



*Western Electricity Coordinating Council*

**WECC  
COMPLIANCE ENFORCEMENT PROGRAM**

**2007 Implementation Plan**

Prepared by  
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**Final Draft**

December 2006

## Revision Sheet

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Rev. 0	November 1, 2006	Drafted
Rev. 1	December 22, 2006	Final Draft

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# **1. Contact Information**

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## **1.1. CONTACT INFORMATION**

Any questions regarding the WECC CEP 2007 Implementation Plan please contact:

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## **2. Introduction**

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The WECC Compliance Staff is required by NERC to develop an annual WECC Compliance Monitoring and Enforcement Program Implementation Plan. The annual implementation plan identifies NERC and Regional Reliability Standards that will be actively monitored during the program year and the monitoring methods that will be used.

WECC has filed with NERC, as part of its Delegation Agreement, a Compliance Monitoring and Enforcement Program that will go into effect around June 1, 2007. In this new program, WECC is planning on substantially changing several of the methods of compliance monitoring and adding several new methods. WECC intends to implement these new and revised methods starting January 1, 2007.

To avoid confusion, and to eliminate substantial unnecessary work, WECC will not be developing a separate 2007 WECC Compliance Monitoring and Enforcement Program to cover the period from January 1, 2007 until when the program filed with the Delegation Agreement becomes effect around June 1, 2007. WECC will begin using the program document that was filed with the Delegation Agreement on January 1, 2007 but will not implement several sections such as, mandatory penalties and sanctions, hearings, etc until the Delegation Agreement is signed and new program document is in effect.

## **3. Entity Registration**

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WECC has been involved in an Entity Registration process since 2005. Identification and registration of all entities in the Western Interconnection that are responsible for compliance with Reliability Standards is essential. On December 15, 2006 WECC submitted an updated Registration Registry to NERC. WECC plans to continue work to refine the registry and submit an updated version on March 2, 2007. After March 2, 2007 WECC will be sending registration letters to all entities listed on the registry.

### **3.1. DELEGATION OF TASKS**

A Registered Entity is responsible for implementation of all Requirements of Reliability Standards that are applicable to functions that the entity is registered as. A Registered Entity may elect to delegated tasks associated with certain Requirements to other entities to perform. If a Registered Entity elects to delegate tasks they retain the responsibility for performance and compliance with the Requirements and any associated penalties for assessed noncompliance will be levied on the registered entity, regardless of any delegation of tasks.

### **3.2. COMPLIANCE MONITORING AND ENFORCEMENT DELEGATION OF TASKS**

The Registered Entity that delegates tasks to another entity is required to have the delegation documented so it is clear to the WECC Compliance Staff which entity is performing each Requirement. The Registered Entity is responsible to coordinate documentation required for compliance audits. In most cases an On-Site Compliance Audit will only be conducted at one location and the Registered Entity will be responsible for coordinating all documentation at that location.

## **4. CEP Implementation**

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On January 1, 2007 the WECC Compliance Staff will begin using the **WECC Compliance Monitoring and Enforcement Program** that was filed as part of the WECC Delegation Agreement with NERC on November 21, 2006. A copy of the CEP document is included in **Appendix A**.

This new WECC CEP will change several methods of compliance monitoring and auditing that WECC is currently performing as part of the 2006 WECC Compliance Enforcement Implementation Plan. The main changes are; how WECC conducts On-Site Compliance Audits, adds the concept of Self-Reporting of Compliance Violations, uses the new NERC Sanction Guidelines, and includes a detailed Hearing and Appeal process.

### **4.1. WECC COMPLIANCE AND MONITORING ENFORCEMENT PROGRAM – 11/21/06**

Starting on January 1, 2007 the program document, including the eight monitoring processes, will be implemented. The sections on penalty or sanction calculations, the Hearing process and the Appeal process will not be implemented until the Delegation Agreement is executed with NERC and filed with and accepted by the FERC.

### **4.2. ON-SITE COMPLIANCE AUDITS**

Prior to 2007 WECC has been conducting Compliance Audits in parallel with NERC Readiness Audits. With the implementation of the new CEP conducting these audits simultaneously, using the same audit staff is no longer acceptable. Starting in 2007 WECC will begin conducting On-Site Compliance Audits that are independent of the NERC Readiness Audits.

### **4.3. ACTIVELY MONITORED NERC RELIABILITY STANDARDS**

WECC will actively monitor all standards that are included in the NERC Actively Monitored program. In addition, WECC is adding MOD-010 and MOD-012 to the actively monitored list for 2007. The NERC actively monitored standards are identified in **Appendix B**.

#### **4.4. ACTIVELY MONITORED WECC REGIONAL RELIABILITY STANDARDS AND RELIABILITY MONITORING SYSTEM (RMS)**

The RMS will continue to be used in 2007. Violations of Reliability Standards monitored under the program will be reported in accordance with the NERC violation reporting requirements.

In the United States monitoring and subsequent penalties of Reliability Standards under the RMS program will be retired as NERC and WECC Reliability Standards are approved and incorporated into the NERC and WECC CEP programs. The RMS will remain in place for entities in Canada and Mexico.

### **5. On-Site Compliance Audit Schedule**

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WECC will conduct On-Site Compliance Audits of RC's, BA's and TOP's generally within three months following a NERC Readiness Audit but not longer than at least once every three years.

WECC will conduct Table Top Compliance Audits of all other Registered Entities on schedule agreed to with NERC. This schedule is not anticipated to be longer than once every five years. If a Table Top audit is unable evaluate compliance with any standard(s) an on-site audit will be conducted to complete the audit process.

The WECC Readiness Audit schedule is included in **Appendix C**. The detailed compliance audit scheduled is under development.

### **6. CEP Communications and Roll Out**

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#### **6.1. ROLL OUT WORKSHOPS**

During February-March 2007 WECC will be conducting CEP roll out workshops in the different sub regions. The workshops subjects will include Registration, 2007 Compliance Monitoring and Enforcement Program, On-Site Compliance Audit procedures, Reliability Standard Audit Worksheets and other relevant topics.

#### **6.2. NEWSLETTER**

The WECC Compliance Staff has implemented a bi-weekly article in the WECC Electronic Newsletter regarding compliance programs and enforcement.

#### **6.3. FUTURE COMPLIANCE DATABASE AND WEB PORTAL**

In 2007 WECC will be developing a new web site. The new website will include expanded compliance information. WECC will also be developing a new

database for compliance data and has started planning for an online portal for submittal of compliance information.

## **Appendix A: WECC Compliance Monitoring and Enforcement Program**

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**(FILED AS APPENDIX D OF THE WECC DELEGATION AGREEMENT)**

# **EXHIBIT D**

**Western Electricity Coordinating Council**

**Compliance Monitoring and Enforcement Program**

**November 21, 2006**

# Compliance Monitoring and Enforcement Program

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PROCESS**

# Compliance Monitoring and Enforcement Program

## COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

### 1.0 INTRODUCTION

This Compliance Monitoring and Enforcement Program (“Compliance Program”) is the program to be used by the North American Electric Reliability Corporation (“NERC”) and the Regional Entities to monitor, assess, and enforce compliance with Reliability Standards within the United States. This is accomplished through compliance monitoring and rigorous proactive Compliance Audits. Compliance monitoring and enforcement programs also will be implemented in Canada consistent with Canadian laws and agreements.

#### 1.1 Definitions

- 1.1.1 Alleged Violation:** A potential violation that the Compliance Enforcement Authority has completed its accuracy and completeness review 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 Compliance Enforcement Authority that includes the Reliability Standards and Registered Entities to be audited, the schedule of Compliance Audits, and Compliance Audit Participant requirements 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, which has entered into enforcement arrangements with the Regional Entity.
- 1.1.4 Complaint:** An allegation that a Registered Entity violated a Reliability Standard.
- 1.1.5 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.
- 1.1.6 Compliance Audit Participants:** Registered Entities scheduled to be audited and the audit team members.
- 1.1.7 Compliance Enforcement Authority:** NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.
- 1.1.8 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.

## Compliance Monitoring and Enforcement Program

- 1.1.9** Confirmed Violation: An Alleged Violation for which an entity has: 1) accepted the finding of the violation by a regional entity 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.
- 1.1.10** Contested Violation: An Alleged Violation for which the Registered Entity disputes the violation and/or the penalty and sanction determination.
- 1.1.11** Exception Reporting: Information provided to the Compliance Enforcement Authority by a Registered Entity indicating that violations of a Reliability Standard have occurred (e.g., a system operating limit has been exceeded). Some Reliability Standards require Exception Reporting.
- 1.1.12** 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 usually required whenever a Registered Entity violates a Reliability Standard as determined by any means including Compliance Enforcement Authority decision, Settlement Agreement, or otherwise.
- 1.1.13** 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.
- 1.1.14** 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 Compliance Enforcement Authority in order to verify compliance and identifies the appropriate monitoring procedures and reporting schedules for each such Reliability Standard.
- 1.1.15** 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 Compliance Enforcement Authority on a time frame required by a Reliability Standard or an ad hoc basis.
- 1.1.16** Regional Compliance Registry: A list, pursuant to Section 500 of the NERC Rules of Procedure and the NERC Statement of Registration Criteria of the owners, operators or users of the bulk power system or the entities registered as their delegates for the purpose of compliance within a Regional Entity's geographic footprint that perform one or more functions in support of reliability of the bulk power system. The

## Compliance Monitoring and Enforcement Program

Registry is used to determine the Reliability Standards applicable to the Registered Entity.

- 1.1.17** Regional Implementation Plan: An annual plan, submitted by November 1 of each year to NERC for approval that, 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 Regional Entity, (3) the methods to be used by the Regional Entity for reporting, monitoring, evaluation, and assessment of performance criteria with each Reliability Standard, and (4) the Regional Entity's Annual Audit Plan.
- 1.1.18** 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.
- 1.1.19** Remedial Action Directive: An action (other than a penalty or sanction) required by a Compliance Enforcement Authority 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.
- 1.1.20** Required Date: The date given a Registered Entity in a notice from the Compliance Enforcement Authority 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.
- 1.1.21** Self-Certification: Attestation by a Registered Entity of compliance or non-compliance with Reliability Standards for which Self-Certification is required by the Compliance Enforcement Authority and that are included for monitoring in the Regional Implementation Plan.
- 1.1.22** 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.
- 1.1.23** Spot Checking: A process in which the Compliance Enforcement Authority 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

## **Compliance Monitoring and Enforcement Program**

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.

## **Compliance Monitoring and Enforcement Program**

### **2.0 IDENTIFICATION OF ORGANIZATIONS RESPONSIBLE FOR COMPLYING WITH RELIABILITY STANDARDS**

The Compliance Enforcement Authority shall register the organizations responsible for complying with Reliability Standards, in accordance with Section 500 of the NERC Rules of Procedure. The Compliance Enforcement Authority shall identify the owners, operators, and users of the bulk power system that meet the definition of Registered Entities within the Compliance Enforcement Authority's area of responsibility. Each Registered Entity shall inform the Compliance Enforcement Authority promptly of changes to its Registration information. The Compliance Enforcement Authority shall inform each Registered Entity at the time of registration of the Reliability Standards that are applicable to the Registered Entity. The Compliance Enforcement Authority shall maintain on its website a current listing of Reliability Standards that are applicable to all Registered Entities.

The Compliance Enforcement Authority 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 Compliance Enforcement Authority will designate where Registered Entities are to send information, data, Mitigation Plans, or any other compliance-related correspondence.

Each Regional Entity shall develop, maintain, and provide to NERC a Regional Compliance Registry with updates at least monthly. 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority 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 and other Applicable Governmental Authorities. 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.

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

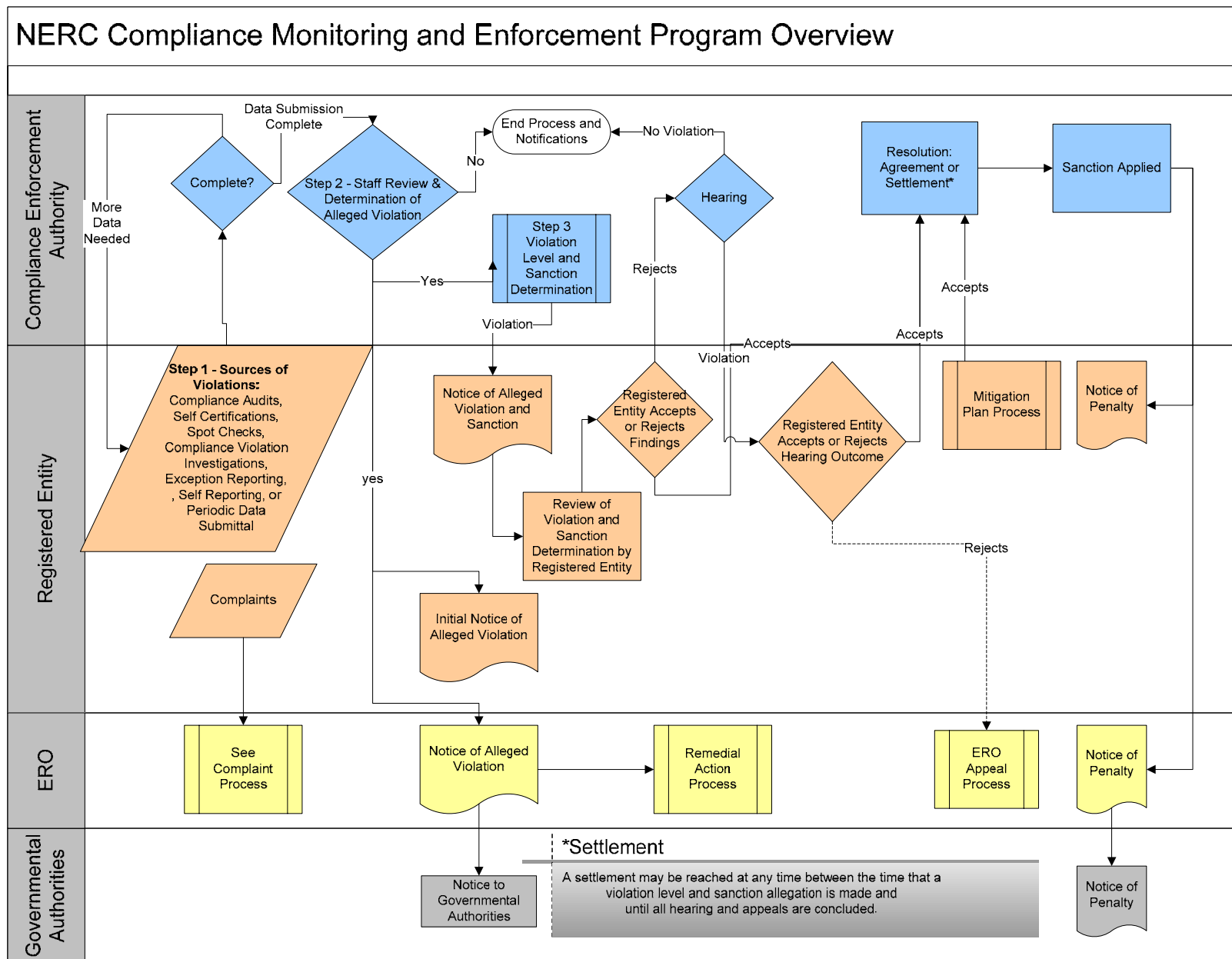
## **Compliance Monitoring and Enforcement Program**

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 Compliance Enforcement Authority 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 NERC 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.

# Compliance Monitoring and Enforcement Program



## 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**:<sup>1</sup>

- The Compliance Enforcement Authority distributes the Annual Audit Plan (developed in coordination with NERC) to the Compliance Audit Participants and NERC. The Compliance Enforcement Authority 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 Compliance Enforcement Authority informs the Registered Entity of the Reliability Standards to be evaluated. NERC or the Regional Entity 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority.
- The Compliance Enforcement Authority reviews the report developed by the audit team and completes an assessment of any Alleged Violations with the Reliability Standards identified in the report.

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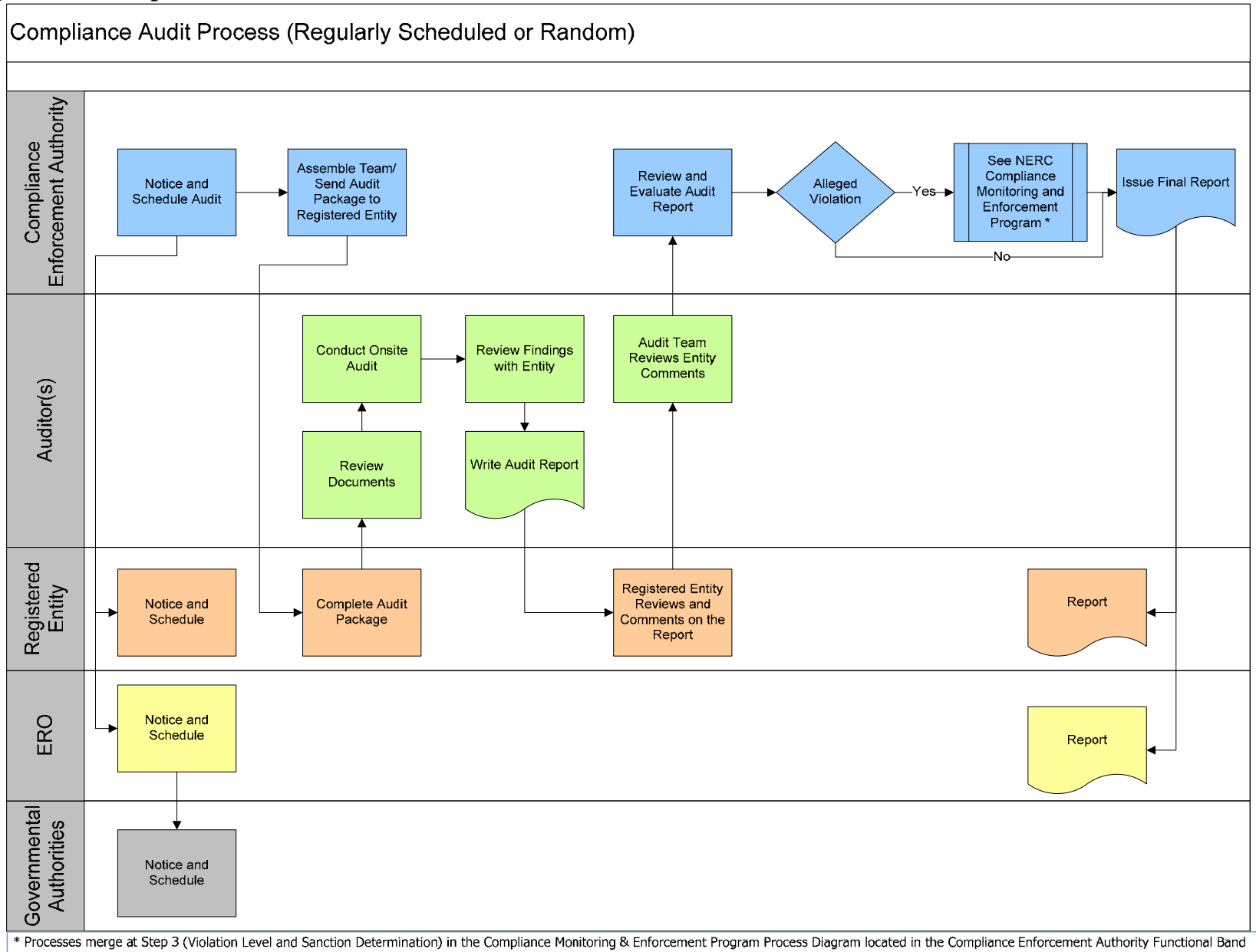
<sup>1</sup>This process normally completes within sixty (60) days of the completion of compliance audit.

## Compliance Monitoring and Enforcement Program

- The Compliance Enforcement Authority provides the final audit report to the Registered Entity and to NERC.
- If the Compliance Enforcement Authority determines that an Alleged 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**.
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

# Compliance Monitoring and Enforcement Program

**Figure 3.1 – Compliance Audit Process**



## **Compliance Monitoring and Enforcement Program**

### **3.1.2 Compliance Enforcement Authority Annual Audit Plan and Schedule**

The Compliance Enforcement Authority shall develop an Annual Audit Plan. The Annual Audit Plan of Regional Entities will be included in the Regional Implementation Plans submitted to NERC for review and approval (see Section 4.2). NERC or the Regional Entity 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 Compliance Enforcement Authority shall notify Registered Entities subject to Compliance Audits during the upcoming year, of the audit schedules, methods, and data requirements for the audit. The Compliance Enforcement Authority will give due consideration to any schedule changes requested by Registered Entities to avoid unnecessary burdens.

Revisions and additions to a Regional Entity 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority and may include contractors and industry volunteers as determined by the Compliance Enforcement Authority to be appropriate to comprise a sufficient audit team. The audit team leader shall be a staff member from the Compliance Enforcement Authority 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 Regional Entity compliance audit team either as an observer or as an audit team member as determined by the Regional Entity. Additionally, FERC and Applicable Governmental Authorities may participate on the audit team for any audit of a Registered Entity.

## **Compliance Monitoring and Enforcement Program**

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.
- Comply with the NERC Antitrust Compliance Guidelines and shall have either signed appropriate confidentiality agreements or acknowledgments that the confidentiality agreement signed by the Compliance Enforcement Authority is applicable.
- Audit team members must successfully complete all NERC or NERC-approved Regional Entity 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 confidentiality agreements or acknowledgements 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 Compliance Enforcement Authority no later than fifteen (15) days prior to the start of on-site audit work. The Compliance Enforcement Authority 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 Compliance Enforcement Authority who will review the report and assess compliance with the Reliability Standards and provide the Registered Entity with a copy of the final report. Regional Entities 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 Compliance Enforcement Authority 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

## Compliance Monitoring and Enforcement Program

addressed and finally determined by the Compliance Enforcement Authority pursuant to the provisions of Section 5.0.

Information deemed by a Compliance Enforcement Authority 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.

### 3.2 Self-Certification

The Compliance Enforcement Authority 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.

#### 3.2.1 Self-Certification Process Steps

The process steps for the Self-Certification process are as follows and as shown in **Figure 3.2.1**:<sup>2</sup>

- The Compliance Enforcement Authority posts and updates the reporting schedule and informs Registered Entities. The Compliance Enforcement Authority ensures that the appropriate Reliability Standards, compliance procedures, and required submittal forms for the Reliability Standards being evaluated are maintained and available electronically.
- The Compliance Enforcement Authority 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 Compliance Enforcement Authority.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards and may request additional data and/or information if necessary.
- The Compliance Enforcement Authority 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 Compliance Enforcement Authority determines that an Alleged 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**

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<sup>2</sup>If no non-compliances are found, this process normally completes within sixty (60) days of the Compliance Enforcement Authority's receipt of data.

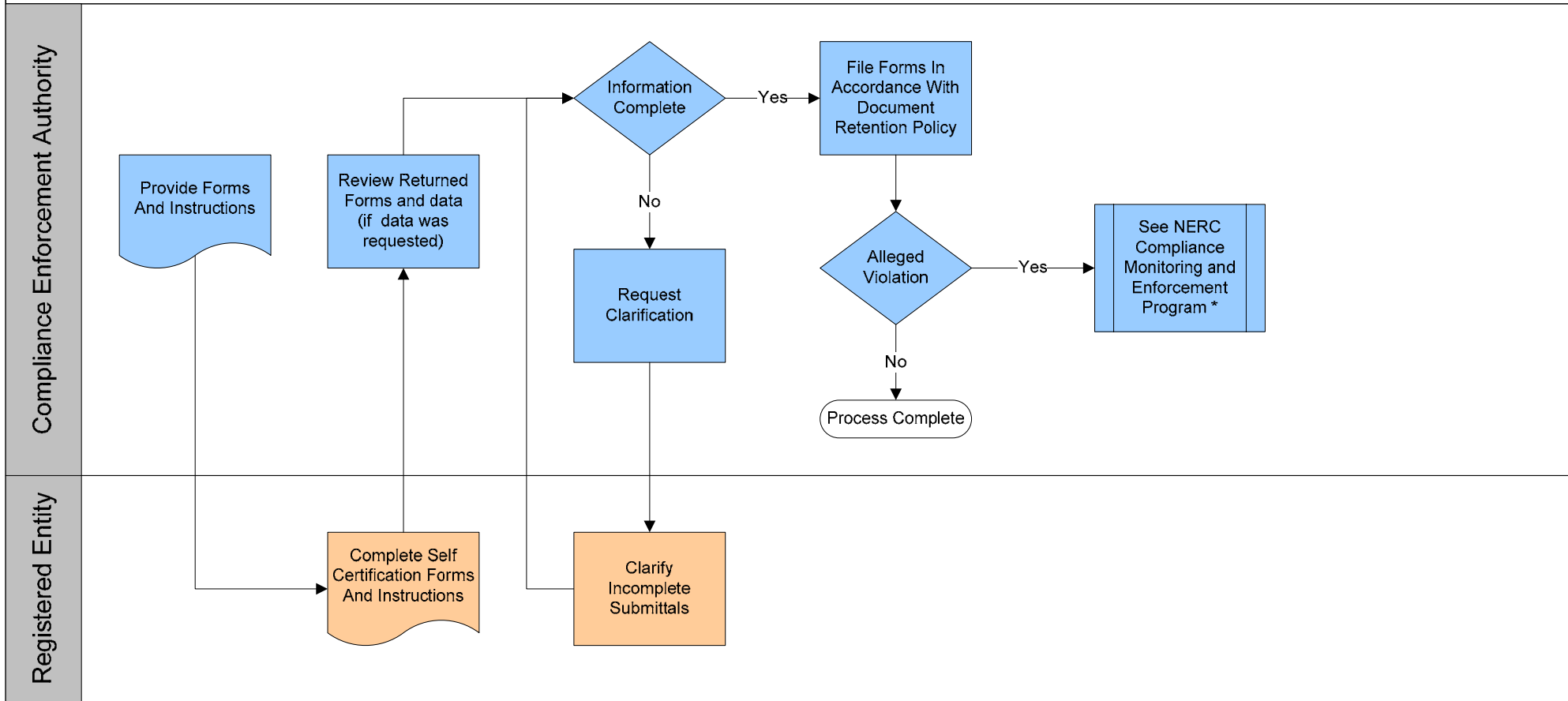
## **Compliance Monitoring and Enforcement Program**

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

# Compliance Monitoring and Enforcement Program

Figure 3.2.1 – Self Certification Process

## Self Certification Process



\* 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 Ba

## Compliance Monitoring and Enforcement Program

### 3.3 Spot Checking

Spot Checking will be conducted by the Compliance Enforcement Authority. Spot Checking may be initiated by the Compliance Enforcement Authority 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 Compliance Enforcement Authority then reviews the information submitted to verify the Registered Entity's compliance with the Reliability Standard. A Compliance Audit may be initiated by the Compliance Enforcement Authority 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**:<sup>3</sup>

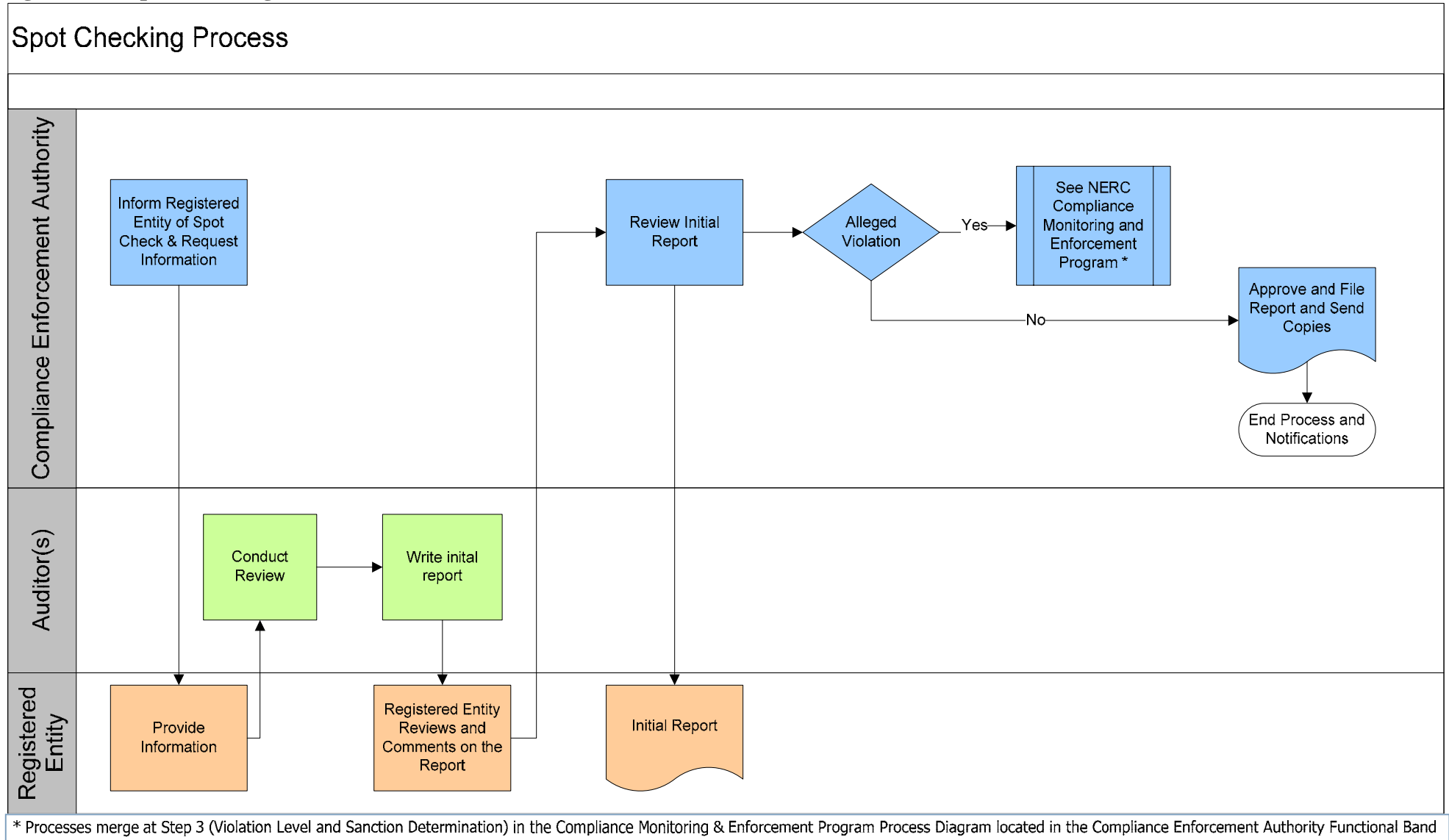
- The Compliance Enforcement Authority notifies the Registered Entity that Spot Checking will be performed and the reason for the spot check within the advance notice period specified by the Reliability Standard. If the Reliability Standard does not specify the advance notice period, any information submittal request made by the Compliance Enforcement Authority 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 Compliance Enforcement Authority in the format specified in the request.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards and may request the additional data and/or information if necessary for a complete assessment of compliance.
- The Compliance Enforcement Authority 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 Compliance Enforcement Authority determines that an Alleged 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**
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

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<sup>3</sup>If no alleged violations are found, this process normally completes within ninety (90) days of the Compliance Enforcement Authority's receipt of data.

# Compliance Monitoring and Enforcement Program

Figure 3.3.1 Spot Checking Process



## Compliance Monitoring and Enforcement Program

### 3.4 Compliance Investigations of Reliability Standard Violations

A Compliance Violation Investigation may be initiated at any time by the Compliance Enforcement Authority 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 the Regional Entity's 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:**<sup>4</sup>

- The Compliance Enforcement Authority 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 Regional Entity notifies the Registered Entity and NERC within two (2) business days of the decision to initiate a Compliance Violation Investigation, 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority prior to the start of on-site audit work. The Compliance Enforcement Authority 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.

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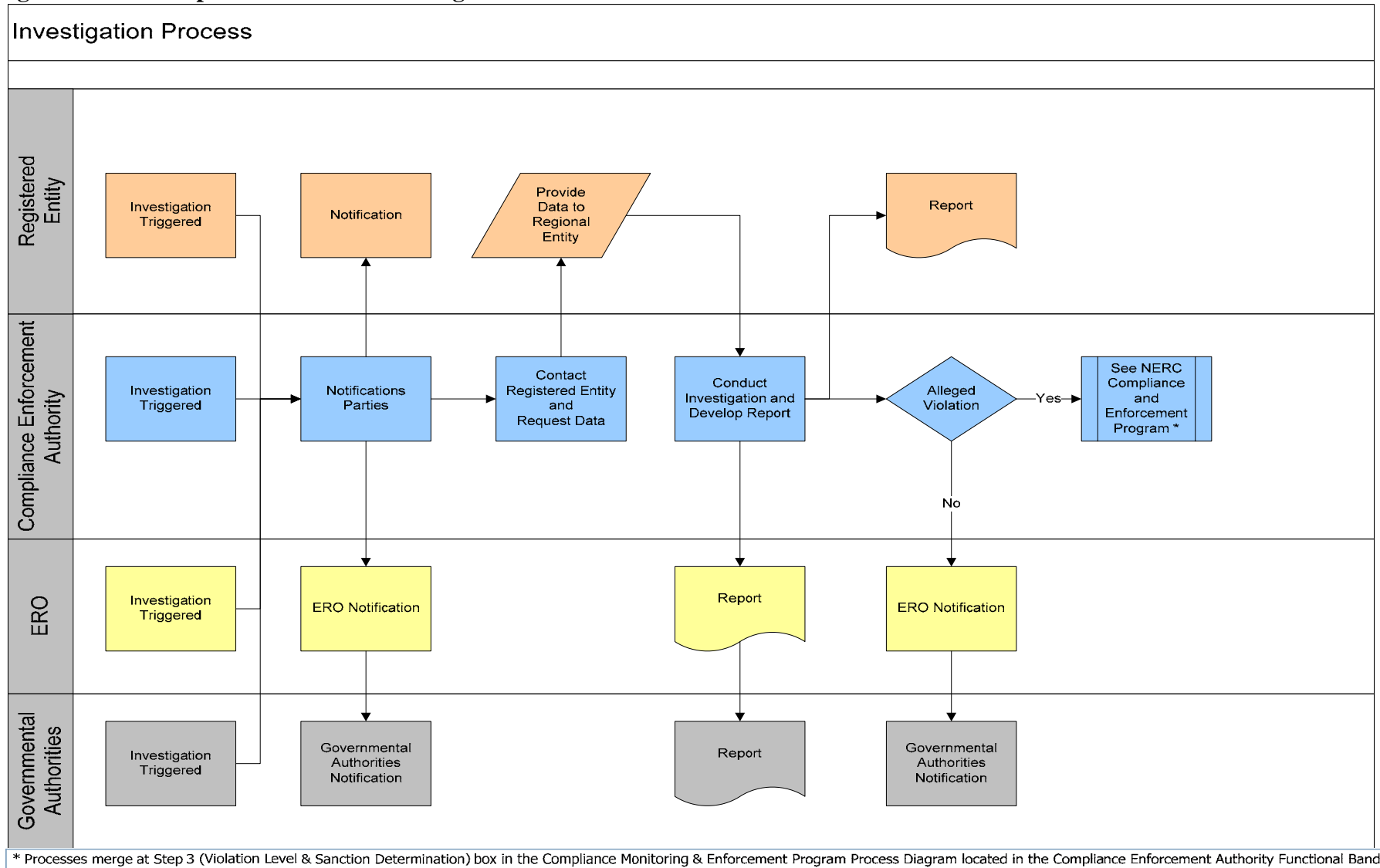
<sup>4</sup>If no alleged violation(s) are found, this process normally completes within sixty (60) days following the decision to initiate a Compliance Violation Investigation.

## Compliance Monitoring and Enforcement Program

- The Registered Entity provides the required information to the Compliance Enforcement Authority in the format as specified in the request.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards. The Compliance Enforcement Authority may request additional data and/or information if necessary for a complete assessment or to demonstrate compliance.
- The Compliance Enforcement Authority 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 Compliance Enforcement Authority determines that an Alleged 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**
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.
- If the Compliance Enforcement Authority 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 or any other Applicable Governmental Authority.

# Compliance Monitoring and Enforcement Program

Figure 3.4.1 – Compliance Violation Investigation Process



## 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**:<sup>5</sup>

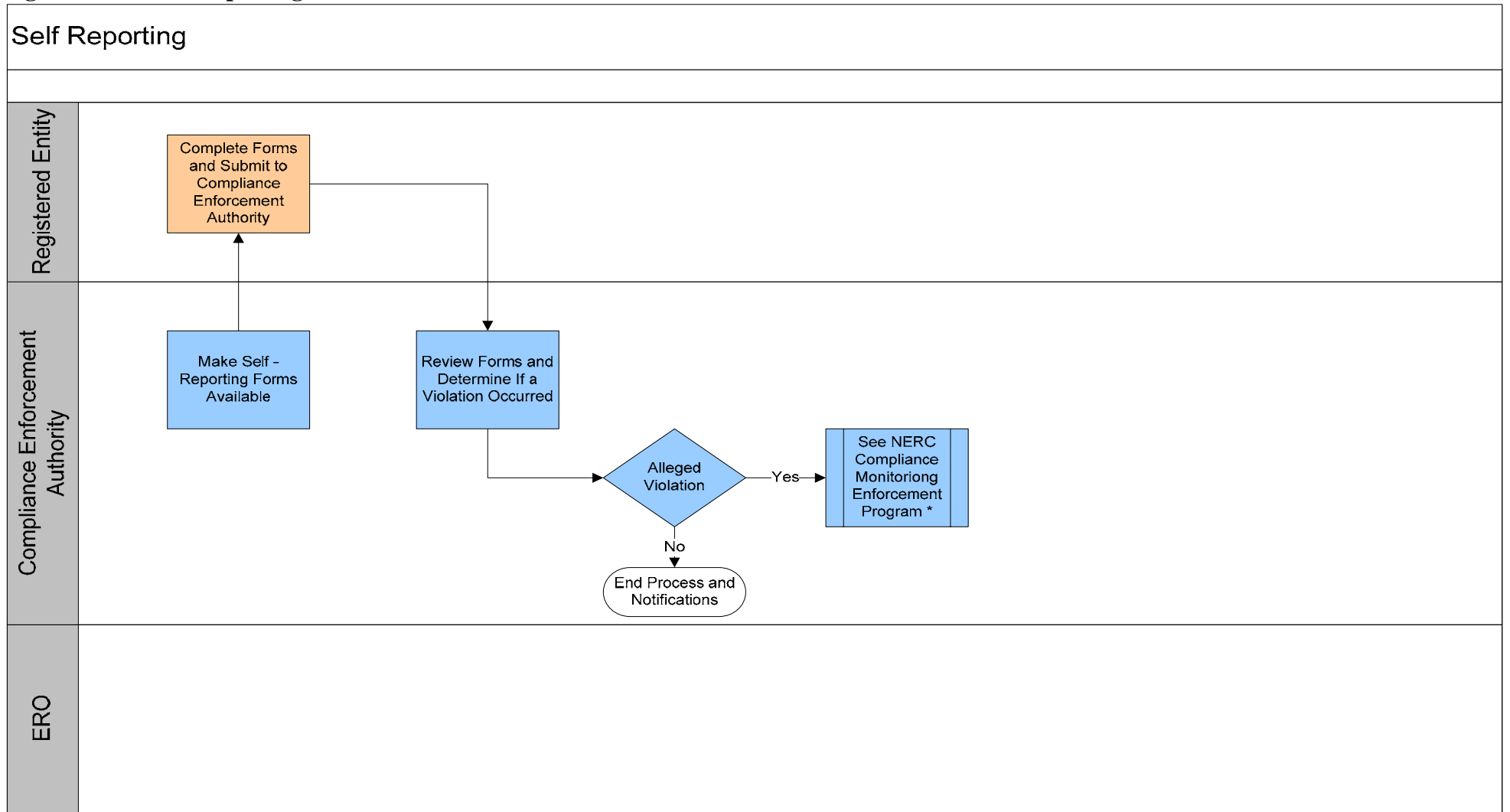
- The Compliance Enforcement Authority posts the Self-Reporting submittal forms and ensures they are maintained and available on its Web site.
- The Registered Entity provides the Self-Reporting information to the Compliance Enforcement Authority.
- The Compliance Enforcement Authority reviews the information to determine compliance with the Reliability Standards and may request the Registered Entity to provide clarification or additional data and/or information.
- The Compliance Enforcement Authority 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 Compliance Enforcement Authority determines an Alleged Violation has occurred, the process moves to step 3, Notice of Alleged Violation, of the Compliance Program Process shown in **Figure 3.0**.
- Regional Entities notify NERC of any Alleged Violations as required by Section 8.0.

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<sup>5</sup>This process normally completes within sixty (60) days following the Compliance Enforcement Authority's receipt of data.

# Compliance Monitoring and Enforcement Program

Figure 3.5.1 – Self Reporting Process



\* 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

## Compliance Monitoring and Enforcement Program

### 3.6 Periodic Data Submittals

The Compliance Enforcement Authority requires Periodic Data Submittals in accordance with the schedule stated in the applicable Reliability Standard, established by the Compliance Enforcement Authority, or on an as-needed basis. Requests for data submittals will be issued by the Compliance Enforcement Authority 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**:<sup>6</sup>

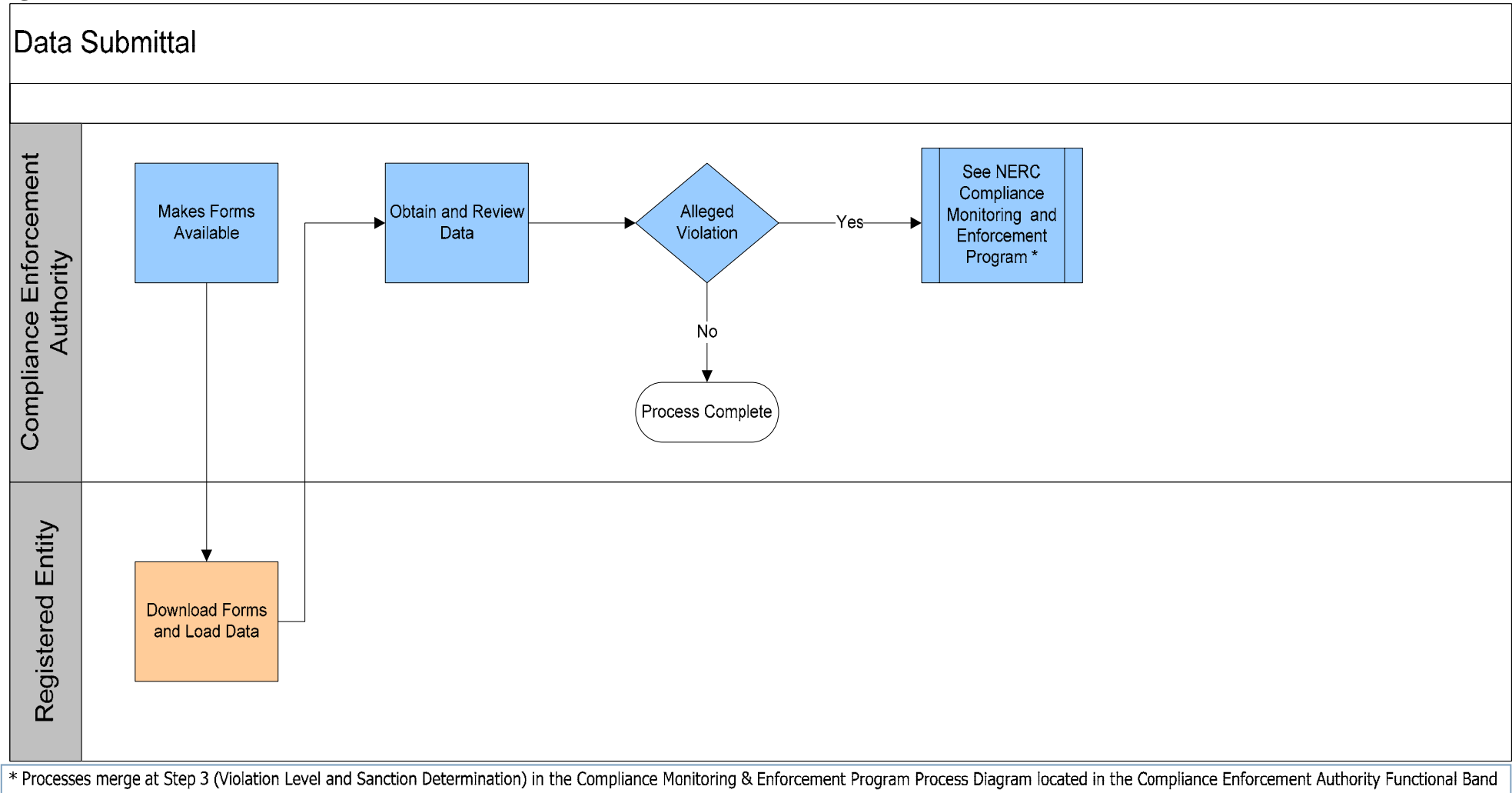
- The Compliance Enforcement Authority posts the current data reporting schedule on its web site and keeps Registered Entities informed of changes and/or updates. The Compliance Enforcement Authority ensures that the appropriate Reliability Standard compliance procedures and the required submittal forms for the Reliability Standards being evaluated are maintained and available via its Web site.
- The Compliance Enforcement Authority makes a request for a Periodic Data Submittal.
- The Registered Entity provides the required information to the Compliance Enforcement Authority in the format as specified in the request.
- The Compliance Enforcement Authority 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 Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standard and notifies the Registered Entity.
- If the Compliance Enforcement Authority determines that an Alleged 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**
- Regional Entities notify NERC of any Alleged Violations as required by Section 8.0.

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<sup>6</sup>If no violation(s) are found, this process generally completes within ten (10) business days of the Compliance Enforcement Authority's receipt of data.

# Compliance Monitoring and Enforcement Program

Figure 3.6.1 – Data Submittal Process



## 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 Compliance Enforcement Authority shall require Registered Entities to provide reports identifying any exceptions to the extent required by any Reliability Standard.

The Compliance Enforcement Authority 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 Regional Entities may receive Complaints alleging violations of a Reliability Standard. A Regional Entity 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 Regional Entities, (2) where the Regional Entity 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 Regional Entity, 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 Compliance Enforcement Authority conducting the review 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 Regional Entity will report the results of its review of the Complaint to NERC. If, as a result of the initial review of the Complaint, the Compliance Enforcement Authority 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**:<sup>7</sup>

- The complainant notifies NERC or a Regional Entity 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 Regional Entity Web sites. The Complaint should include sufficient information to enable NERC or the Regional

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<sup>7</sup>If no violations are found, this process normally completes within sixty (60) days following receipt of the Complaint.

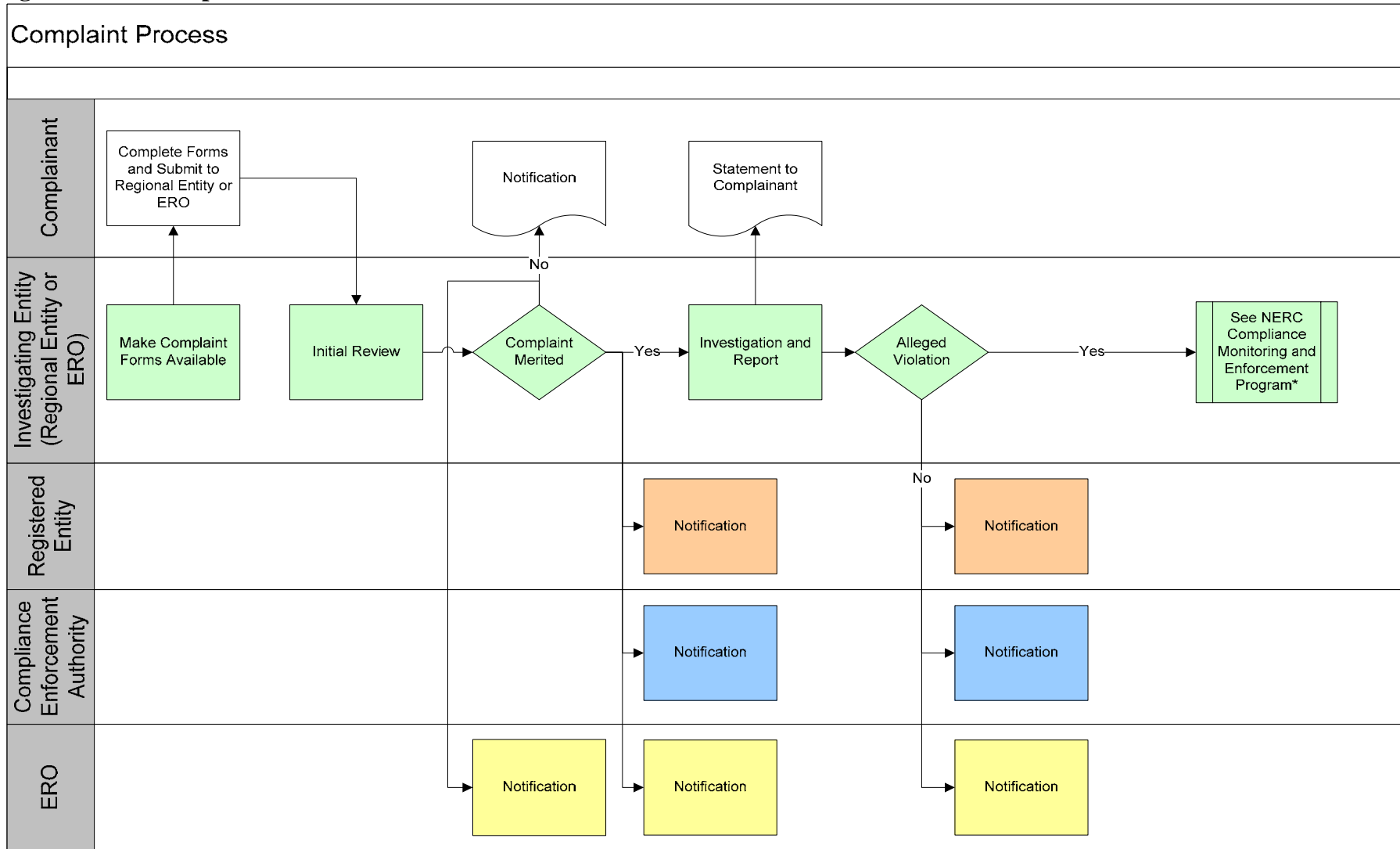
## **Compliance Monitoring and Enforcement Program**

Entity to make an assessment of whether the initiation of a Compliance Violation Investigation is warranted. NERC or the Regional Entity may not act on a Complaint if the Complaint is incomplete and does not include sufficient information.

- If the Compliance Enforcement Authority 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 Compliance Enforcement Authority notifies the complainant, the Registered Entity, and NERC of the Compliance Violation Investigation. If the Compliance Enforcement Authority 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 Compliance Enforcement Authority fully documents the Complaint and the Complaint review, whether a Compliance Violation Investigation is initiated or not.

# Compliance Monitoring and Enforcement Program

Figure 3.8.1 – Complaint Process



+ Anonymous complainant identities will be withheld

\* 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

## **Compliance Monitoring and Enforcement Program**

### **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.<sup>8</sup> 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 a Regional Entity will either be directed to NERC or the Regional Entity will collect and forward the information to NERC, at the Regional Entity's discretion. Neither NERC nor the Regional Entity shall disclose the identity of any person or entity reporting Alleged Violations to NERC or to a Regional Entity that requests that his/her/its identity not be revealed. The identity of the complainant will only be known by NERC and in the case where a Regional Entity collects the information, by NERC and the Regional Entity. If the Compliance Enforcement Authority 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.

## **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 Regional Entities by October 1 of each year and will specify the Reliability Standards requiring reporting by Registered Entities to the Compliance Enforcement Authority 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 Regional Entity Implementation Plan**

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

## **5.0 ENFORCEMENT ACTIONS**

The Compliance Enforcement Authority shall determine (i) whether there have been violations of Reliability Standards by Registered Entities within the Compliance Enforcement Authority'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 Regional Entities by review of penalties and sanctions, and each Regional Entity shall provide to

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<sup>8</sup>NERC 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](http://www.nerc.com) for additional information).

## **Compliance Monitoring and Enforcement Program**

NERC such information as is requested by NERC concerning any penalty, sanction, or remedial actions imposed by the Regional Entity.

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.

## Compliance Monitoring and Enforcement Program

### 5.1 Notification to Registered Entity of Alleged Violation

If the Compliance Enforcement Authority alleges that a Registered Entity has violated a Reliability Standard, the Compliance Enforcement Authority 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority believes demonstrate or constitute the Alleged Violation,
- (iv) the proposed penalty or sanction, if any, determined by the Compliance Enforcement Authority 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 Compliance Enforcement Authority 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 and any Applicable Governmental Authority within two (2) business days of receipt from the Compliance Enforcement Authority.

## **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 Compliance Enforcement Authority's determination of violation and sanction (if applicable), in which case the Compliance Enforcement Authority 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 Compliance Enforcement Authority a response explaining its position, signed by an officer or equivalent, together with any supporting information and documents. The Compliance Enforcement Authority shall schedule a conference with the Registered Entity within ten (10) business days after receipt of the response. If the Compliance Enforcement Authority 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 the violation will become a Confirmed Violation when filed by NERC with FERC or the Applicable Governmental Authority.

If a hearing is requested the Compliance Enforcement Authority shall initiate the hearing process by convening a hearing body and issuing a written notice of hearing to the Registered Entity and the hearing body and identifying the Compliance Enforcement Authority's designated hearing representative.<sup>9</sup>

### **5.3 Hearing Process for Compliance Hearings**

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

The Regional Entity 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

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<sup>9</sup>If the dispute involves a proposed Mitigation Plan, which has not been accepted by the Compliance Enforcement Authority, the Registered Entity may file a request for hearing with the Compliance Enforcement Authority.

## Compliance Monitoring and Enforcement Program

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 Regional Entity and the Registered Entity of changes to the settlement that would result in approval. If NERC rejects the settlement, the Regional Entity will attempt to negotiate a revised settlement agreement with the Registered Entity including any changes to the settlement specified by NERC.

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 Compliance Enforcement Authority 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**:<sup>10</sup>

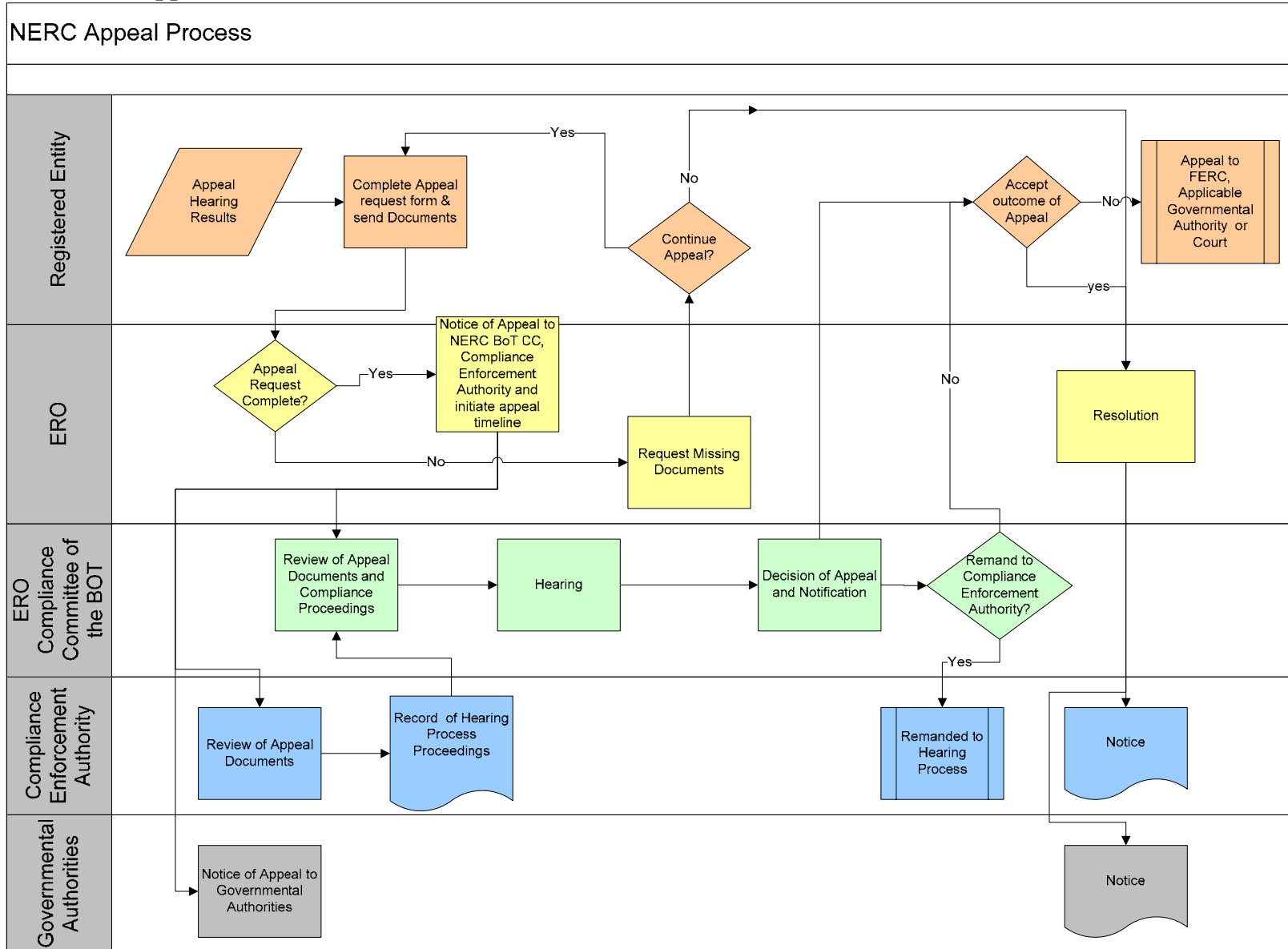
On appeal, NERC shall either affirm or remand to the Regional Entity with its reasons for the remand.

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<sup>10</sup>This process generally completes within ninety (90) days of NERC's receipt of request for appeal.

# Compliance Monitoring and Enforcement Program

Figure 5.5 – NERC Appeal Process



## **Compliance Monitoring and Enforcement Program**

### **5.6 Notice of Penalty; Effective Date**

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 or any Applicable Governmental Authority. NERC will include with the Notice of Penalty any statement provided by the Registered Entity as set forth in Section 8.0.

The penalty or sanction will be effective upon the expiration of the thirty-day period following filing with the Commission of the notice of penalty or, if the Commission decides to review the penalty or sanction, upon final determination of the Commission.

## **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.

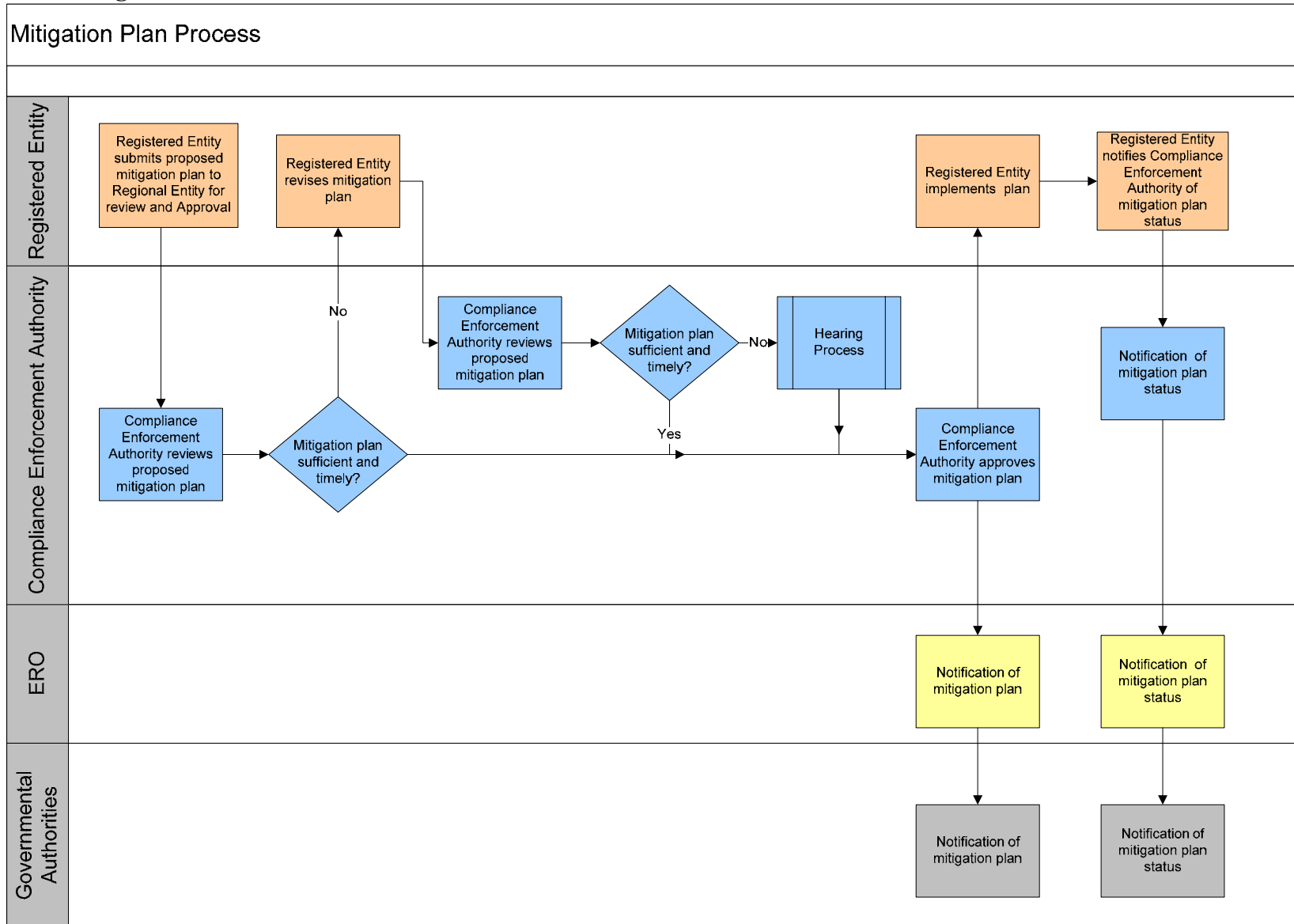
### **6.1 Requirement for Submission of Mitigation Plans**

A Registered Entity found to be in violation of a Reliability Standard that requires a mitigation plan shall file with the Compliance Enforcement Authority (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.

# Compliance Monitoring and Enforcement Program

Figure 6.1 – Mitigation Plan Process



## **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.
- 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority'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

## **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 Compliance Enforcement Authority with associated sanctions or penalties. Regional Entities 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 Compliance Enforcement Authority 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. Regional Entities will also notify NERC of any such waivers of violations of Reliability Standards.

A request for an extension of the completion date of the accepted Mitigation Plan by a Registered Entity must be received by the Compliance Enforcement Authority at least five (5) business days before the original milestone or completion date. The Compliance Enforcement Authority may accept a request for an extension or modification of a Mitigation Plan if the Compliance Enforcement Authority 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority, 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 Compliance Enforcement Authority rejects a Mitigation Plan, the Compliance Enforcement Authority 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 Compliance Enforcement Authority will notify the Registered Entity within

## **Compliance Monitoring and Enforcement Program**

ten (10) business days after receipt of a revised Mitigation Plan whether the Compliance Enforcement Authority 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 Compliance Enforcement Authority a written request for hearing including an explanation of why the Mitigation Plan should be accepted. After the hearing is completed, the Compliance Enforcement Authority will issue a written statement accepting a Mitigation Plan it deems as appropriate.

Regional Entities 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 Compliance Enforcement Authority on the progress of the Mitigation Plan. The Compliance Enforcement Authority 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority to verify completion. The Compliance Enforcement Authority 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 Compliance Enforcement Authority. In addition, the Compliance Enforcement Authority may conduct a compliance audit of, or issue a Remedial Action Directive to, the Registered Entity.

Regional Entities 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.

## **Compliance Monitoring and Enforcement Program**

### **6.7 Recordkeeping**

The Compliance Enforcement Authority 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 Compliance Enforcement Authority 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 Compliance Enforcement Authority will specify if a remedial action obviates the need for a Mitigation Plan.

Prior to issuing a Remedial Action Directive, the Regional Entity shall consult the Reliability Coordinator for the Registered Entity, 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 Compliance Enforcement Authority will monitor implementation of Remedial Action Directives as necessary to verify compliance.

## **Compliance Monitoring and Enforcement Program**

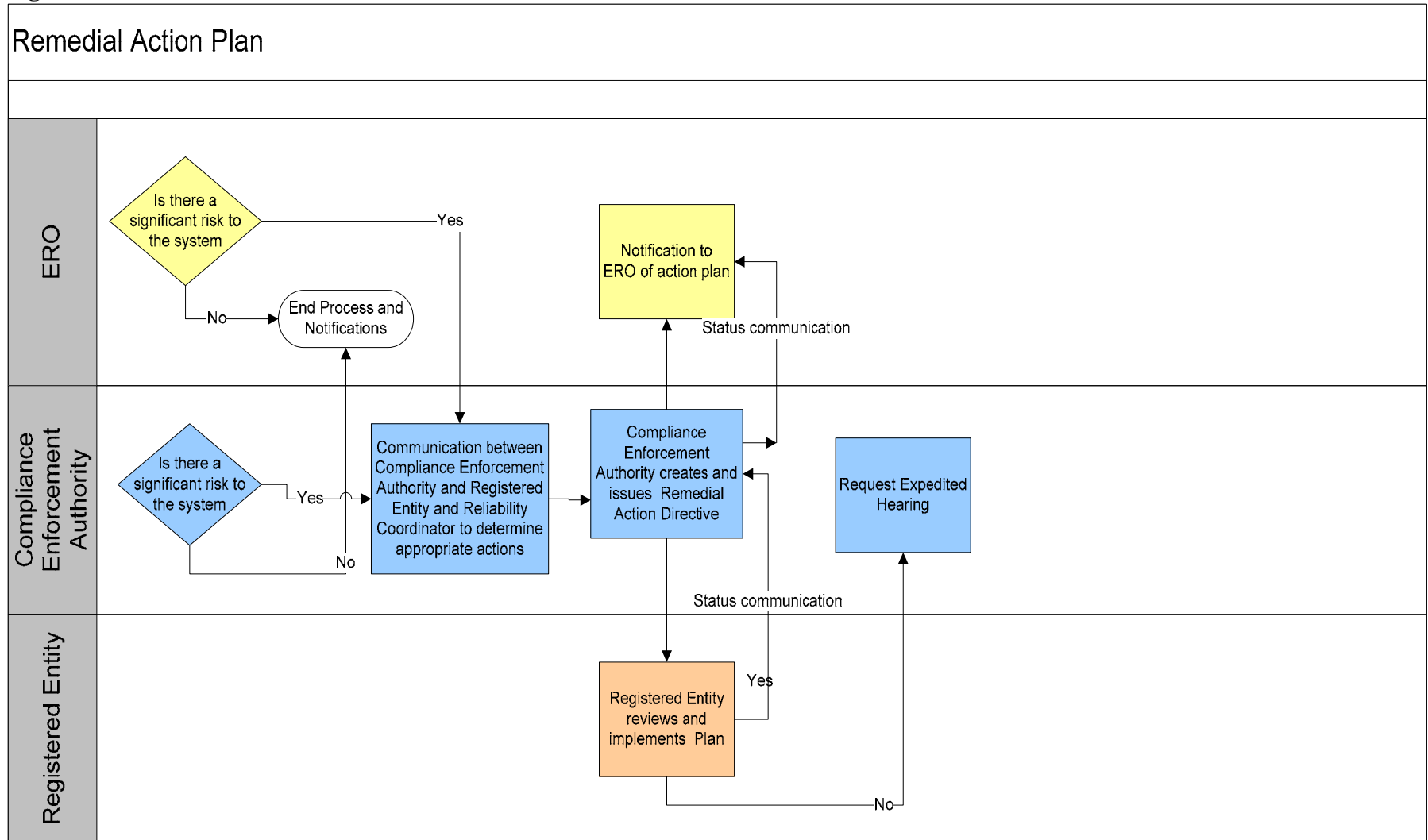
The Regional Entity will notify NERC within two (2) business days after issuing a Remedial Action Directive.

The Registered Entity may contest the Remedial Action Directive by giving written notice to the Compliance Enforcement Authority 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.

# Compliance Monitoring and Enforcement Program

**Figure 7.0 – Remedial Action Process**



## **Compliance Monitoring and Enforcement Program**

### **8.0 REPORTING AND DISCLOSURE**

Regional Entities 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.

Regional Entities 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 Regional Entity shall notify NERC within forty-eight (48) hours. NERC shall notify FERC or any Applicable Governmental Authority within two (2) business days of receiving notice from the Regional Entity. 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 Regional Entity staff person knowledgeable about the violation or Alleged Violation to serve as a point of contact.

Regional Entities 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. Regional Entities will ensure the information is current when these reports are provided.

Regional Entities 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, Regional Entities 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 Regional Entity to NERC and the Registered Entity.

NERC will provide reports quarterly to FERC and the Applicable Governmental Authorities 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.

## **Compliance Monitoring and Enforcement Program**

### **9.0 DATA RETENTION AND CONFIDENTIALITY**

#### **9.1 Records Management**

The Compliance Enforcement Authority 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 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 maintenance of records as required to implement the Compliance Program.

#### **9.2 Retention Requirements**

The Compliance Enforcement Authority 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 Governmental 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, Regional Entities 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, the Regional Entity 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 Energy Infrastructure Information**

The Compliance Enforcement Authority will keep confidential all Critical Energy 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.

## Compliance Monitoring and Enforcement Program

### ATTACHMENT 1

#### PROCESS FOR NON-SUBMITTAL OF REQUESTED DATA

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

Step 1: The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's designated contact.

Step 2: The Compliance Enforcement Authority 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 Compliance Enforcement Authority 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.

## **Compliance Monitoring and Enforcement Program**

### **ATTACHMENT 2**

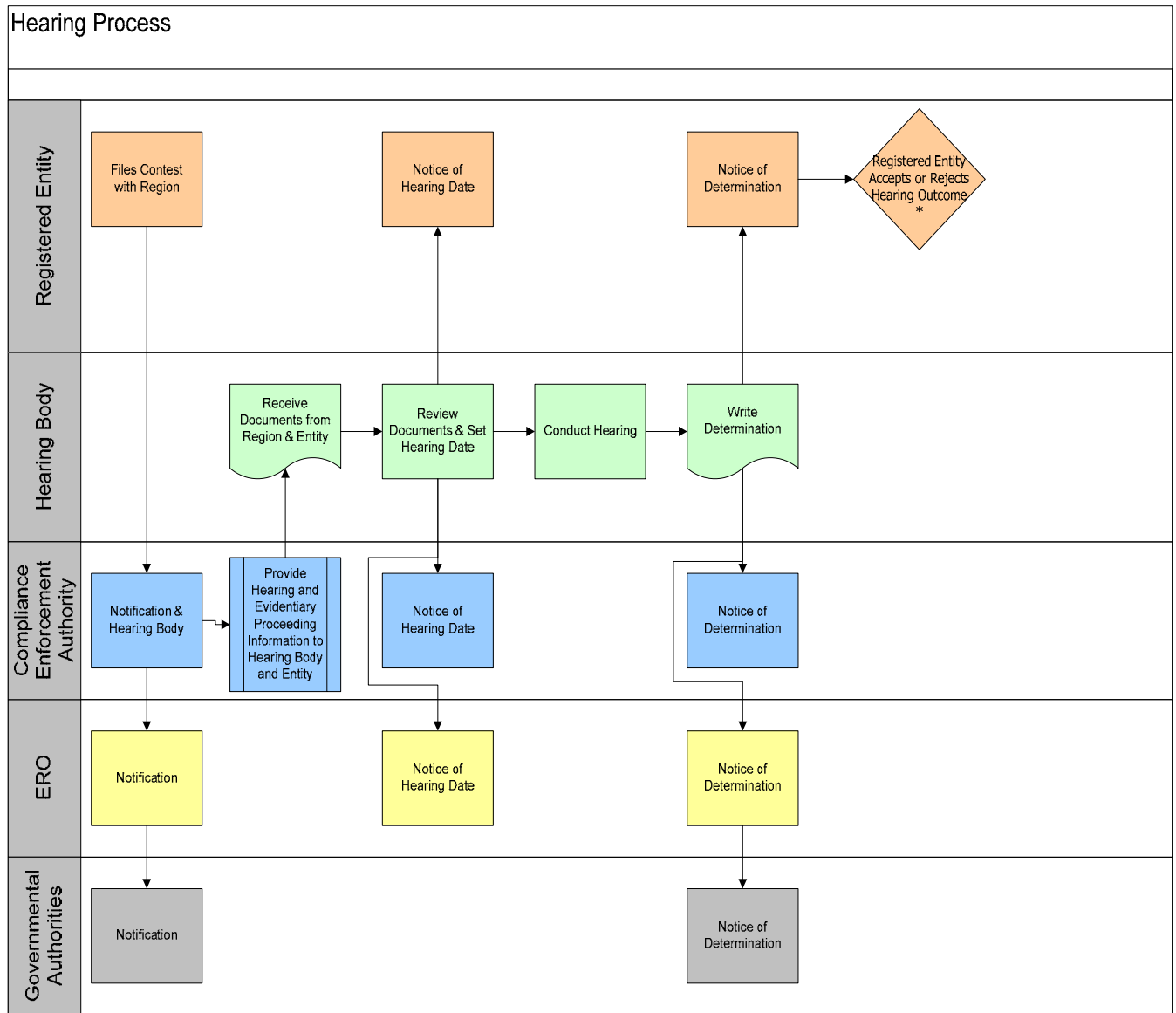
#### **COMPLIANCE ENFORCEMENT AUTHORITY HEARING PROCESS**

This **Attachment 2** sets forth the procedures to be followed to conduct compliance hearings. In this **Attachment 2**, the Compliance Enforcement Authority 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.

# Compliance Monitoring and Enforcement Program

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

## **Compliance Monitoring and Enforcement Program**

### **1.0 Designation of Hearing Body**

All formal compliance hearings shall be held before the Compliance Enforcement Authority's hearing body. A hearing body shall consist of (i) the Compliance Enforcement Authority's board or committee thereof, or (ii) a balanced compliance panel, reporting directly to the Compliance Enforcement Authority's board, whose membership is composed or selected in accordance with procedures established by the Compliance Enforcement Authority. The Compliance Enforcement Authority shall initiate the hearing process in accordance with Section 5.1 of the Compliance Program by issuing a written notice to the Registered Entity and the members of the hearing body convening the hearing body for a formal compliance hearing on the matter in dispute.<sup>1</sup> The written notice shall state the name of the Compliance Enforcement Authority's designated representative for purposes of the formal compliance hearing.

Following the convening of the hearing body, no representative of a party shall communicate in writing (including by e-mail) to any member of the hearing body 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 hearing body regarding the matter to be heard without a representative of the other party being present in person or by telephone. Nothing prevents the hearing body 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 hearing body for the hearing. Should any written or oral communications occur in violation of this paragraph, the member(s) of the hearing body receiving or participating in such communication shall promptly issue a written notice to a designated officer of the Compliance Enforcement Authority 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 hearing body may rule on all procedural and discovery matters. By agreement of the parties and with the approval of the hearing body, any documents may be submitted or exchanged via e-mail.

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

### **2.0 Recusal of Member of Hearing Body**

A hearing body member shall decline appointment to a hearing body or recuse himself or herself after appointment if participation on the hearing body would violate the Compliance Enforcement Authority's Conflict of Interest or Code of Conduct policy.

The Registered Entity may raise an objection to any member of the hearing body 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

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<sup>1</sup>If 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.

## **Compliance Monitoring and Enforcement Program**

hearing body member reasonably in advance of the start of the hearing and the member shall make a decision on the objection promptly. Upon request of the Registered Entity, the hearing body (without participation of the hearing body member) may review the member's determination and, if so, shall issue a decision on the objection promptly.

### **3.0 Authorized Representatives**

Both the Compliance Enforcement Authority and the Registered Entity shall submit to the hearing body the names of the persons authorized to represent them in the Hearing Process. Such persons shall be officers or equivalents of the Regional Entity and the Registered Entity that have the authority to act on behalf of the Regional Entity and the Registered Entity, respectively. In addition, a party shall advise the hearing body and the other party if the party will be represented by legal counsel.

### **4.0 Statement of Alleged Violation and Response by Registered Entity**

The Compliance Enforcement Authority shall initiate the hearing process in accordance with Section 5.1 of the Compliance Program by issuing a written notice to the Registered Entity and the members of the hearing body convening the hearing body for a compliance hearing on the matter in dispute. If the dispute involves a proposed Mitigation Plan that 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.

Within five (5) business days after the date the hearing body is convened, the Compliance Enforcement Authority's designated representative shall file with the hearing body (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 Compliance Enforcement Authority 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 hearing body is convened, the Registered Entity shall file with the hearing body (with copies to the Compliance Enforcement Authority'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 hearing body is convened, the Compliance Enforcement Authority shall file a report stating why the Registered Entity's proposed Mitigation Plan was not accepted.<sup>2</sup>

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<sup>2</sup>If 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.

## **Compliance Monitoring and Enforcement Program**

### **5.0 Setting of Hearings and Conferences**

The hearing body shall set a date for an initial conference within thirty (30) days after the date the hearing body is convened. At the initial conference, the hearing body 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 hearing body may hold additional conferences. All notices of conferences and hearings shall set forth the date, time and place of hearing. The hearing body shall issue a written memorandum setting forth the agreements and rulings made at each conference.

By agreement of the hearing body 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 Compliance Enforcement Authority requests a hearing under section 6.0 no later than ten (10) business days after the Register Entity files its response requesting a hearing, the hearing will be conducted under the shortened procedures specified in section 6.1.

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

The party requesting transcription of the hearing, will arrange and pay for transcription of the hearing.

The hearing body 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 hearing body 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 hearing body. Copies of exhibits shall be served on the other party and the hearing body at least ten (10) business days and at least five (5) business days, respectively, prior to the date of the hearing in which the exhibit is introduced or cross-examination takes place.

The hearing body 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 hearing body may exclude evidence that is immaterial or unduly repetitious or prejudicial. Evidence not otherwise admissible under generally-recognized rules of evidence may be

## **Compliance Monitoring and Enforcement Program**

admitted if it is of a type commonly relied on by reasonably prudent persons in the conduct of their affairs. Any written or documentary evidence excluded by the hearing body shall be retained, and any proposed oral testimony may be documented by an offer of proof.

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

### **6.1 Shortened Procedure**

Unless the Registered Entity or Compliance Enforcement Authority 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 hearing body may consider evidence that would otherwise be excludable.

### **6.2 Disposition without Evidentiary Hearing**

If it appears to the hearing body, 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 hearing body 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 on a schedule established by the hearing body. 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 hearing body as the record of the hearing process:

- The written notice that the hearing body has been convened.
- The notice of Alleged Violation and sanction issued by the Compliance Enforcement Authority 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 Compliance Enforcement Authority stating why the Mitigation Plan was not accepted.
- Any requests for recusal of a member of the hearing body and any responses to such requests.
- All motions, notices and responses filed by the parties during the hearing process.

## **Compliance Monitoring and Enforcement Program**

- All documents that set forth or that summarize any ex parte communications.
- All notices and rulings issued by the hearing body during the hearing process.
- The report issued by the hearing body 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 hearing body.

### **9.0 Written Decision by the Hearing Body**

The hearing body 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 hearing body 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 hearing body 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 hearing body's conclusions and cite the testimony and exhibits relied on by the hearing body in reaching its conclusions. Copies of the written decision shall be served electronically and by certified mail on the Registered Entity and on the Compliance Enforcement Authority'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 a Compliance Enforcement Authority may request an expedited hearing. To facilitate the expedited hearing, the Compliance Enforcement Authority may establish a hearing body for purposes of the expedited hearing process consisting of three or more members of the Compliance Enforcement Authority's governing board or other designated hearing body. The following expedited procedures shall be followed:

- The Registered Entity shall provide its request for hearing to the Compliance Enforcement Authority's designated representative in writing within two (2) business days after receipt of the Remedial Action Directive.
- The hearing body shall be convened within two (2) business days after receipt of the Registered Entity's request for a hearing.

## **Compliance Monitoring and Enforcement Program**

- The hearing body shall conduct a hearing on the matter, in person or by teleconference, within seven (7) business days after the hearing body is convened. At the hearing, the Compliance Enforcement Authority 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 hearing body 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 hearing body'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 hearing body shall issue a full written decision conforming to the requirements of Section 9.0 of this **Attachment 2**.

2007 CEP Matrix NERC Reliability Standards											
Std #	Requirements	Standard	Who	Purpose	NERC 48-hour	3-Year On-Site Audit	Self-Certification	Monthly/Quarterly Reporting	Data Submission	Exception Reporting	Investigation
BAL-001-0	All	<b>Real Power Balancing Control Performance</b>	BA	To maintain Interconnection steady-state frequency within defined limits by balancing real power demand and supply in real-time.				M	√		
BAL-002-0	All	<b>Disturbance Control Performance</b>	BA, RSG, RRO	To ensure the Balancing Authority is able to utilize its Contingency Reserve to balance resources and demand and return Interconnection frequency within defined limits.				Q	√		
BAL-003-0	All	<b>Frequency Response and Bias</b>	BA	This standard provides a consistent method for calculating the Frequency Bias component of ACE.						√	
CIP-001-1	All	<b>Sabotage Reporting</b>	RC, BA, TOP, GOP, LSE	Disturbances or unusual occurrences, suspected or determined to be caused by sabotage, shall be reported to the appropriate systems, governmental agencies, and regulatory bodies.			√				

CIP-002-1 through CIP-009-1	All	<b>Critical Infrastructure Protection Standards</b>	BA, GO, GOP, IA, LSE, NERC, RC, RRO, TO, TOP, TSP	Cyber Security Standards- Follow revised Implementation Plan for Cyber Security Standards CIP-002-1 through CIP-009-1			√				
COM-001-1	R2 and R5	<b>Telecommunications</b>	TO, BA, RC, NERCNet User Organizations.	Each Reliability Coordinator, Transmission Operator and Balancing Authority needs adequate and reliable telecommunications facilities internally and with others for the exchange of interconnection and operating information necessary to maintain reliability.			√				
EOP-001-0	All	<b>Emergency Operations Planning</b>	BA, TOP	Each Transmission Operator and Balancing Authority needs to develop, maintain, and implement a set of plans to mitigate operating emergencies. These plans need to be coordinated with other Transmission Operators and Balancing Authorities, and the Reliability Coordinator.			√				
EOP-003-1	All	<b>Load Shedding Plans</b>	BA, TOP	A Balancing Authority and Transmission Operator operating with insufficient generation or transmission capacity must have the capability and authority to shed load rather than risk an uncontrolled failure of the interconnection.			√				
EOP-005-1	All	<b>System Restoration Plans</b>	BA, TOP	To ensure plans, procedures, and resources are available to restore the electric system to a normal condition in the event of a partial or total shut down of the system			√				

EOP-006-1	All	<b>Reliability Coordination – System Restoration</b>	RC	The Reliability Coordinator must have a coordinating role in system restoration to ensure reliability is maintained during restoration and priority is placed on restoring the Interconnection.			√				
EOP-008-0	All	<b>Plans for Loss of Control Center Functionality</b>	BA, RC, TOP	Each reliability entity must have a plan to continue reliability operations in the event its control center becomes inoperable.			√				
EOP-009-0	All	<b>Documentation of Blackstart Generating Unit Test Results</b>	GO, GOP	To ensure that the quantity and location of system blackstart generators are sufficient and that they can perform their expected functions.			√				
FAC-003-1	All	<b>Vegetation Management</b>	RRO, TO	To improve the reliability of the electric transmission systems by preventing outages from vegetation located on transmission rights-of-way (ROW) and minimizing outages from vegetation located adjacent to ROW, maintaining clearances between transmission lines			√	Q			
FAC-008-1	All	<b>Facility Ratings Methodology</b>	GO, TO	To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology			√				
FAC-009-1	All	<b>Establish and Communicate Facility Ratings</b>	GO, TO	To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology or methodologies.			√				

IRO-001-1	All	<b>Reliability Coordination – Responsibilities and Authorities</b>	BA, GOP, LSE, PSE, RC, RRO, TOP, TSP	Reliability Coordinators must have the authority, plans, and agreements in place to immediately direct reliability entities within their Reliability Coordinator Areas to re-dispatch generation, reconfigure transmission, or reduce load to mitigate critical conditions to return the system to a reliable state. If a Reliability Coordinator delegates tasks to others, the Reliability Coordinator retains its responsibilities for complying with NERC and regional standards. Standards of conduct are necessary to ensure the Reliability Coordinator does not act in a manner that favors one market participant over another.			√				
IRO-004-1	All	<b>Reliability Coordination — Operations Planning</b>	BA, GO, GOP, LSE, RC, TO, TOP, TSP	Each Reliability Coordinator must conduct next-day reliability analyses for its Reliability Coordinator Area to ensure the Bulk Electric System can be operated reliably in anticipated normal and Contingency conditions.			√			√	
IRO-014-1	All	<b>Procedures, Processes, or Plans to Support Coordination Between Reliability Coordinators</b>	RC	To ensure that each Reliability Coordinator's operations are coordinated such that they will not have an Adverse Reliability Impact on other Reliability Coordinator Areas and to preserve the reliability benefits of interconnected operations.			√				

IRO-015-1	All	<b>Notifications and Information Exchange Between Reliability Coordinators</b>	RC	To ensure that each Reliability Coordinator's operations are coordinated such that they will not have an Adverse Reliability Impact on other Reliability Coordinator Areas and to preserve the reliability benefits of interconnected operations.			√					
IRO-016-1	All	<b>Coordination of Real-time Activities Between Reliability Coordinators</b>	RC	that they will not have an Adverse Reliability Impact on other Reliability Coordinator Areas			√					
PER-002-0	All	<b>Operating Personnel Training</b>	BA, TOP	Each Transmission Operator and Balancing Authority must provide their personnel with a coordinated training program that will ensure reliable system operation.			√					
PER-003-0	All	<b>Operating Personnel Credentials</b>	BA, RC, TOP	Certification of operating personnel is necessary to ensure minimum competencies for operating a reliable Bulk Electric System.						√		
PER-004-1	All	<b>Reliability Coordination — Staffing</b>	RC	Reliability Coordinators must have sufficient, competent staff to perform the Reliability Coordinator functions.			√					
PRC-004-1	All	<b>Analysis and Mitigation of Transmission and Generation Protection System Misoperations</b>	DP*, GO, TO	Provide trip operation / misoperation information per regional process.			√		√			
PRC-005-1	All	<b>Transmission and Generation Protection System Maintenance and Testing</b>	DP*, GO, TO	Document/implement transmission protection system maintenance/testing/monitoring PROGRAM			√					

PRC-008-0	All	<b>Implementation and Documentation of Underfrequency Load Shedding Equipment Maintenance Program</b>	DP, TO	Document/implement UFLS maintenance/testing PROGRAM			√				
PRC-010-0	All	<b>Technical Assessment of the Design and Effectiveness of Undervoltage Load Shedding Program.</b>	DP, LSE, TO, TOP	ASSESS design and effectiveness of UVLS programs			√				
PRC-011-0	All	<b>UVLS System Maintenance and Testing</b>	DP, TO	Document/implement UVLS maintenance/testing PROGRAM			√				
PRC-016-0	All	<b>Special Protection System Misoperations</b>	DP, GO, TO	DOCUMENT/analyze misoperations			√		√		
PRC-017-0	All	<b>Special Protection System Maintenance and Testing</b>	DP, GO, TO	Document/implement SPS maintenance/testing PROGRAM			√				
PRC-021-1	All	<b>Under-Voltage Load Shedding Program Data</b>	DP, TO	DOCUMENTATION of undervoltage load shedding program			√				
TOP-003-0	All	<b>Planned Outage Coordination</b>	BA, GOP, RC, TOP	Scheduled generator and transmission outages that may affect the reliability of interconnected operations must be planned and coordinated among Balancing Authorities, Transmission Operators, and Reliability Coordinators.			√				√

TOP-004-1	R6	<b>Transmission Operations</b>	TOP	To ensure that the transmission system is operated so that instability, uncontrolled separation, or cascading outages will not occur as a result of the most severe single Contingency and specified multiple Contingencies.			√				
TOP-005-1	All	<b>Operational Reliability Information</b>	BA, PSE, RC, TOP	To ensure reliability entities have the operating data needed to monitor system conditions within their areas.			√			√	
TOP-007-0	All	<b>Reporting System Operating Limit (SOL) and Interconnection Reliability</b>	RC, TOP	Ensure SOL and IROL violations are being reported to the Reliability Coordinator so that the Reliability Coordinator may evaluate actions being taken and direct additional corrective actions as needed.						√	
TPL-001-0	All	<b>System Performance Under Normal (No Contingency) Conditions</b>	PA, TPL	System performance under normal conditions			√				
TPL-002-0	All	<b>System Performance Following Loss of a Single Bulk Electric System Element</b>	PA, TPL	System performance under single contingency			√				
TPL-003-0	All	<b>System Performance Following Loss of Two or More Bulk Electric System Elements</b>	PA, TPL	System performance under multiple contingencies			√				
TPL-004-0	All	<b>System Performance Following Extreme Events Resulting in the Loss of Two or More Bulk Electric System Elements</b>	PA, TPL	System performance under extreme contingencies			√				

VAR-001-1	All	<b>Voltage and Reactive Control</b>	PSE, TOP	To ensure voltage levels, reactive flows, and reactive resources are monitored, controlled, and maintained within limits in real time to protect equipment and the reliable operation of the Interconnection.			√				
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**2006 Readiness Audit Schedule**  
**NOT FOR PUBLIC DISTRIBUTION**

<b>2007 Readiness Audit Schedule</b>			Updated	11/15/2006
<b>Week</b>	<b>Date</b>	<b>Entity Name</b>	<b>Entity Type</b>	<b>Region</b>
1	Jan 1-4	HOLIDAY WEEK		
2	Jan 8-11			
3	Jan 15-18			
4	Jan 22-25			
5	Jan 29 - Feb 1			
6	Feb 5-8			
7	Feb 12-15			
8	Feb 19-22	HOLIDAY WEEK		
9	Feb 26-Mar 1			
10	Mar 5-8			
11	Mar 12-15			
12	Mar 19-22			
13	Mar 26-29			
14	Apr 2-5			
15	Apr 9-12			
16	Apr 16-19			
17	Apr 23-26			
18	Apr 30 - May 3			
19	May 7-10			
20	May 14-17	APS	BA	WECC
21	May 21-24			
22	May 28-31	HOLIDAY WEEK		
23	Jun 4-7	TPWR	BA	WECC
24	Jun 11-14			
25	Jun 18-21	AVA	BA	WECC
	June 25-28	WAUW (combined with WAUE Readiness Audit)	BA	WECC
26	Jun 25-28	CHPD	BA	WECC
27	Jul 2-5	HOLIDAY WEEK		
28	Jul 9-12			
29	Jul 16-19			
30	Jul 23-26			
31	Jul 30-Aug 2	PNSC	RC	WECC
32	Aug 6-9			
33	Aug 13-16	PACW/PACE	BA	WECC
34	Aug 20-23			
35	Aug 27-30			
36	Sep 3-6	HOLIDAY WEEK		
37	Sep 10-13	PSEI	BA	WECC
38	Sep 17-20			
39	Sep 24-27	SMUD	BA	WECC
40	Oct 1-4			
41	Oct 8-11	CMRC	RC	WECC

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<b>Week</b>	<b>Date</b>	<b>Entity Name</b>	<b>Entity Type</b>	<b>Region</b>
	Oct 8-11	<b>DEAA/GRMA/HGMA - Generator only BA (3), combined with SERC</b>	<b>BA</b>	<b>WECC</b>
42	Oct 15-18			
43	Oct 22-25	<b>RDRC</b>	<b>RC</b>	<b>WECC</b>
44	Oct 29-Nov 1			
45	Nov 5-8	<b>SRP</b>	<b>BA</b>	<b>WECC</b>
46	Nov 12-15	<b>BPAT</b>	<b>BA</b>	<b>WECC</b>
47	Nov 19-22	<b>HOLIDAY WEEK</b>		
48	Nov 26-30			
49	Dec 3-6			
50	Dec 10-13			
51	Dec 17-20			
52	Dec 24-27	<b>HOLIDAY WEEK</b>		

11/15/2006