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# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

## NERC Compliance Monitoring and Enforcement Program

2011 Implementation Plan  
May 11, 2011: Revision 2.0

NOTE:

CMEP Implementation Plan and the 2011 Actively  
Monitored Reliability Standards List is posted at:

<http://www.nerc.com/commondocs.php?cd=3>

to ensure  
the reliability of the  
bulk power system

116-390 Village Blvd., Princeton, NJ 08540  
609.452.8060 | 609.452.9550 fax  
[www.nerc.com](http://www.nerc.com)

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# NERC Compliance Monitoring and Enforcement Program

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The NERC Compliance Monitoring and Enforcement Program (CMEP) is developed under Section 215(c) of the Federal Power Act<sup>1</sup> to establish and enforce Reliability Standards for the Bulk Electric System (BES), subject to review by the Federal Energy Regulatory Commission (FERC) and in general accordance with the “Principles for an Electric Reliability Organization that can Function on an International Basis.”<sup>2</sup> The CMEP is designed to improve reliability through the effective and efficient enforcement of Reliability Standards.

To help fulfill its responsibilities under its rules filed with regulatory authorities, NERC, as the international Electric Reliability Organization (ERO), has delegated authority to monitor and enforce compliance with Reliability Standards of owners, operators and users of the BES to qualified Regional Entities. This delegation is governed by delegation agreements that have been approved by the appropriate regulatory authorities (RDAs). NERC and these Regional Entities are responsible for carrying out the CMEP. Under NERC’s oversight each Regional Entity submits to NERC for approval its regional CMEP implementation plan that is based on this document.

NERC and the Regional Entities recognize that there are important reliability matters that require prompt communication to industry. NERC has used the Alerts/Advisory process to rapidly inform the industry of such matters. For example, NERC recently issued a **Recommendation to Industry, FAC-009-1 - Establish and Communicate Facility Ratings**, recommending that Transmission Owners and Generator Owners undertake a review of their transmission facility design versus as built field conditions. The implementation plan strongly encourages the applicable Registered Entities to proactively address such communications as a way of demonstrating good utility practice and a strong culture of compliance.

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<sup>1</sup> [http://www.nerc.com/fileUploads/File/AboutNERC/HR6\\_Electricity\\_Title.pdf](http://www.nerc.com/fileUploads/File/AboutNERC/HR6_Electricity_Title.pdf) .

<sup>2</sup> Bilateral Electric Reliability Oversight Group, August 3, 2005 (the “Bilateral Principles”).

## Introduction

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The NERC CMEP Implementation Plan is the operating plan for annual compliance monitoring and enforcement activities to ensure that NERC, as the international ERO, and its Regional Entities fulfill their responsibilities under the legislation in the United States and other applicable obligations in other jurisdictions in Canada and Mexico. Currently, Reliability Standards are mandatory and enforceable in the U.S. and the Canadian provinces of British Columbia, Ontario, and New Brunswick. The Canadian province of Alberta has adopted some of the Reliability Standards and is in the process of reviewing others. The legislative framework to make standards mandatory and enforceable exists in Manitoba, Nova Scotia, and Quebec. In addition, Reliability Standards become mandatory upon NERC Board of Trustees action in Saskatchewan. The National Energy Board of Canada is in the process of making Reliability Standards mandatory and enforceable for international power lines.

The compliance monitoring and enforcement activities are carried out by NERC and the eight Regional Entities based on the regulatory authority-approved uniform CMEP, the NERC Rules of Procedure (RoP), the respective delegation agreements (RDA) with the eight Regional Entities, and other agreements including Memoranda of Understanding with the Canadian provinces. This plan outlines the implementation requirements to be followed by NERC and the eight Regional Entities. Each Regional Entity submits its 2011 implementation plan by November 1, 2010 to NERC. NERC is responsible for approving the Regional Entity implementation plans.<sup>3</sup>

The 2011 Implementation Plan was developed considering the requirements, rules and information from the following:

- the NERC RoP;
- the CMEP;
- the RDAs;
- NERC Board of Trustees' actions, including those of the NERC Board of Trustees Compliance Committee;
- regulatory authority-approved Reliability Standards; and
- various Compliance Analysis products produced by NERC and provided to the BOTCC in open forum and to the industry.

The objectives of the Implementation Plan are to:

- Promote the reliability of the BES through rigorous compliance monitoring and enforcement activities;

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<sup>3</sup> See CMEP Section 4.2:

[http://www.nerc.com/files/Appendix4C\\_Uniform\\_CMEP\\_10162007.pdf#page=31](http://www.nerc.com/files/Appendix4C_Uniform_CMEP_10162007.pdf#page=31).

- Facilitate improved consistency of compliance activities throughout North America;
- Monitor all regulatory authority approved Reliability Standards by utilizing the eight CMEP compliance monitoring methods;
- Use risk-based and performance-based criteria for determining the scope for compliance audits;
- Consider history of the compliance activities and findings;
- Allow flexibility for the ERO and Regional Entities to investigate trends that may pose a near term risk to reliability either across the North America BES, across an Interconnection or within a Regional Entity boundary; and
- Improve the compliance program by analyzing the compliance monitoring experience across North America and implementing necessary improvements.

## NERC Compliance Monitoring and Enforcement Organization

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In 2010, NERC undertook a substantial reorganization of its Compliance Monitoring and Enforcement Department. All CMEP activities were managed out of a single department prior to this reorganization. NERC separated these activities into three distinct departments to better fulfill key aspects of the NERC vision – particularly fostering greater transparency, culture of compliance, and strong enforcement.

The Compliance Operations Department is charged with the overriding goal of ensuring success of the Regional Entities and Registered Entities with respect to reliability compliance.

The Compliance Enforcement Department is tasked with ensuring strong, consistent, and expeditious enforcement of Reliability Standard violations.

The Event Analysis and Investigation Department combines the technical expertise of NERC's situation awareness staff, events analysis staff and its compliance investigators to facilitate efficient processing of these complementary activities to provide lessons learned which will promote increased reliability of the Bulk Electric System.

## Reliability Standards Subject to 2011 CMEP Implementation

The regulatory authority approved Reliability Standards and requirements are monitored through at least one of the eight CMEP compliance monitoring methods. For the “audit” monitoring method, NERC and the Regional Entities have developed and implemented risk-based and performance-based criteria for determining the scope of the Reliability Standards to be reviewed during the conduct of the audit. Factors associated with BES issues across North America, across the respective Interconnection, and within a Regional Entity boundary, as well as specifics associated with a Registered Entity are used for determining the scope of the audit.

The risk-based and performance-based audit criteria include six components for scope identification;

- 1) North American-wide NERC Reliability Standards most violated, including both all time historical and rolling twelve-month statistics, are considered. This encompasses the core standards to be monitored across the industry.
- 2) Regional Entity-specific most violated NERC Reliability Standards, which may include standards already identified in item #1 for some Regional Entities, or additional standards. This analysis allows Regional Entities to focus on significant trends and issues within the Regional Entity boundary. This also could lead to the identification of Interconnection-wide issues and concerns.
- 3) Regional Entity Reliability Standards most violated, as applicable.
- 4) Registered Entity specific issues, including but not limited to operational issues, operational footprint changes, corporate restructuring, other trends, *etc.*
- 5) Random determination (other high risk reliability standards, registered functions trends and concerns, standards rising in prominence and identified through trend analysis)
- 6) Compliance Culture, which considers the entity’s compliance culture and overall strength of compliance.

The performance-based approach has two components. One component is the past performance of a Registered Entity as it relates to the operation of the BES and the relative strength of the compliance controls in place to assure compliance. The second component includes a more detailed review and testing of the Registered Entity’s programs and procedures to assure actual performance of the stated programs are being implemented, rather than relying solely on documentation.

Regional Entities will determine the Registered Entity’s specific audit scope based upon the NERC Actively Monitored Reliability Standards List and the six components listed above. The audit scope for Registered Entities that are registered for performing identical “functions” will not always be identical across or within the Regional Entities. Registered Entities will be advised of the audit scope when they receive the formal audit notice. Compliance information and data archived by the Regional Entity from the

implementation of previous monitoring methods will be utilized in the development of a Registered Entity's audit scope, including but not limited to previous audits, self certifications, events, and previous or current enforcement actions.

Regional Entities are authorized and obligated to implement the NERC annual implementation plan. Regional Entity staff may increase the scope of compliance activities related to the NERC program, but cannot reduce the scope of compliance activities without NERC consent. Where Regional Entities determine that a reduced scope is appropriate, the Regional Entity will submit the reduced scope rationale and proposed audit notification letter for the entity to be audited to NERC Compliance Operations at least 90 days prior to the audit for approval.

Registered Entities must be in compliance with all Reliability Standards at all times. NERC and the Regional Entities encourage aggressive self-assessments and analysis and self reporting of noncompliance by Registered Entities. Registered Entities are further encouraged to draft mitigation plans upon identification and self reporting of possible violations, prior to the required submission timeline per the CMEP. Mitigation plans are not an admission of a violation and are treated as voluntary corrective action. Mitigation plans duly prepared and promptly submitted to the Regional Entity will be used to demonstrate a positive, proactive culture of compliance in any potential enforcement action.

The overall monitoring scope of the 2011 implementation program is based on Reliability Standards that are anticipated to be in effect in 2011 as of the date on which this plan is approved. To the extent new or revised Reliability Standards are adopted, approved by the regulatory authority or in effect during the course of 2011, NERC will work with the Regional Entities to determine whether the 2011 program needs to be amended to include them.

All NERC Reliability Standards identified in the 2011 implementation program are listed in the 2011 CMEP Actively Monitored Reliability Standard list posted on the NERC Web site at the following link: <http://www.nerc.com/commondocs.php?cd=3>

The 2011 Actively Monitored Reliability Standards list includes several worksheets. A description of each is listed below:

- **Summary Tabs:** Quick reference listings of the Reliability Standards and requirements identified for compliance audits, self-certifications and spot checks required by NERC in 2011 and mandatory effective dates for standards. These tabs are designed to give the user a quick reference of the implementation plan lists. There are also comparisons of the number of Reliability Standards and requirements monitored in the 2007, 2008, 2009, and 2010 programs.
- **Requirements Detail Tab:** A detailed list of the requirements included in the 2011 implementation plan.

- **Revision History:** The revision history that will allow users, owners and operators of the BES to see all of the changes to the 2011 Actively Monitored Reliability Standards spreadsheets.

## 2011 CMEP Discovery Methods

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Reliability Standards included in the NERC 2011 Compliance Monitoring and Enforcement Program are approved by the appropriate regulatory authority and are subject to the CMEP. NERC staff performed a detailed assessment of all of the approved Reliability Standards to identify the risk-based Reliability Standards for North America wide consideration based on the multiple inputs outlined in the criteria listed below:

- High Violation Risk Factor;<sup>4</sup>
- NERC top ten list of most violated Reliability Standards;
- Regional Entity's top ten list;
- History of past events and major reliability issues;
- Violation Risk Index (top five);
- Review of the Final Report on the August 14, 2003 Blackout;
- A review of violation statistics and trends.

NERC staff worked in close coordination with the Regions to further refine the list and determine appropriate monitoring methods for the Reliability Standards selected using a risk based approach.

NERC and the Regional Entities have processes in place to implement each compliance monitoring method as appropriate to a given set of facts and circumstances. In 2011, the compliance monitoring methods will be implemented as stated below:

### 1. Compliance Audits

The Reliability Standards selected for compliance audit are determined on a risk-based and performance that includes experience, history, and other factors to focus on real-time, high impact high risk requirements in performance of the on-site audit. The Regional Entities will provide to the Registered Entity the scope of the compliance audit with the audit notification letter. The scope document will contain the Regional Entities analysis of its risk and performance based approach which determined the audit scope for the Registered Entity being audited.

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<sup>4</sup> "Each requirement set out within NERC's Reliability Standards has been assigned a Violation Risk Factor (VRF) through the NERC Reliability Standards development process. The factors have been defined and approved through the standards development process and are assigned to requirements to provide clear, concise and comparative association between the violation of a requirement and the expected or potential impact of the violation to the reliability of the bulk electric system. One of three defined levels of risk is assigned to each standards requirement: Lower Risk Factor, or; Medium Risk Factor, or; High Risk Factor. Definitions of the factors can be found in appropriate standards development process documentation."

Rules of Procedure Paragraph 4.1.1 the link:

[http://www.nerc.com/files/NERC\\_Rules\\_of\\_Procedure\\_EFFECTIVE\\_20090616.pdf#page=172](http://www.nerc.com/files/NERC_Rules_of_Procedure_EFFECTIVE_20090616.pdf#page=172).

Regional Entities have the authority to expand the audit based to include other standards and requirements, but cannot reduce the scope without NERC's consent. Regional Entities shall consider past performance, including historical violation trends across the Region and those specific to the Registered Entity, changes to compliance responsibility resulting from mergers, acquisitions, corporate re-organizations, open investigations and other factors that in the judgment of the Regional Entity audit staff should be considered as part of the normal planning required for a compliance audit and consistent with generally accepted audit practices.

The scope of the Registered Entities compliance audits must include a review of all mitigation plans that are pending prior to the first day of the compliance audit. For the purposes of mitigation plan review the first day of the compliance audit is considered to be the first day that formal review of evidence, or an opening presentation, is conducted with the entity. Regional Entities must provide the compliance audit team with the status, documentation, and evidence of validation for all mitigation plans that meet the review criteria. The scope of the Regional Entities compliance audits should include a review of all mitigation plans.

For compliance audits, NERC provides additional guidance:

a. Modeling, Data, and Analysis (MOD) Reliability Standards

Compliance monitoring with these reliability standards will encompass multiple monitoring methods. The Modeling, Data, and Analysis (MOD) Reliability Standards (MOD-001-1, 004-1, 008-1, 028-1, 029-1, and 030-2) become effective April 1, 2011, but are not auditable until June 1, 2011. The Registered Entity is responsible for compliance to the above Reliability Standards per the effective date. The Regional Entities will include in the compliance audit scope for applicable registered entities, MOD-001-1, 004-1 and 008-1 when the MOD Reliability Standards become effective. All regulatory authority approved MOD Reliability Standards will be included in the self-certification. The Regional Entity annual plans will describe and address the data submission requirements and processes for all MOD standards. Spot checks will be conducted as warranted or included in the scope of compliance audits.

Relevant regulatory orders, FERC Order Nos. 729 and 729A address compliance monitoring of the recently approved MOD Reliability Standards and require these standards to be included in the audit plan in the course of the periodic, three-year audits of users, owners and operators of the Bulk-Electric System and added to the 2011 implementation plan.<sup>5</sup>

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<sup>5</sup> See FERC Order No. 729 at P 131 (“As indicated above, we are persuaded by the commenter’s that the proposed 180-day time frame for conducting the MOD Reliability Standards audits is not practical, and likely not feasible. Upon further consideration, the Commission hereby directs the ERO to conduct these audits in the course of its periodic, three-year audits of users, owners and operators of the Bulk-Power System. The ERO shall begin this audit process 60 days after the implementation of these Reliability Standards. On an annual basis, to commence on 180 days after the implementation of the Reliability Standards approved herein, the ERO shall file the audit reports (or the results of its audit in any other format) with the Commission.”),

Order 729 addresses a subset of the MOD Standards, MOD-001-1, MOD-004-1, MOD-008-1, MOD-028-1, MOD-029-1, and MOD-030-2 which become effective April, 1 and are not auditable until June 1, 2011. The ERO and subsequently the Regional Entities via the Regional Delegation Agreement (RDA), must retain information and material gathered during the course of its audit and make it available to Commission staff upon request, so as to allow Commission staff to inquire into possible anti-competition concerns. Additionally, the ERO should conduct the audits in the due course of its periodic, three-year audit cycle, i.e., these Reliability Standards should be added to the ERO's list of actively monitored Reliability Standards. The Commission will need access to historical data to investigate the implementation of the available transfer capability. "Accordingly, pursuant to section 215(d)(5) of the FPA and section 39.5(f) of our regulations, ... [the ERO will] increase the document retention requirements to a term of five years."<sup>6</sup>

The audit of the MOD standards will be conducted in the due course of its periodic, three-year audits of users, owners and operators of the Bulk-Power System and the data retention requirements will be for the preceding five years.

Compliance monitoring of these reliability standards will encompass multiple monitoring methods. The Regional Entities will include in the compliance audit scope for applicable Registered Entities, MOD-001-1, 004-1 and 008-1. The Regional Entity implementation plans will describe and address the data submission requirements and processes for the applicable MOD standards. Spot checks will be conducted as warranted.

b. PRC-023-1 Reliability Standard

PRC-023-1 Reliability Standard was initially effective in July of 2010, but was not included in the compliance audit scope for 2010; therefore NERC and the Regional Entities determined it is appropriate to include PRC-023-1 Requirement 1 in the compliance audit monitoring program for 2011. The remaining requirements are subject to other compliance monitoring methods at the Regional Entities' discretion.

c. CIP Reliability Standards Compliance Audits

At the end of 2010, all scheduled activities described in the "Implementation Plan for Reliability Standards CIP-002-1 through CIP-009-1,"<sup>7</sup> will be complete and Registered Entities are subject to audits for compliance with all requirements of CIP-002-3 through CIP-009-3. The 2011 CIP compliance audits will cover the period when version 3 was in effect; however if there are indications of possible non-compliance auditors and authorized and obligated to review previous version time periods in order to determine the extent of possible violations.

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<sup>6</sup> See FERC Order No. 729 at P 125("If the Commission determines upon its own review of the data, or upon review of a complaint, that it should investigate the implementation of the available transfer capability methodologies, the Commission will need access to historical data." Accordingly, pursuant to section 215(d)(5) of the FPA and section 39.5(f) of our regulations, the Commission directs the ERO to modify the Reliability Standards so as to increase the document retention requirements to a term of five years, in order to be consistent with the enforcement provisions established in Order No. 670.").

<sup>7</sup> [http://www.nerc.com/files/Guidance\\_on\\_CIP\\_Standards.pdf](http://www.nerc.com/files/Guidance_on_CIP_Standards.pdf).

The NERC CIP staff worked to identify the appropriate CIP requirements for auditing on site using a risk assessment that takes into account the necessary use of subject matter expertise and the complexity of these standards. This resulted in a decrease of requirements for on-site audits. Details are listed in the 2011 Actively Monitored Reliability Standards list. Audit leads of CIP audits should have requisite experience, training, and/or credentials in cyber security and/or IT auditing.

d. COM Reliability Standards

COM-001 and 002 will be audited for the RCs. The RC function is one of the three critical functions that require certification. Their ability to perform is determined in large part by their communications. The COM Reliability Standards are subject to other compliance monitoring methods for applicable registered function at the Regional Entities' discretion.

e. EOP-001 Reliability Standard

The requirement to audit and perform an annual self-certification for EOP-001-0, R3.4 and EOP-001-1, R2.4 has been removed in version 2 of the 2011 CMEP Implementation Plan, for Registered Entities that are not registered for the TOP function. According to the Requirements each Transmission Operator and Balancing Authority must develop, maintain, and implement a set of plans to mitigate operating emergencies. These plans must be coordinated with other Transmission Operators, Balancing Authorities and the Reliability Coordinator. In many cases, the BA and TOP functions are performed by the same Registered Entity. However, there are situations where a BA is not also a TOP. When this is the situation, a BA does not have a role in system restoration and therefore would not have a set of plans for system restoration.

EOP-001-0, R3.4 is applicable to FERC jurisdictional Registered Entities while EOP-001-1, R2.4 is applicable to Registered Entities in the Canadian provinces pursuant to each Canadian Province's Memorandum of Understanding. Information concerning this item is listed below:

On March 17, 2011 FERC Orders 748 and 749 approved EOP-005-2 in lieu of approving EOP-001-1. The EOP-005-2 Implementation Plan retires EOP-001-0 R3.4 and EOP-001-1 R2.4 when EOP-005-2 becomes effective. EOP-005-2 will be effective for FERC jurisdictional Registered Entities on July 1, 2013 and twenty four months after NERC Board of Trustees approval for Registered Entities in the Canadian provinces pursuant to each Canadian Province's Memorandum of Understanding.

f. 2011 Compliance Audit Schedule

The 2011 NERC compliance audit schedule, which is a compilation of all regional schedules, will be posted on the Compliance Resource page on the NERC Web site.<sup>8</sup> This posted schedule is updated quarterly. This process allows the Registered Entities to have access to the schedule for the upcoming year as soon as possible.

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<sup>8</sup> <http://www.nerc.com/commondocs.php?cd=3>.

The compliance audits listed on the schedule are labeled as on-site audits or off-site audits. This distinction is only relevant to the location of the audit activities, not the rigor of the audits. Both on-site and off-site audits are compliance audits and are performed using the same Questionnaire Reliability Standards Audit Worksheets (QRSAW) and other audit tools and processes. The major difference is that on-site audits would entail physical access to the audited entity's premises. In fact, a large portion of the pre-audit work associated with an on-site audit may actually occur off-site.

Nevertheless, certain types of audits must contain an on-site component because of the nature or function of the Registered Entity. For example, Reliability Coordinator, Balancing Authority and Transmission Operator functions must be audited on-site. For other bulk power system owners, operators, and users on the NERC Compliance Registry, the Regions and NERC can use discretion on the location and the conduct of the audit. However, in either case, the Regional Entity should plan the audit to assure proper scope and rigor.

g. Compliance Audit Reports

NERC posts public versions of the Regional Entities' compliance audit reports of Registered Entities on the NERC website to satisfy requirements of the CMEP. Regional Entities submit two audit reports for each compliance audit of a Registered Entity; a public report and a non-public report. The public report does not contain critical energy infrastructure information or any other information deemed confidential. The public report does not include a description of how the audit team determined its findings, rather, it includes a listing of the findings. The names of the Regional Entity personnel and Registered Entity personnel participating in the audit are excluded from the public report and all participants are identified by title. The non-public report contains confidential information and detailed evidence that supports the audit findings. The names and titles of all Regional Entity personnel and all Registered Entity personnel participating in the audit are included in the non-public report.

Public and non-public compliance audit reports that do not contain possible violations are completed by the Regional Entities and are submitted to NERC at the same time. Upon receipt of the reports NERC posts the public reports on the NERC web site and submits the non-public audit reports to the applicable regulatory authority.

Public and non-public audit reports that contain possible violations are submitted to NERC at different times. The non-public compliance audit reports are completed by the Regional Entities as soon as practical after the last day of the audit and are then submitted to NERC. Upon receipt of the non-public reports NERC submits them to the Applicable Governmental Authority. The public reports that contain possible violations are completed by redacting all confidential information in the non-public reports. The Regional Entities retain the public version of compliance audit reports that contains possible violations until all violations are processed through the NERC Compliance Monitoring and Enforcement Program (CMEP). Due process is considered complete when all possible violations are dismissed or when a violation is confirmed or a settlement is reached and a decision has been rendered if applicable, by the regulatory

authority (ex. Notice of Penalty (NOP) has been issued in U.S.). Upon completion of due process the Regional Entities submit the public version of the compliance audit reports to the Registered Entities for review and comment prior to submitting them to NERC. Upon receipt of the public reports NERC posts them on the NERC web site and can be accessed at: <http://www.nerc.com/page.php?cid=3|26|246> .

#### h. Compliance Monitoring Tools

The NERC Questionnaire - Reliability Standard Audit Worksheet's (QRSAW) are designed to add clarity and consistency to the assessment of compliance with Reliability Standards. The QRSAWs are used for multiple compliance monitoring methods. Comments on these and any of NERC's auditor resources are welcome and can be directed to the Regional Entity Compliance Managers. For more information on NERC's regional programs, please click here: <http://www.nerc.com/page.php?cid=3|23>.

The QRSAWs are posted on the NERC public web site and provide information to the industry about expectations of the ERO compliance auditors when evaluating compliance with a Reliability Standard. NERC works in close coordination with the Regional Entities to ensure the information in existing QRSAWs is updated with the latest regulatory authority language and guidance, and new QRSAWs are developed as Reliability Standards are approved. It is recommended that Regional Entities and Registered Entities check the NERC website regularly to ensure the latest available versions of QRSAWs are being used.

NERC works with Regional Entities to review these QRSAWs on a continuous basis for improvement. NERC will transition the QRSAWs into a database format in the near future to allow for timely updates as Reliability Standards are approved, modified, or retired.

## 2. Self-Certification

All Registered Entities are required to participate in the annual self-certification each year per the NERC Actively Monitored Reliability Standard list. Regional Entities at their discretion may include additional Reliability Standards to include in the Regional 2011 implantation plan. Registered Entities will receive guidance and instruction from their respective Regional Entity concerning self-certification submittals.

### a. CIP-002-3 through CIP-009-3 Reliability Standards

The implementation plan for Reliability Standards CIP-002-3 through CIP-009-3 specified the compliance schedule for Registered Entities. Until applicable entities reached the “Auditably Compliant” stage, they were required to file semi-annual self-certifications. Therefore, the special CIP self-certifications previously conducted each January and July will no longer be required. Instead, registered entities will be required to self certify once per year, as scheduled by the Regional Entity and according to the Regional Entity’s 2011 Implementation Plan. However, the issuance of CIP supplemental questionnaires may be needed as directed by NERC or an Applicable Governmental Authority. Refer to the CIP Implementation Plan for further details at [“Implementation Plan for Newly Identified Critical Cyber Assets and Newly Registered Entities.”](#)

One unique characteristic of the CIP Standards pertains to self-certification: CIP-002-3 R4<sup>9</sup> requires all entities to annually approve their risk-based assessment methodology, the list of Critical Assets and the list of Critical Cyber Assets, even if such lists are null. Thus, entities will need to submit self-certification for CIP-002-3 even if they conclude they have no Critical Assets.

## 3. Spot-Checks

NERC and the Regional Entities have the authority to conduct additional spot checks of any regulatory approved Reliability Standards. Regional Entities may expand the list of Reliability Standards and requirements they have scheduled for spot checks in their Regional Implementation Plan. Regional Entities should ensure, however, that they satisfy any spot check requirements in the NERC Reliability Standards, RoP, and CMEP. All spot checks will require reports. The standard audit template provided by NERC will be utilized for all spot checks and submitted to NERC.

### a. NUC-001-2 Reliability Standard

NUC-001-2, effective April 1, 2010, requires detailed agreements and coordination among several critical registered functions. All applicable Registered Entities are responsible for compliance of NUC-001-2. Regional Entities will conduct spot checks of R1 and R2 for applicable Registered Entities.

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<sup>9</sup> <http://www.nerc.com/files/CIP-002-3.pdf>

b. IRO Reliability Standards

IRO-004-1 and IRO-005-2 will be audited with the exception of the PSE function for IRO-005-2 Requirement 13. All other IRO standards and Requirements, excluding IRO-005-2 Requirement 13 for the PSE function, are identified for spot checks at the Regional Entity's discretion and are subject to other compliance monitoring methods. Details of the Regional Entities' spot check program regarding the family of IRO Reliability Standards are provided in each Regional Entity's Implementation Plan. Assessment results of historical data concerning this family of Reliability Standards have indicated a small number of violations.

c. BAL-003-0.1b

The requirement for Regional Entities to conduct spot checks of BAL-003-0.1b, R.1, R.2, and R.5 has been removed in version 2 of the 2011 CMEP Implementation Plan. The decision is based on several factors including, but not limited to:

- Status of the BAL-003-2 Reliability Standard
- BAL-003-2 field trial
- Historical analysis of the number of violations
- Low number of violations associated with this Reliability Standard

The BAL-003-2 Reliability Standard is currently under development and approval by the appropriate stakeholder body and governmental authority will address many of the current issues related to the auditing of BAL-003-0.1b.

d. CIP Reliability Standards

Selected Reliability Standards Requirements of CIP-002-3 through CIP-009-3 will be audited and additional spot checks may be performed at the Regional Entity's discretion. CIP audits including CIP spot checks will require the appropriate reports per the RoP and CMEP.

#### **4. Periodic Data Submittals**

Specific Reliability Standards and Requirements have been identified for periodic data submittals. The periodic data submittals for 2011 are as shown on the Requirements Tab of the 2011 Actively Monitored Reliability Standards list. Specific information regarding periodic data submittals is defined in the Regional Entity Implementation Plans.

#### **5. Reporting**

a. Self-Report

Registered Entities are encouraged to self-report compliance violations with any regulatory authority-approved reliability standard. In most cases, self-reports of compliance violations are provided to the appropriate Regional Entity.<sup>10</sup> NERC strongly

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<sup>10</sup> The exception would be where the self-reporting entity is itself a Regional Entity, in which case the self-report should go directly to NERC in accordance with the Regional Entity's delegation agreement and other agreements with NERC.

encourages Registered Entities to report violations of Reliability Standards as soon as possible to ensure that the entity receives appropriate credit for self-reporting and to minimize any ongoing risk to the BES.

b. Exception Reporting

Specific Reliability Standards and requirements in the 2011 Actively Monitored Reliability Standards list have been identified for exception reporting by the Registered Entities to the Regional Entities for events or conditions occurring that are exceptions to the associated Reliability Standard Requirement.

## Compliance Investigation

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All regulatory authority-approved Reliability Standards are subject to a Compliance Investigation. The CMEP Section 3.4 states: “A Compliance Investigation may be initiated at any time by the Compliance Enforcement Authority, NERC, FERC or another Applicable Governmental Authority in response to a system disturbance, complaint, or possible violation of a Reliability Standard identified by any other means.”<sup>11</sup>

NERC monitors and tracks all Regional Entity-led Compliance Investigations (CIs) to verify and promote consistency in the regional programs.

### 1. Complaint

All regulatory authority-approved Reliability Standards or requirements are subject to a complaint regarding a compliance violation by a Registered Entity. Complaints can lead to a Compliance Investigation.

NERC maintains a Compliance Hotline to receive complaints which is administered by the Event Analysis & Investigation group). Any person may submit a complaint to report a possible violation of a reliability standard by phone by calling 609-524-7029, sending an e-mail directly to [hotline@nerc.net](mailto:hotline@nerc.net) or completing the form on <https://www.nerc.net/hotline/>. Unless specifically authorized by the complainant, NERC and Regional Entity staff will withhold the name of the complainant in any communications with the violating entity. All information provided will be held as confidential in accordance with the NERC Rules of Procedure.<sup>12</sup> The compliance staff will informally seek additional information from the submitter and others, as appropriate. The compliance staff may refer the matter for further investigation by NERC or the appropriate Regional Entity.

**Note:** The NERC Compliance Hotline is for reporting complaints or possible compliance violations of Reliability Standards by an entity. For other questions regarding the NERC CMEP or Reliability Standards, please send an email to [compliancefeedback@nerc.net](mailto:compliancefeedback@nerc.net).

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<sup>11</sup> [http://www.nerc.com/files/Appendix4C\\_Uniform\\_CMEP\\_10162007.pdf#page=20](http://www.nerc.com/files/Appendix4C_Uniform_CMEP_10162007.pdf#page=20).

<sup>12</sup> <http://www.nerc.com/page.php?cid=1|8|169>.

## 2011 Compliance Enforcement

### 1. Compliance Enforcement

NERC's Compliance Enforcement department conducts the following activities:

- Docketing of all possible violations coming into the NERC enforcement program,
- Analysis of compliance statistics,
- Conducting CMEP compliance enforcement proceedings regarding potential violations when NERC and the relevant Regional Entity determine it is more efficient/appropriate to have NERC do so; or participation with the Regional Entity in its proceedings where warranted.
- Reviewing of all mitigation plans and dismissals approved by Regional Entities, and
- Processing of all compliance violations prosecuted by Regional Entities.
- Review of all settlement agreements approved by Regional Entities.

Based on past experience, a priority for NERC and the Regions is to assure fair, reasonable, and timely enforcement determinations. NERC and Regional Entity are continuously reviewing ways to improve both speed and quality enforcement proceedings by streamlining processes, looking for more standardization, and prioritizing workload. Streamlined enforcement processes, specifically the introduction of the Disposition Document, Abbreviated Notice of Penalties and other process improvements, are currently being implemented and will be monitored for efficiency gains throughout 2011.

NERC performs substantive, independent reviews of all final enforcement actions including dismissals to assure fair, reasonable, and proper determinations. Achieving appropriate penalties and sanctions in a uniform manner at all eight Regional Entities is essential in consistent implementation of the CMEP.

### 2. Reporting, Analysis & Tracking

NERC and the Regional Entities continue to improve and integrate the various compliance reporting platforms to streamline processing, tracking, and reporting of compliance and enforcement activity. The NERC Compliance Reporting and Tracking System (CRATS) which was initiated in 2009, is in the production phase and is expected to be in full operation by late 2010 to early 2011.

NERC and the Regional Entities review violations trends and patterns to address possible root causes, and provide ways to prevent future violations by sharing lessons learned and other meaningful information. The Compliance Analysis Reports have been completed and posted on the NERC Website at: <http://www.nerc.com/page.php?cid=3|329>

## Key CMEP Activities and Initiatives

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NERC and the Regional Entities received CMEP implementation feedback from the Members Representative Committee (MRC), Compliance and Certification Committee (CCC) and other stakeholders. All feedback and input from these groups, among others, are reviewed on a continual basis for opportunities for improvement. NERC and the Regional Entities are committed to continuous improvement of the CMEP implementation.

### 1. CMEP Transparency Elements

NERC and the Regional Entities continuously balance the request from the industry to improve transparency with the confidential nature of the CMEP processes. NERC and the Regional Entities are continuously identifying and implementing innovative ways to share CMEP process information while honoring confidentiality. Additional initiatives are underway to increase transparency of CMEP elements in 2011 and are discussed later in this Chapter.

In 2010, NERC began publicly posting CMEP implementation and process information. NERC Compliance Operations will continue to review and publicly post CMEP implementation and process information in order to increase transparency of the CMEP application to Registered Entities. The public notices are located at the following link: <http://www.nerc.com/page.php?cid=3|22>

### 2. Compliance Communications

#### a. Seminars and Workshops

Seminars and workshops for compliance activities have been conducted at the Regional Entity level. The seminars and workshops are important learning exercises for those subject to Reliability Standards. NERC and the Regional Entities will continue compliance seminars, workshop and panel discussions, to educate Registered Entities and to increase transparency key CMEP processes important to reliability.

#### b. Compliance Application Notices

The NERC Compliance Operations Program and the Regional Entities are working towards common goals related to improving consistency, increasing transparency, and creating more efficiency in compliance processes. Past experiences found in the field by Regional Entities and NERC are an important part of meeting the goal to provide clarity on particular items and stating the proper expectations. NERC provides the information in various different formats, depending on the scope of the matter and relevance to the particular functions within the BES and include; NERC Observation Reports, directives, bulletins, Compliance Application Notices, White Papers, Best Practices, Lessons Learned, quarterly reports, and other means as NERC deems necessary.

The Compliance Application Notices along with the process can be found on the NERC website at: <http://www.nerc.com/page.php?cid=3|22|354>

### **3. Training**

#### **a. Compliance Auditors**

The NERC compliance auditor training is based on generally accepted auditing practices found in such authoritative documents such as the Government Accountability Office (GAO) Government Auditing Standards.

In 2011, NERC Compliance Operations will design and develop a tiered system of qualifications for compliance staff with requisite testing and/or credentials. Training is an important part of delivering consistency across NERC and the Regions.

In addition, NERC sponsors seminars on specific matters as way to provide continuous education to all staff. Two such seminars are scheduled for 2011. Continuing education will provide training on specific auditing issues to promote consistency and increased reliability.

#### **b. Compliance Investigative (CI) Staff**

“Fundamentals of CI” training has been conducted by NERC over the last two years. The training is scheduled to be conducted once a quarter and is revised from time to time.

c. CIP

Specialized training for CIP auditors is scheduled for development in late 2010 and is expected to continue through 2011. It is intended to not only address technical issues unique to the CIP Standards environment, but also to increase the skills of CIP auditor staff. Six sessions of CIP Standards Training (CIP Basics for Auditors) are scheduled for 2011. NERC encourages the CIP audit staff to have requisite experience, training and credentials in cyber security and IT auditing.

#### **4. Multiple Region Registered Entities (MRREs)**

There are several activities related to registration, compliance monitoring, and enforcement involving Registered Entities that are registered and operate and/or conduct business in multiple Regions. NERC and the Regional Entities are working together to develop a process for MRREs that will delineate the CMEP implementation for these types of registrations. The process will be implemented as a pilot program in early 2011. In the meantime, the Regional Entities have been working together to facilitate monitoring and enforcement of violations on a multi-Regional basis. NERC and the Regional Entities will continue in 2011 to improve efficiency in this area.

#### **5. Enforcement Streamlining**

a. Non-Confirmed Violations without Submitted Mitigation Plans

In 2010, Compliance Enforcement staff began analyzing various violation processing trends for the Board of Trustees Compliance Committee and for stakeholders. A trend has been identified as an increasing number of active violations in NERC's violation processing database for which the Registered Entities have not yet submitted mitigation plans. While there are a number of different reasons for the increase, NERC would like to remind Registered Entities of the importance of timely mitigation and plans for violations.

Compliance Enforcement staff will continue to clarify that the submission of a mitigation plan is not an admission of confirmed violation. Prior to and if enforcement confirms a possible violation to an alleged violation, the mitigation plan is treated as a voluntary corrective action. A sufficiency review performed by enforcement staff determines the scope and validity of a possible violation.

## Appendix 1 - Regional CMEP Implementation Plans

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The Regional Implementation Plan is 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, 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.

NERC requires the Regional Entities to include all of the items listed in the Regional Implementation Plan definition above in their 2011 implementation plan. This should include:

1. All Reliability Standards identified by NERC in the 2011 CMEP Actively Monitored Reliability Standards list.
2. Other Reliability Standards proposed for monitoring by the Regional Entity; these will include any regional Reliability Standards and additional NERC Reliability Standards.
3. The methods to be used by the Regional Entity for reporting, monitoring, evaluation, and assessment of performance criteria with each reliability standard. NERC expects at a minimum for the Regional Entities to perform the compliance monitoring methods identified in the NERC 2011 Actively Monitored Reliability Standards list. For compliance audits, if the audit scope for a Registered Entity expands beyond the NERC 2011 Actively Monitored Reliability Standards list, the Regional Entity must notify the Registered Entity of the expanded audit scope and reasons for the expansion. For references to NERC guidance or implementation plans such as the CIP Guidance, a link should be included in the regional implementation plan instead of listing the entire document.
4. The Regional Entity's Annual Implementation Plan should include a list of Registered Entity names that are on the 2011 schedule, NERC Registration ID, and the year they will be audited. The Regional Entity can provide its audit plan for multiple years in the future.
5. The Regional Entity's Annual Plan should address Key CMEP Activities and Initiatives.

## Appendix 2 - Regional Entity Request to Change Compliance Audit

**Request to Reduce Scope or Deferment of a Compliance Audit**  
**This form should be submitted as both a Word and PDF file via e-mail to**  
[Jacki.Power@nerc.net](mailto:Jacki.Power@nerc.net) and [Stacia-Ann.Chambers@nerc.net](mailto:Stacia-Ann.Chambers@nerc.net)

**Requesting Regional Entity Information:**

Date:	
Name:	
Title:	
Region:	
State the basis for Reduced Audit Scope or Deferment of Compliance Audit:	
State other methods used for compliance monitoring during period of reduced scope or deferment?	
State requested duration of deferment, if applicable.	
State whether this is a MRRE audit?	
Applicable Region(s):	FRCC <input type="checkbox"/> MRO <input type="checkbox"/> NPCC <input type="checkbox"/> RFC <input type="checkbox"/> SERC <input type="checkbox"/> SPP <input type="checkbox"/> TRE <input type="checkbox"/> WECC <input type="checkbox"/>

**Registered Entity Information:**

Registered Entity's Legal Name:	
NCR ID Number:	
Date of Last Compliance Audit:	
Date of Next Compliance Audit:	
Functions Applicable to this compliance audit scope:	BA <input type="checkbox"/> DP <input type="checkbox"/> GO <input type="checkbox"/> GOP <input type="checkbox"/> IA <input type="checkbox"/> LSE <input type="checkbox"/> PA <input type="checkbox"/> PSE <input type="checkbox"/> RC <input type="checkbox"/> RP <input type="checkbox"/> RSG <input type="checkbox"/> TO <input type="checkbox"/> TOP <input type="checkbox"/> TP <input type="checkbox"/> TSP

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**Registered Entity's Compliance History:**

List Active and Closed Violations. Include the Reliability Standard, Requirement and method of discovery:	
List status of Mitigation Plans for violations listed above.	

Regional Entity's Additional Information

Comments:	
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Regional Entity Authorized Signature

**ERO Analysis Results:**

State information reviewed and basis for determination	
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**ERO Final Determination:**

Approved:       Declined:

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ERO, Director of Compliance Operations

REVISION NUMBER	DATE	NATURE OF CHANGE	REVIEWER	APPROVAL
0	10/5/2010	Original Development	Jacki Power, Regional Entities, FERC	Michael Moon
1.0	2/04/2011	Deleted CIPS date reference (page 9 and 12). Provided guidance to self certify to the CIPS Reliability Standards once per year, according to the Regional Entity's 2011 Implementation Plan. IRO-005-2 Requirement 13: Added spot check in lieu of a compliance audit for the PSE function. Provided clarity for Regional Entity discretion concerning the IRO family of Reliability Standards. Provided clarity concerning BAL-003 Spot Checks Removed Figure 2, Confidentiality Table. Added clarity for the effective and audible date to the MOD Reliability Standards section	Jacki Power AJ Connor Catherine Sills	Michael Moon
2.0	4/25/2011	Removed audit and annual self-certification requirements for EOP-001-0 R3.4 (Chapter 5, Section 1e). Removed spot-check requirement for IRO-005-2, R13 for PSE function (Chapter 5, Section 3b). Removed spot-check requirement for BAL-003, R1, R2, and R5 (Chapter 5, Section 3c). Added Appendix 2 – Regional Entity Request to Change Compliance Audit.	Jacki Power Craig Struck	Michael Moon
2.0	5/11/2011	Corrected format issue with page headers for appendices section.	Craig Struck	