D/R or S/C or E/R
<u>INTERCHANGE SCHEDULING AND COORDINATION</u>						
INT-001-0	Interchange Transaction Tagging			RRO	BA, PSE	D/C or S/C
INT-002-0	Interchange Transaction Tag Communication and Assessment			RRO	BA, TSP	D/C or S/C
INT-003-0	Interchange Transaction Implementation			RRO	BA	D/C or S/C
INT-004-0	Interchange Transaction Modifications			RRO	BA, PSE, RC, TOP	D/C or L or S/C

TABLE 1

NERC and ReliabilityFirst Reliability Standards

Reliability Standard	Title	Reference	Assigned Committee(s)	Monitoring Responsibility	Applicability To	Options for Monitoring
<i>Applicable to all ReliabilityFirst Members, Affiliates and Interconnected Entities (MAEs)</i>						
<u>INTERCONNECTION RELIABILITY OPERATIONS AND COORDINATION</u>						
IRO-001-0	Reliability Coordinator Responsibilities & Authority			RRO	RC, RRO	D/R or S/C
IRO-002-0	Reliability Coordinator - Facilities			RRO	RC	D/R or S/C
IRO-003-0	Reliability Coordinator - Wide Area View			RRO	RC	D/R or S/C
IRO-004-0	Reliability Coordinator - Operations Planning			RRO	BA, GO, GOP, LSE, RC, TO, TOP, TSP	D/R or S/C or E/R
IRO-005-0	Reliability Coordinator - Current Day Operations			RRO	BA, RC, TOP, TSP	D/C or S/C
IRO-006-0	Reliability Coordination Transmission Loading Relief			RRO	BA, RC, TOP	—
<u>MODELING, DATA AND ANALYSIS</u>						
MOD-001-0	Documentation of TTC and ATC Calculation Methodologies			NERC ATCWG	RRO	D/R
MOD-002-0	Review of TTC and ATC Calculations and Results			NERC ATCWG	RRO	D/R
MOD-003-0	Procedure for Input on TTC and ATC Methodologies and Values			NERC ATCWG	RRO	D/R
MOD-004-0	Documentation of Regional CBM Methodologies			NERC ATCWG	RRO	D/R
MOD-005-0	Procedure for Verifying CBM Values			NERC ATCWG	RRO	D/R
MOD-006-0	Procedure for the Use of CBM Values			RRO	TSP	D/R or S/C
MOD-007-0	Documentation of the Use of CBM			RRO	TSP	D/C or S/C
MOD-008-0	Documentation and Content of Each Regional TRM Methodology			NERC ATCWG	RRO	D/R
MOD-009-0	Procedure for Verifying TRM Values			NERC ATCWG	RRO	D/R
MOD-010-0	Steady-State Data for Transmission System Modeling and Simulation			RRO	GO, RP, TO, TP	D/C
MOD-011-0	Regional Steady-State Data Requirements and Reporting Procedures			NERC	RRO	D/R or S/C
MOD-012-0	Dynamics Data for Transmission System Modeling and Simulation			RRO	GO, RP, TO, TP	D/C
MOD-013-0	RRO Dynamics Data Requirements and Reporting Procedures			NERC	RRO	D/R or S/C
MOD-014-0	Development of Interconnection-Specific Steady State System Models			NERC MMWG	RRO	D/C
MOD-015-0	Development of Interconnection Specific Dynamics System Models			NERC MMWG	RRO	D/C
MOD-016-0	Actual and Forecast Demands, Net Energy for Load, Controllable DSM			NERC/RRO	PA, RRO	D/R or S/C
MOD-017-0	Aggregated Actual and Forecast Demands and Net Energy for Load – Monthly Demand and Annual Hourly Load			RRO	LSE, PA, RP	D/C
MOD-018-0	Reports of Actual and Forecast Demand Data			RRO	LSE, PA, RP, TP	D/R or S/C
MOD-019-0	Forecasts of Interruptible Demands and Direct Control Load Management (DCLM) Data			RRO	LSE, PA, RP, TP	D/C
MOD-020-0	Providing Interruptible Demands and DCLM Data			RRO	LSE, RP, TP	D/C or S/C
MOD-021-0	Accounting Methodology for Effects of Controllable DSM in Forecasts			RRO	LSE, RP, TP	D/R or S/C

TABLE 1

NERC and ReliabilityFirst Reliability Standards

Reliability Standard	Title	Reference	Assigned Committee(s)	Monitoring Responsibility	Applicability To	Options for Monitoring
<i>Applicable to all ReliabilityFirst Members, Affiliates and Interconnected Entities (MAEs)</i>						
PERSONNEL PERFORMANCE, TRAINING AND QUALIFICATIONS						
PER-001-0	Operator Personnel Responsibility and Authority			RRO	BA, TOP	D/R or S/C
PER-002-0	Operator Personnel Training			RRO	BA, TOP	D/R or S/C
PER-003-0	Operator Personnel Credentials			RRO	BA, TOP, RC	E/R
PER-004-0	Reliability Coordination Staffing			RRO	RC	D/R or S/C
PROTECTION AND CONTROL						
PRC-001-0	System Protection Coordination			RRO	BA, GOP, TOP	D/R or S/C
PRC-002-0	Define and Document Disturbance Monitoring Equipment Requirements			NERC	RRO	D/R or S/C
PRC-003-0	Regional Procedure for Transmission Protection System Misoperations			NERC	RRO	D/R or S/C
PRC-004-0	Analysis and Reporting of Transmission Protection System Misoperations			RRO	DP, GO, TO	D/C or S/C
PRC-005-0	Transmission Protection System Maintenance and Testing			RRO	DP, GO, TO	D/C and/or D/R or S/C
PRC-006-0	Development and Documentation of Regional UFLS Programs			NERC	RRO	D/R or S/C
PRC-007-0	Assuring Consistency with Regional UFLS Program Requirements			RRO	DP, LSE, TO, TOP	D/C and/or D/R or S/C
PRC-008-0	Underfrequency Load Shedding Equipment Maintenance			RRO	DP, TO	D/R or S/C
PRC-009-0	UFLS Performance Following an Underfrequency Event			RRO	DP, LSE, TO, TOP	T/E
PRC-010-0	Assessment of the Design and Effectiveness of UVLS Program			RRO	DP, LSE, TO, TOP	AT or S/C
PRC-011-0	UVLS System Maintenance and Testing			RRO	DP, TO	D/C and/or D/R or S/C
PRC-012-0	Special Protection System Review Procedure			NERC	RRO	D/R or S/C
PRC-013-0	Special Protection System Database			NERC	RRO	D/C or S/C
PRC-014-0	Special Protection System Assessment			NERC	RRO	AT or S/C
PRC-015-0	Special Protection System Data and Documentation			RRO	DP, GO, TO	D/C or S/C
PRC-016-0	Special Protection System Misoperations			RRO	DP, GO, TO	D/R or S/C
PRC-017-0	Special Protection System Maintenance and Testing			RRO	DP, GO, TO	D/C and/or D/R or S/C
TRANSMISSION OPERATIONS						
TOP-001-0	Reliability Responsibilities and Authorities			RRO	BA, DP, GOP, LSE, TOP	D/R or S/C
TOP-002-0	Normal Operations Planning			RRO	BA, GOP, LSE, TOP, TSP	D/R or S/C
TOP-003-0	Planned Outage Coordination			RRO	BA, GOP, RC, TOP	D/R or S/C or I
TOP-004-0	Transmissions Operations			RRO	TOP	D/R or S/C or I
TOP-005-0	Operational Reliability Information			RRO	BA, PSE, RC, TOP	D/C or S/C
TOP-006-0	Monitoring System Conditions			RRO	BA, GOP, RC, TOP	D/C or S/C
TOP-007-0	Reporting SOL & IROL Violations Evaluation			RRO	RC	D/C or E/R or S/C
TOP-008-0	Response to Transmission Limit Violations			RRO	TOP	I or T/E

TABLE 1

NERC and ReliabilityFirst Reliability Standards

Reliability Standard	Title	Reference	Assigned Committee(s)	Monitoring Responsibility	Applicability To	Options for Monitoring
<i>Applicable to all ReliabilityFirst Members, Affiliates and Interconnected Entities (MAEs)</i>						
TRANSMISSION PLANNING						
TPL-001-0	System Performance Under Normal Conditions			RRO	PA, TP	AT
TPL-002-0	System Performance Following Loss of a Single BES Element			RRO	PA, TP	AT
TPL-003-0	System Performance Following Loss of Two or More BES Elements			RRO	PA, TP	AT or S/C
TPL-004-0	System Performance Following Extreme BES Events			RRO	PA, TP	AT or S/C
TPL-005-0	Regional and Interregional Self-Assessment Reliability Reports			NERC	RRO	AT
TPL-006-0	Assessment Data from Regional Reliability Organizations:			NERC	RRO	AT or D/C
VOLTAGE AND REACTIVE						
VAR-001-0	Voltage and Reactive Control			RRO	GOP, PSE, TOP	D/R or S/C
CRITICAL INFRASTRUCTURE PROTECTION						
1200	Urgent Action Standard 1200 - Cyber Security					
1201	Cyber Security Policy			RRO	CA(BA)/RC	AT or S/C
1202	Critical Cyber Assets			RRO	CA(BA)/RC	AT or S/C
1203	Electronic Security Perimeter			RRO	CA(BA)/RC	AT or S/C
1204	Electronic Access Controls			RRO	CA(BA)/RC	AT or S/C
1205	Physical Security Perimeter			RRO	CA(BA)/RC	AT or S/C
1206	Physical Access Controls			RRO	CA(BA)/RC	AT or S/C
1207	Personnel			RRO	CA(BA)/RC	AT or S/C
1208	Monitoring Physical Access			RRO	CA(BA)/RC	AT or S/C
1209	Monitoring Electronic Access			RRO	CA(BA)/RC	AT or S/C
1210	Information Protection			RRO	CA(BA)/RC	AT or S/C
1211	Training			RRO	CA(BA)/RC	AT or S/C
1212	Systems Management			RRO	CA(BA)/RC	AT or S/C
1213	Test Procedures			RRO	CA(BA)/RC	AT or S/C
1214	Electronic Incident Response Actions			RRO	CA(BA)/RC	AT or S/C
1215	Physical Incident Response Actions			RRO	CA(BA)/RC	AT or S/C
1216	Recovery Plans			RRO	CA(BA)/RC	AT or S/C

TABLE 1

NERC and ReliabilityFirst Reliability Standards

Reliability Standard	Title	Reference	Assigned Committee(s)	Monitoring Responsibility	Applicability To	Options for Monitoring
<u>ReliabilityFirst DAY ONE STANDARDS</u>						
<i>Applicable to all ReliabilityFirst Members, Affiliates and Interconnected Entities (MAEs)</i>						
RFC-ARS-001	Automatic Reserve Sharring			RRO	BA in RSG & RSGs	D/C and/or D/R or S/C
RFC-OPR-001	Operating Reserves	BAL-002		RRO	BA, RC	DIR or S/C
RFC-EOP-001	Emergency Operation Plans	EOP-001		RRO	BA, RC, TOP	A/S or S/C
RFC-EOP-002	Under-Frequency Load Shedding Program	PRC-006 & PRC-008		RRO	DP, GO, TO, TOP	A/S or S/C or I
RFC-EOP-003	Regional Transmission Loading Relief Plan	IRO-006		RRO	BA, RC, TO	A/S or S/C or I
RFC-EOP-004	System Restoration Plan	EOP-005, EOP-007 & EOP-009		RRO	BA, GO, TO	A/S or S/C or I
RFC-RES-001-0	Reserve Planning Resource Requirements	OP		RRO	PRSG	AT or S/C

TABLE 2A

COMPLIANCE MONITORING TIMELINE
FOR DATA SUBMITTALS, AUDITS AND INVESTIGATIONS

Step	Action	By	Timeframe	Activity
1	Post Compliance Schedule on Website	Staff		
2	Request Data	Staff		
3	MAE provides compliance information with mitigation plan, if required Non-submittal - Re-issue request	MAE Staff	Day 5	Non-Compliance -Timeliness
	Non-submittal - Issue letter to Vice-President	Staff	Day 10	Non-Compliance -Timeliness
	Non-submittal - Issue letter to CEO and Finding of Level 4 Non-Compliance	Staff	Day 20	Non-Compliance -Timeliness
5	Assess Compliance, Recommend Penalty, Notify MAE	Staff	Day 30	
6	MAE Acceptance	MAE	Day 35	
7a & 7b	Review MAE Response and Inform Compliance Committee	Staff	Day 35	
8	Provide Review to CC	MAE & Staff	---	
9 & 9a	Decision on Non-Compliance to be determined at next ReliabilityFirst CC Meeting and, if not challenged, to Follow-Up	CC	---	CC Meeting, Follow-Up Process with Mitigation Plan Determination

TABLE 2B

COMPLIANCE MONITORING TIMELINE
FOR SELF-CERTIFICATION SUBMITTALS

Step	Action	By	Timeframe	Activity
1	Post Compliance Schedule on Website	Staff		
2	Request Data	Staff		
3	Submit Self-Certification Forms	MAE		
4	Non-submittal - RE-issue request	Staff	Day 5	Non-Compliance -Timeliness
	Non-submittal - Issue letter to Vice President	Staff	Day10	Non-Compliance -Timeliness
	Non-submittal - issue letter to CEO and Level 4 Non-Compliance	Staff	DAY 20	Non-Compliance Timeliness
5	Assess Compliance and Notify MAE	Staff	Day 30	
	Includes review of Mitigation Plans for non-compliance as required and follow up process if required	Staff	Day 30+	

TABLE 2C
COMPLIANCE MONITORING TIMELINE
FOLLOW-UP PROCESS

Step	Action	By	Time Frame*	Activity
10a & 10b	Levy Penalty	Staff	Day 30	
11	Prepare/Submit Mitigation Plan	MAE	Day 40	
13	Review Mitigation Plan	Staff	Day 50	
14	Notification to CC and MAE	Staff		
15	Submit information to the CC	Staff & MAE	---	10 Days before next CC Meeting (With 15 Days notice to prepare)
16	Assess Acceptance	CC	---	CC Meeting
17	Compliance Recognition	Staff		Annually
18	Annual Report	Staff		As Requested by NERC

*The day indicated is only if a challenge through a CC meeting does not occur.

TABLE 3

CEP MATRIX FOR NON-COMPLIANCE

Number of Occurrences At any Given Non-Compliance Level within a Monitoring Period or Non-Compliances Occurring Across Consecutive Monitoring Periods				
1 st Monitoring Period after Fully Compliant Last Period	1 st Occurrence	2 nd Occurrence	3 rd Occurrence	4 th or Greater Occurrence
2 nd Consecutive Monitoring Period with any Violation		1 st Occurrence	2 nd Occurrence	3 rd or Greater Occurrence
		\$ Sanction from Table; Letter (C) only if Letter (B) previously sent; or Letter (B)		
3 rd Consecutive Monitoring Period with any Violation			1 st Occurrence	2 nd or Greater Occurrence
			\$ Sanction from Table; Letter (C) only if Letter (B) previously sent	
4 th or Greater Consecutive Monitoring Period with any Violation				1 st or Greater Occurrence
				\$ Sanction from Table; Letter (C)
Level of Non-Compliance				
Level 1	Letter A	Letter A	Letter B & \$1,000 or \$1 per MW	Letter B and \$2,000 or \$2 per MW
Level 2	Letter A	Letter B and \$1,000 or \$1 per MW	Letter B and \$2,000 or \$2 per MW	Letter B and \$4,000 or \$4 per MW
Level 3	Letter B and \$1,000 or \$1 per MW	Letter B and \$2,000 or \$2 per MW	Letter B and \$4,000 or \$4 per MW	Letter B and \$6,000 or \$6 per MW
Level 4	Letter B and \$2,000 or \$2 per MW	Letter B and \$4,000 or \$4 per MW	Letter B and \$6,000 or \$6 per MW	Letter B and \$10,000 or \$10 per MW

Letter Distribution:

Letter A: Letter A will be sent to the entity’s Functional Vice President, with copies to the ReliabilityFirst Reliability Committee (RRC) Representative, MAE’s Compliance Committee, MAE’s Compliance Point of Contact and any other representative identified by the MAE. The request for a Mitigation Plan will be included.

Letter B: Letter B will be sent to the CEO of the MAE, and copies to all of the “Letter A” recipients. The request for a Mitigation Plan will be included.

Letter C: Letter C will be sent to the CEO and Chairman of the Board, with copies to all of the “Letter A” recipients, and the NERC President. The letter may also be sent to the following only if requested by

them: State or Provincial Regulator with jurisdiction over MAE, FERC, the Department of Energy or other appropriate official agency. (Letter C is only issued when repeat violations have occurred across consecutive monitoring periods and “Letter B” has previously been sent to the entity’s CEO.) The request for a Mitigation Plan will be included.

Matrix:

The Compliance Enforcement Table is designed to address two aspects of the penalty calculation methodology - (1) Penalties for non-compliances within a Monitoring Period and (2) Penalties for non-compliance across consecutive Monitoring Periods. The occurrence columns are used to determine a non-compliance penalty based on the number of occurrences that occur at a particular level, Level 1 through Level 4, in the referenced monitoring period.

The maximum number of penalties that would be issued in any reporting period could be four (4), one for each level for which Non-Compliances were reported. The scope of the penalty issued would then be determined by the number of occurrences of non-compliance at each specific level in the referenced reporting period. For example, if a MAE had three instances of Level 1 non-compliance (NC), four instances of Level 2 NC, four instances of Level 3 NC and two instances of Level 4 NC for a specific Standard in the first reporting period, the MAE would be assessed the following:

One Level 1 NC, Occurrence 3 - Letter B & \$1,000 or \$1 per MW

One Level 2 NC, Occurrence 4 - Letter B & \$4,000 or \$4 per MW

One Level 3 NC, Occurrence 4 - Letter B & \$6,000 or \$6 per MW

One Level 4 NC, Occurrence 2 - Letter B & \$4,000 or \$4 per MW

or Letter B & \$15,000 or \$15 per MW

If an MAE continues to have non-compliant performance for the same Standard in the next (second) consecutive Monitoring Period, the occurrence column shifts down and the penalties are calculated starting in the second column based on the number of occurrences, 1 to 3 or greater. For example if an MAE again had two instances of Level 1 non-compliance (NC), two instances of Level 2 NC, and one instance of a Level 4 NC, the MAE would be assessed the following:

One Level 1 NC, Occurrence 2 - Letter C & \$1,000 or \$1 per MW

One Level 2 NC, Occurrence 2 - Letter C & \$2,000 or \$2 per MW

One Level 4 NC, Occurrence 1 - Letter C & \$4,000 or \$4 per MW

or Letter C & \$7,000 or \$7 per MW

If non-compliant performance continues for four or more monitoring periods, the occurrence column is the farthest to the bottom and right. In this case, the first occurrence in the fourth consecutive period is calculated from the last column and remains at that column regardless of the number of non-compliance occurrences.

In any Monitoring Period for any specific Standard when there are no reported non-compliances, the Monitoring Period for determining penalties is reset. Calculations for any future penalties for non-compliance instances will start at the first row of the CEP Matrix for Non-Compliance or “1st Monitoring Period after Fully Compliant Last Period.”

Comments for Table 3:

1. The MWs used to calculate the penalty will be the greater of load or generation as identified in the annual data update.
2. For all violations monetary penalties will be the greater of the amount shown unless specified otherwise in the Standard.
3. The dollar amount applies unless the NERC Reliability Standard identifies how to apply the \$/MW and multiplier.

ABBREVIATIONS & ACRONYMS

ARS	Automatic Reserve Sharing
A/S	Audit/Spot Check
AT	Assessment
BA	Balancing Authority
BAL	Resource and Demand Balancing - Reliability Standards Prefix
BOD	Board of Directors
CC	Compliance Committee
CEO	Chief Executive Officer of MAE
CEP	Compliance and Enforcement Program
CIP	Critical Infrastructure Protection - Reliability Standards Prefix
COM	Communications - Reliability Standards Prefix
CPS	Control Performance Survey
D/C	Document Collection
DCS	Disturbance Control Performance
DP	Distribution Provider
D/R	Documentation Review
DRP	Dispute Resolution Process
EOP	Emergency Preparedness and Operations - Reliability Standards Prefix
E/R	Exception Reporting
FAC	Facilities Design, Connections and Maintenance - Reliability Standards Prefix
FERC	Federal Energy Regulatory Commission
GO	Generation Owner
GOP	Generation Operator
I	Investigation
IDWG	Interconnection Dynamics Working Group (NERC)
INT	Interchange Scheduling and Coordination - Reliability Standards Prefix
IRO	Interconnection Reliability Operations and Coordination - Reliability Standards Prefix
KW	Kilowatt
LSE	Load Serving Entity
MAE	Member, Members Affiliates, and interconnected entities within the ReliabilityFirst region (collectively referred to as MAE)
MAAC	Mid-Atlantic Area Council
MAIN	Mid-America Interconnected Network, Inc.
MCC	MAE Compliance Contact
MOD	Modeling, Data and Analysis - Reliability Standards Prefix
MRO	Midwest Reliability Organization
MW	Megawatt
NERC	North American Reliability Council
NC	Non-Compliance
OPR	Operating Reserves
PA	Planning Authority
PER	Personnel Performance, Training and Qualifications - Reliability Standards Prefix
PRC	Protection and Control - Reliability Standards Prefix
PRSG	Planning Reserve Sharing Group

PSE	Purchasing/Selling Entity
RFC	ReliabilityFirst Corporation
RC	Reliability Coordination
RP	Resource Planner
RRC	ReliabilityFirst Reliability Committee
RRO	Regional Reliability Organization
R/S	Region Submittal to NERC
RSG	Reserve Sharing Group
S/C	Self-Certification
T/E	Trigger Event
TO	Transmission Owner
TOP	Transmission Operations - Reliability Standards Prefix
TOP	Transmission Operator
TP	Transmission Provider
TPL	Transmission Planning - Reliability Standards Prefix
TSP	Transmission Service Provider
VAR	Voltage and Reactive - Reliability Standards Prefix

DEFINITIONS

Assessment	An evaluation that allows a conclusion to be reached or a decision to be made that may or may not involve an analysis or simulation.
Audit	Process in which a detailed review is performed to determine if an MAE is meeting the requirements of the NERC and ReliabilityFirst Reliability Standards. These audits can be performed on or off the MAE's site. Audits can be of four types: Annual, Three-Year, Event-Driven, or Special (described below).
Annual Audit	An audit performed on an annual basis as delineated in specific Standards and may be as small as just validating one Standard measurement for compliance.
Data Collection	The submitting of data to support modeling, studies and analyses; documents; procedures; methodologies; operating data; and process information. (This list is not all inclusive, but an example of typical data.)
Days	A measure of time that refers to “Working Days” in the context of this document.
Event-Driven Audit	When an unexpected or unplanned disturbance occurs to the bulk electric system, not driven to investigation by a Trigger Event, an audit of the MAE involved may be initiated by the ReliabilityFirst, CC to determine if the MAE was non-compliant to the NERC Reliability Standards.
Independent Auditor	Auditor(s) who do not work in the ReliabilityFirst office or for the MAE company being audited.
Investigation	An assessment/audit/review of an event that is specifically driven in the NERC Reliability Standards by a specific Trigger Event and/or a complaint, to determine compliance to any of the Standards.
Self-Certification	The practice of a MAE performing a formal internal review of the requirements of a standard, attesting to how they are satisfying the requirement and then notifying the ReliabilityFirst Compliance Staff of the status being either fully compliant or some level of non-compliance. Self-Certifications are subject to audits and spot checks.
Special Audit	An audit performed through the auspices of the Compliance Program to assess an MAE's performance to NERC Reliability Standards as a result of a unique situation with a relatively narrow focus (i.e. Control Area Certification, Security Coordinator Audit).
Spot Check	A form of audit that looks at any small group of measurements across one or more entities to verify compliance in a totally random manner or if driven due to a unique situation or system condition.
Three-Year Audit	An audit that is performed on a three-year basis on every MAE to verify compliance to the NERC and ReliabilityFirst Reliability Standards, presently only applied to Control Areas.
Trigger Event	An event or action that has occurred, that results in follow-up actions that are required to be taken. Some Standards have specific events identified.
Working Days	As used in the context of this document, refers to Monday through Friday minus any holidays.

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