



NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC's Implementation of the Process Improvements and Compliance Findings Related to the Independent Evaluation of NERC's CMEP and ORCP ROP Requirements

RELIABILITY | ACCOUNTABILITY



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Implementation Plan for Process Improvement Recommendations

Process Improvement Opportunity		
Section 400 and 500: CMEP and ORCP		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
<p>NERC processes and procedures related to the CMEP and ORCP are not consistently maintained, organized and updated.</p> <p>Example: The Regional Entity-led Compliance Audit Report procedure (NPP-CO-301.R0) was last updated 7/13/2010</p> <p>Example: The Organization Certification Process (NPP-CO-101.R0) was last updated 7/15/2010</p> <p>Example: The CMEP Implementation Plan process (NPP-CO-201-R0) was last updated on 5/25/2010</p>	<p>NERC should require annual updates to its CMEP and ORCP process manuals which support the ROP.</p> <p>NERC should enhance the organization, maintenance, and storage of its CMEP and ORCP process manuals by utilizing a consistent document retention tool across the organization.</p>	<p>NERC Enforcement will review and update any Enforcement process manuals by December 31, 2013, and review them annually thereafter by December 31.</p> <p>Implementation Deadline: December 31, 2013 and annually thereafter by December 31.</p> <p>NERC Compliance Operations will review and update any Audit, Registration and Certification, and Compliance process manuals by December 31, 2014, and review them annually thereafter by December 31. This timing takes into account initiatives underway and planned for 2014 with respect to these areas.</p> <p>NERC Compliance Operations has a dedicated SharePoint site where all process manuals are being stored.</p> <p>Implementation Deadline: December 31, 2014 and annually thereafter by December 31.</p>

Process Improvement Opportunity		
401.12: NERC Compliance Staff shall periodically review and analyze all reports of Possible, Alleged and Confirmed Violations to identify trends and other pertinent reliability issues.		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
Enforcement data is analyzed by NERC and periodic reports are posted to the NERC website; however, the current PDF format of the presentations on the NERC website limit the ability of the Regional Entities and registered entities to analyze pertinent reliability issues.	To assist REs and registered entities in identifying pertinent reliability issues, NERC should implement training workshops for REs and registered entities to provide guidance on analyzing publicly available data to identify pertinent reliability issues and trends.	<p>NERC Enforcement and Training staff will develop a webinar to be provided in August 2013. In addition, NERC Enforcement and Training staff will provide training at the Fall Standards and Compliance Workshop. NERC will continue to provide enforcement statistics on a quarterly basis regarding the previous quarter.</p> <p>Implementation Deadline: Training will be provided by August 31, 2013 and data will continue to be provided on a quarterly basis.</p>

Process Improvement Opportunity

402.1: NERC shall have a program to monitor the Compliance Monitoring and Enforcement Program of each Regional Entity that has been delegated authority.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
While NERC has a variety of procedural documents supporting its monitoring program of the RE's CMEP, it has not developed a concise document that summarizes all activities of its monitoring program.	NERC should develop an overall monitoring procedural document to summarize the activities it uses to conduct monitoring of the RE's CMEP and how those activities are designed to address ROP requirements.	<p>NERC Compliance Operations will develop /review and update present process procedures that conduct monitoring of the RE's CMEP and how those activities are designed to address ROP requirements by December 31, 2014, and review them annually thereafter by December 31.</p> <p>Implementation Deadline: December 31, 2014 and annually thereafter by December 31.</p> <p>NERC Enforcement will develop, review and update present process procedures that conduct monitoring of the RE's CMEP and how those activities are designed to address ROP requirements by December 31, 2014, and review them annually thereafter by December 31.</p> <p>Implementation Deadline: December 31, 2014 and annually thereafter by December 31.</p>

Process Improvement Opportunity

402.1.1: NERC shall review each annual Regional Entity Compliance Monitoring and Enforcement Program Implementation Plan and shall accept the plan if it meets NERC requirements and the requirements of the delegation agreement

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
Although NERC approved the RE Implementation Plans, NERC's process for approving the RE Implementation Plans was not consistently documented within each RE Implementation Plan.	NERC should evidence its review and approval within the change log of the final RE Implementation Plan posted on the RE website.	<p>NERC Compliance Operations will include a change log in the 2014 implementation plan.</p> <p>Implementation Deadline: December 31, 2013 and annually thereafter.</p>

Process Improvement Opportunity

402.1.2: NERC shall annually evaluate the goals, tools, and procedures of each Regional Entity Compliance Monitoring and Enforcement Program to determine the effectiveness of each Regional Entity Compliance Monitoring and Enforcement Program, using criteria developed by the NERC Compliance and Certification Committee.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
The independent auditors observed that activities conducted by NERC to evaluate the goals, tools and procedures of the REs occur regularly throughout the year; however, no evidence was observed supporting NERC's overall annual evaluation of the RE's CMEP goals, tools, and procedures.	<p>Within the CCCPP-10 filing, the CCC developed a list of criteria for use by NERC in evaluating the compliance programs of each RE. NERC should ensure these criteria are addressed as part of the RE CMEP annual report process.</p> <p>To enhance evidence of NERC's annual evaluation of RE CMEP goals, tools, and procedures, NERC should develop a response to the RE annual report that addresses the RE responses and summarizes NERC's own observations of the RE throughout the year.</p>	<p>NERC Compliance Operations will develop, review and update present process procedures that conduct monitoring of the RE's CMEP and how those activities are designed to address ROP requirements and CCCPP-10 criteria by December 31, 2014, and review them annually thereafter by December 31.</p> <p>Implementation Deadline: December 31, 2014 and annually thereafter by December 31.</p>

Process Improvement Opportunity		
402.1.3: At least once every five years, NERC shall conduct an audit to evaluate how each Regional Entity Compliance Monitoring and Enforcement Program implements the NERC Compliance Monitoring and Enforcement Program.		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
The KRSSC process (NPP-CO-302.R1) includes a requirement in section 6.2.1, steps B and C, to review audit evidence and conclusions for differences. The PRC-005-1 KRSSC pilot excluded these steps.	The EOP-005-1 KRSSC sufficiently satisfies the requirements of NERC's KRSSC process. Subsequent KRSSC reviews should follow the process as described in the KRSSC procedure and implemented in the EOP-005-1 KRSSC.	By December 31, 2013, NERC Compliance Operations will update and revise the KRSSC process procedure to ensure that the requirements in section 6.2.1 and steps B and C are followed. <u>Implementation Deadline:</u> December 31, 2013.

Process Improvement Opportunity		
402.2: NERC shall maintain a single, uniform Compliance Monitoring and Enforcement Program, which is incorporated into these rules of procedure as Appendix 4C. Any differences in Regional Entity Compliance Monitoring and Enforcement Program methods, including determination of violations and Penalty assessment, shall be justified on a case-by-case basis and fully documented in each Regional Entity delegation agreement		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
To enhance the implementation of the FFT and SNOP processes in late 2011 and 2012, NERC provided support to select REs to streamline the development of documentation associated with the FFT and SNOP enforcement requirements; however, NERC's role in executing the RE requirement was not clearly documented in RE delegation agreement.	In cases where NERC provides assistance to REs, NERC should document such support as a part of its oversight responsibilities.	If and when NERC provides extraordinary assistance to REs, it will document such support in a separate memorandum with the specific REs. <u>Implementation Deadline:</u> As necessary.

Process Improvement Opportunity		
402.3: NERC and the Regional Entities shall implement data management procedures that address data reporting requirements, data integrity, data retention, data security, and data confidentiality.		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
While NERC has developed general data management procedures to address the ROP requirement, the documents do not specifically address data management requirements for the CRATS system and Active Directory shared drives that are integral to the performance of the CMEP and ORCP requirements.	Based on the significance of CRATS and Active Directory to the CMEP and ORCP processes, NERC should enhance its current data management procedures to specifically include CRATS and Active Directory. This should include an annual review by the business of access to these tools. In addition, Internal Audit should perform a periodic review of data integrity, data retention, data security, and data confidentiality over the CRATS and Active Directory systems.	NERC will conduct an annual review of business access to CRATS and will update its process document to reflect this annual review. <u>Implementation Deadline:</u> Process to be updated by December 31, 2013. NERC will conduct an annual review of business access to Active Directory and will update the related process document to reflect this annual review. <u>Implementation Deadline:</u> Process to be updated by December 31, 2013.
NERC's Agreed Upon Procedures (AUP) audits and AUP Spot Checks of the Regional Entities included a review of the RE's data management procedures; however, based upon the significance of data in supporting other CMEP procedures, NERC should complete monitoring of RE data management more timely than the current five year audit schedule of RE compliance with the overall CMEP.	Leading practices in data management indicate a more frequent monitoring program is required to address emerging technology risks. As a result, in addition to the ROP five year monitoring requirement, NERC should develop a more frequent monitoring program to evaluate the Regional Entities' data management procedures over data reporting requirements, data integrity, data retention, data security, and data confidentiality.	NERC Compliance Operations will develop a plan on how to assess the data management /reporting requirements as it relates to emerging technology risks in oversight activities by December 31, 2014. <u>Implementation Deadline:</u> December 31, 2014.

Process Improvement Opportunity

402.9: NERC shall develop and provide training in auditing skills to all people who participate in NERC and Regional Entity Compliance Audits. Training for NERC and Regional Entity personnel and others who serve as Compliance Audit team leaders shall be more comprehensive than training given to industry subject matter experts and Regional Entity members.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
NERC has a manual process for communicating auditing skill training opportunities and monitoring who is required to complete training for NERC and RE compliance audits.	<p>In addition to notifying auditors of training opportunities via email, NERC should create a catalog of available auditing skill trainings and publish the list to the appropriate individuals.</p> <p>NERC should utilize available training technology to enhance monitoring the satisfactory completion of training requirements by compliance auditors.</p>	<p>NERC Compliance Operations will work with NERC training department and the REs to develop an integrated schedule of available training activities by December 31, 2014. This schedule will also provide the type of training available (i.e., webinar, on-line, classroom).</p> <p>Implementation Deadline: December 31, 2014 and will be updated as needed (ongoing process).</p>

Process Improvement Opportunity

403.11.1: For an entity registered as a Balancing Authority, Reliability Coordinator, or Transmission Operator, the Compliance Audit will be performed at least once every three years.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
Although performed once every three years, due to on-going enforcement activities and/or confidentiality requirements, the BA, RC and TOP audit reports evidencing the three year audit performance requirement may not be publicly posted to NERC's website.	To enhance transparency associated with this requirement, NERC should confirm that each RE has appropriately satisfied the function audit requirement as a part of NERC's response to the RE annual report.	<p>NERC Compliance Operations is updating the present process procedures for the management of audit reports. This is expected to be completed by December 31, 2014.</p> <p>Implementation Deadline: December 31, 2014 and will be a standard operating type of procedure (ongoing process).</p>

Process Improvement Opportunity

403.16: Each Regional Entity will provide its annual report on the schedule established by NERC, generally on or about February 15 of the following year.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
While the RE provided annual reports to NERC timely, the independent auditors did not observe that NERC established a clear schedule on which each RE will provide its annual report, as stated in the ROP.	As part of the ERO implementation plan, NERC should clearly establish a schedule on when they expect to receive the Regional Entity annual report.	<p>NERC Compliance Operations is updating the present process procedures for the development of the 2014 implementation plan and a clear schedule will be developed. The plan is due to be completed on or about December 31, 2013, and is to be completed annually thereafter.</p> <p>Implementation Deadline: December 31, 2013 and annually thereafter by December 31.</p>

Process Improvement Opportunity

Appendix 4C.4.1: 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.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
NERC ERO Implementation Plans for 2010 and 2011 showed no evidence of Board of Trustees Compliance Committee (BOTCC) review and approval, as required in NERC's CMEP Implementation Plan process manual (NPP-CO-201.R0).	Similar to the evidence provided in the 2012 ERO Implementation Plan, NERC should follow the steps outlined in the CMEP Implementation Plan process manual to document the BOTCC review and approval in the ERO Implementation Plan prior to posting the Plan on its website by October 1.	NERC Compliance Operations is updating the present process procedures for the development of the 2014 implementation plan where clear lines of review and approval will be delineated. The plan is due to be completed on or about December 31, 2013, and is to be completed annually thereafter by December 31. Implementation Deadline: December 31, 2013 and annually thereafter by December 31.

Process Improvement Opportunity

Appendix 4C.4.4.1: 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 Program document. The NERC Implementation Plan will be posted on the NERC website.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
The change log within the 2011 ERO Implementation Plan defines 10/5/2010 as the initial date the Implementation Plan was developed; however, further evidence was provided which confirmed that the Implementation Plan was shared with the REs prior to October 1 st as required.	NERC should follow procedures similar to the 2010 and 2012 ERO Implementation Plans where NERC clearly documents in the change log the process for meeting the October 1 deadline.	NERC Compliance Operations is updating the present process procedures for the development of the 2014 implementation plan where a revision table will be added to the plan. The plan is due to be completed on or about December 31, 2013, and is to be completed annually thereafter by December 31. Implementation Deadline: December 31, 2013 and annually thereafter by December 31.

Process Improvement Opportunity		
Appendix 4C.5: NERC will work to achieve consistency in the application of the Sanction Guidelines by Regional Entities by direct oversight and review of Penalties and sanctions, and each Regional Entity shall provide to NERC such information as is requested by NERC concerning any Penalty, sanction, or remedial actions imposed by the Regional Entity.		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
Although all REs agreed to use the FFT enforcement treatment during its issuance in September 2011, consistent implementation of the new enforcement treatment was not applied across the registered entities until FERC responded to the filing in March 2012.	<p>For all new ROP requirements, NERC should develop a procedure to ensure Regional Entities are implementing these updates consistently across their registered entities.</p> <p>If the REs cannot implement these processes consistently, NERC should confirm that this difference is clearly documented.</p>	<p>As part of its oversight obligations, NERC will review Regional Entity processes that implement currently effective Rules of Procedure.</p> <p>NERC will document any differences in implementation, as discovered, for tracking and training purposes.</p> <p>Implementation Deadline: December 31, 2014.</p>
Based on the current practice of grouping multiple violations within one overall penalty during the RE settlement process, it is difficult for an independent auditor to determine whether penalties are consistently applied to each violation by RE's.	During the next audit of each RE compliance with the CMEP, NERC should include procedures to evaluate the consistency of each Regional Entity's enforcement program in assigning preliminary penalties associated with each violation that align with the Sanction Guidelines prior to final RE settlement procedures.	<p>NERC will evaluate Notices of Alleged Violation and regional entity settlement negotiation worksheets by December 31, 2013.</p> <p>Implementation Deadline: December 31, 2013.</p>
Due to the sensitivity of activities associated with enforcement, there is limited transparency into the procedures NERC follows to achieve consistency in the application of the Sanction Guidelines by the RE's.	To improve RE and registered entity understanding of the enforcement process, NERC should enhance training material on its enforcement oversight process, including posting current filing templates on NERC's website.	<p>NERC will post templates on the NERC website by December 31, 2013. In addition, NERC will update the spreadsheets posted on an as-needed basis.</p> <p>Implementation Deadline: December 31, 2013.</p> <p>NERC will also conduct training for Regional Entity staff by December 31, 2013.</p> <p>Implementation Deadline: December 31, 2013.</p>

Implementation Plan in Response to Findings of Non-Compliance

Non-Compliance		
501.3.3: NERC shall develop and maintain a program to monitor and oversee the NERC Organization Registration and Organization Certification Programs activities that are delegated to each Regional Entity through a delegation agreement or other applicable agreement.		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
<p>While documentation provided evidenced NERC's oversight for Regional Entities' responsibilities for ROP Statement 501 Sections 1.4.1, 1.4.2, and 1.4.4 for certified entity functions, support did not evidence NERC's oversight of the RE's ORCP activities included in ROP Statement 501 Section 1.4.3 for non-certified functions TP and PA.</p> <p>ROP 501 1.4.3 Ensure that all transmission Facilities of the Bulk Power System are the responsibility and under the control of one and only one Transmission Planner, Planning Authority, and Transmission Operator.</p> <p>NERC provided evidence that it initiated a project to map the functions in the fourth quarter of 2012.</p>	<p>NERC should implement a periodic monitoring procedure to confirm that all Transmission Facilities are mapped to one and only one TP, PA and TOP.</p>	<p>Compliance operations will complete a Common Registration Form (CRF) for implementation to provide for the correct and complete registration of owner, users and operators of the BES. In addition, it will provide for the complete mapping of all the inter-relationships between registered entities on the NCR.</p> <p>Implementation Deadline: The completion of the CRF will be by December 31, 2014. Milestones will be tracked on a three month basis through completion.</p>

Non-Compliance		
501.3.3.1: This program shall monitor whether the Regional Entity carries out those delegated activities in accordance with NERC requirements, and whether there is consistency, fairness of administration, and comparability.		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
<p>In accordance with the 12/23/2010 NERC filing with FERC, NERC planned to develop spot checks of registered entity functions to assess whether REs are consistently applying compliance evaluations of Reliability Standards for each registered entity function by December 31, 2011; however, no evidence was provided to demonstrate the results of this program.</p>	<p>NERC should implement a program to monitor the RE implementation of the ORCP requirements and include an evaluation of the consistency, fairness in administration, and comparability of registered entity functions across RE's.</p>	<p>Compliance operations will complete the review of all eight REs by December 31, 2014. The purpose of this review is to procedurally identify how NERC performs its registration and certification oversight activities through onsite engagements with the REs. These engagements will confirm the consistency, fairness in administration, and comparability of registered entity functions across RE's regarding the ORCP.</p> <p>Implementation Deadline: December 31, 2014. Milestones will be tracked on a three month basis through completion.</p>

Implementation Plan for Process Improvement Recommendations

Process Improvement Opportunity		
502.2.2.7: NERC shall develop and provide training in auditing skills to all individuals prior to their participation in Certification evaluations. Training for Certification Team leaders shall be more comprehensive than the training given to industry subject matter experts and Regional Entity members.		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
NERC has a manual process for communicating auditing skill training opportunities and monitoring who is required to complete training for Certification evaluations.	<p>In addition to notifying auditors of training opportunities via email, NERC should create a catalog of available auditing skill trainings and publish the list to the appropriate individuals.</p> <p>NERC should utilize available training technology to enhance monitoring the satisfactory completion of training requirements by compliance auditors</p>	<p>Compliance operations will work with the NERC training department and the REs to develop an integrated schedule of available training activities by December 31, 2014. This schedule will also provide the type of training available, as stated above (<i>i.e.</i>, webinar, on-line, classroom). Compliance operations will also develop a notification process to inform auditors of this training.</p> <p>Implementation Deadline: December 31, 2014 and will be updated as needed (ongoing process).</p>

Process Improvement Opportunity		
Appendix 5B: NERC and the Regional Entities will make their best efforts to identify all owners, users and operators who have a material reliability impact on the Bulk Power System in order to develop a complete and current Compliance Registry list.		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
While NERC and the Regional Entities do identify users, owners and operators of the Bulk Power System that are not appropriately registered in the NERC Compliance Registry, there is only an informal process.	While Appendix 5B outlines the criteria NERC and the REs utilize to identify whether a user, owner, or operator of the BPS should be registered in the NCR, NERC should develop a formal process document that describes its best effort procedures to identify all owners, users, and operators that should be registered.	<p>Compliance operations will complete a formal process document that outlines the Common Registration Form (CRF) for implementation to provide for the correct and complete registration of owner, users and operators of the BES. In addition, this process document will outline how it will provide for the complete mapping of all the inter-relationships between registered entities on the NCR.</p> <p>Implementation Deadline: The completion of the CRF will be by December 31, 2014.</p>