

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC's Implementation of the Process Improvements and Compliance Findings Related to the Independent Evaluation of NERC's Standards Process Manual Requirements

January 30, 2015

RELIABILITY | ACCOUNTABILITY



Implementation Plan in Response to Findings of Non-Compliance

Non-Compliance		
<p>(#1, page 9)</p> <p>Standards Process Manual Section 4.9 Paragraph 3 / Rules of Procedure Section 300</p> <p>There is no requirement to conduct a new non-binding poll of the revised VRFs and VSLs if no changes were made to the associated standard; however, if the requirements are modified and conforming changes are made to the associated VRFs and VSLs, another non-binding poll of the revised VRFs and VSLs shall be conducted.</p>		
Observation	Observation	Proposed Action Plan and Implementation Deadline
<p>In cases where the requirements in a standard were modified and corresponding changes were made to the associated VRF or VSL, the independent auditor was not able to observe that another non-binding poll was conducted.</p>	<p>NERC should develop, retain and annually update procedural documents for conducting non-binding polls of revised VRFs and VSLs.</p> <p>NERC should conduct non-binding polls pursuant to the language in the SPM.</p>	<p><i>(NERC agrees additional education would be beneficial to ensure compliance with this aspect of the SPM.)</i></p> <p>NERC will create an internal procedure to fulfill this SPM requirement. NERC staff will be trained to implement the procedure by the end of Q1 2015.</p> <p>Implementation Deadline: Q1 2015</p> <p>The internal procedure will consist of internal controls to ensure that this SPM requirement is fulfilled. These internal controls will be implemented by the end of Q1 2015.</p>

Implementation Plan for Process Improvement Recommendations

Process Improvement Opportunity		
<p>(#2, page 10)</p> <p>Standards Process Manual Section 4.14/4.2 Paragraph 1 / Rules of Procedure Section 300</p> <p>When the drafting team has reached a point where it has made a good faith effort at resolving applicable objections and is not making any substantive changes from the previous ballot, the team shall conduct a "Final Ballot."</p> <p>If a SAR for a new Reliability Standard is posted for a formal comment period, the Standards Committee shall appoint a drafting team to work with the NERC Staff coordinator to give prompt consideration of the written views and objections of all participants.</p>		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
<p>The following ambiguous terms are referenced, but not currently defined in the SPM:</p> <ul style="list-style-type: none"> Substantive Prompt 	<p>NERC should review the uses of the words substantive and prompt with the Standards Committee (SC) and take action to either remove the words from the SPM or provide a solution to address the ambiguity.</p>	<p><i>(Further definition of these terms is not necessary. NERC's use of the terms has been consistent and are generally accepted terms. However, NERC will consult with the Standards Committee leadership in Q4 2014 on whether they agree with NERC staff's view regarding the terms.)</i></p> <p><i>For "prompt", while the term suggests a fast response, the focus of the SPM is to help ensure that comments are responded to within a reasonable period of time, which may differ for each project. Identifying a specific time period may be counterproductive as there may be instances where the SC and NERC agree to postpone or delay project postings, which could run afoul of the specified time period.</i></p> <p><i>For "substantive", the SPM already provides sufficient information as to the term's meaning. The term is adequately defined and there is a check in place on how the judgment call was made. For example, Section 4.14 describes the types of changes that would be non-substantive and specifies that if there is a question on whether a change is substantive, the SC has the final decision.)</i></p>

		<p>The Standards Department will review the audit findings at the Standards Committee conference call on February 18. Standards staff will bring this issue up for consideration in the next SPM revision.</p> <p>Implementation Deadline: NERC staff will present this item to the Standards Committee at the February 18, 2015 meeting. This concern will be brought to the Standards Committee’s attention to determine whether the Standards Committee agrees with NERC staff’s view and appropriate next steps. At this time, Standards does not know if the SC will determine further action is necessary.</p>
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Process Improvement Opportunity

(#3, page 11)

Standards Process Manual | Section 13 | Paragraph 1 / Rules of Procedure Section 300 | 317

SPM: All Reliability Standards shall be reviewed at least once every ten years from the effective date of the Reliability Standard or the date of the latest Board of Trustees adoption to a revision of the Reliability Standard, whichever is later.

RoP: NERC shall complete a review of each NERC Reliability Standard at least once every five years, or such longer period as is permitted by the American National Standards Institute, from the effective date of the Reliability Standard or the latest revision to the Reliability Standard, whichever is later.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
<p>The language related to the review of Reliability Standards in the RoP and SPM may be contradictory.</p> <p>Section 300 of the RoP states that NERC shall complete a review at least once every five years from the effective date, or the latest revision, whichever is later. However, Section 13 of the SPM states that all Reliability Standards shall be reviewed at least once every ten years from the effective date or the date of the latest revision, whichever is later.</p>	<p>NERC staff should work with the Standards Committee to initiate an update to the RoP to reflect the current periodic review process (as documented in the SPM), which is that all Reliability Standards shall be reviewed at least once every ten years from the effective date of the Reliability Standard or the date of the latest Board of trustees (“BOT”) adoption to a revision of the Reliability Standard whichever is later.</p>	<p>1. The Legal Department will update the Rules of Procedures (ROP) from ‘at least once every five years’ to ‘at least once every ten years’ to match the SPM when the ROP is updated with the completion of Project 2015-04 – Alignment of NERC Glossary of Terms and Definitions Used in the Rules of Procedure (Appendix 2 of the ROP).</p> <p>Implementation Deadline: During Project 2015-04, provided changes to the ROP are required, (completion date is undetermined) the Legal Department will in the change in the ROP. Standards cannot provide an implementation deadline. If the ROP is not updated during this project, this change will be made with the next round of changes to the ROP.</p> <p>2. NERC staff considered adding a reference to the ANSI five-year review period but determined it was not necessary since NERC does not have plan to standards that are approved as “American National Standards”.</p> <p>Implementation Deadline: Not applicable</p>

Process Improvement Opportunity

(#4, page 12)

Standards Process Manual | Section 4.19 (and various other statements) | Paragraph 1 / Rules of Procedure Section 300

Upon identification of a need to retire a Reliability Standard, Variance, Interpretation or definition, where the item will not be superseded by a new or revised version, a SAR containing the proposal to retire a Reliability Standard, Variance, Interpretation or definition will be posted for a comment period and ballot in the same manner as a Reliability Standard.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
<p>For Retirements, Remands, Definitions, Variances and Interpretations, the current SPM refers to activities being conducted in the ‘same manner as a Reliability Standard,’ and therefore, does not clearly state the manner in which these development activities should be carried out.</p>	<p>NERC should develop, retain and annually update procedural documents for developing Retirements, Remands, Definitions, Variances and Interpretations, beginning with any informal outreach and ending with the approval of the standard by the Federal Energy Regulatory Commission (“FERC”), along with the appropriate individual or group responsible for completing each activity (Drafting Team, Standards Committee, etc.).</p> <p>NERC should maintain and develop a systematic method of storing required documents on the NERC website by using a consistent document retention tool across the organization.</p>	<p>1. NERC staff agrees with the goal of providing clarity regarding the manner in which the processes listed in the ROP/SPM statement should be carried out. NERC will create process documents that track the current SPM for each area, including a review and update of documents where NERC already has a document created.</p> <p>Implementation Deadline: Targeted completion date – Q1 2015</p> <p>NERC Staff will write out each process individually, following the same manner (process) as a Reliability Standard as currently identified in the SPM, to provide clarity regarding the manner in which each of the processes listed in the ROP/SPM statement should be carried out. NERC will document evidence that each of the steps in the SPM are fulfilled.</p> <p>2. NERC supports the goal of improving document tracking and storage. There is currently a company-wide project underway addressing document storage. The purpose of that project is to create a consistent tool for use across the organization.</p> <p>Implementation Deadline: The Standards Department does not have control over the implementation of the company-wide document tracking and storage project. Standards is tentatively scheduled for the Fall 2017.</p>

Process Improvement Opportunity

(#5, page 13)

Standards Process Manual | Section 4.6 | Paragraph 1 / Rules of Procedure Section 300

The NERC Reliability Standards Staff shall coordinate a quality review of the Reliability Standard, implementation plan, and VRFs and VSLs in parallel with the development of the Reliability Standard and implementation plan, to assess whether the documents are within the scope of the associated SAR, whether the Reliability Standard is clear and enforceable as written, and whether the Reliability Standard meets the criteria specified in NERC's Benchmarks for Excellent Standards and criteria for governmental approval of Reliability Standards.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
The independent auditor observed that NERC has an informal and inconsistent process for carrying out quality reviews on Standards Development.	<p>NERC should formalize the process around the quality review ("QR") by implementing and completing the quality review checklist for each quality review (standard, definition, variance, etc.) for consistency and completeness of the review.</p> <p>NERC should provide training for the quality reviewers in order to promote consistency of reviews.</p> <p>In addition, guidelines should ensure that quality reviewers remain independent from the drafting team.</p>	<p>NERC Staff is developing a Quality Review process to ensure consistent consideration of key elements, across standards development projects. This project will be completed and communicated to the Standards Committee by the end of Q1 2015. Training will be provided to NERC staff by early Q2 2015 following submission to the SC.</p> <p>Implementation Deadline: Q1 2015</p> <p>For development of documentation and communication to Standards Committee and early Q2 2015 for training.</p>

Process Improvement Opportunity

(#6, page 14)

Standards Process Manual | Section 3.10 | Paragraph 1 / Rules of Procedure Section 300

The drafting team and the Compliance Monitoring and Enforcement Program Staff shall work together during the Reliability Standard development process to ensure an accurate and consistent understanding of the Requirements and their intent, and to ensure that applicable compliance tools accurately reflect that intent.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
The independent auditor observed that NERC has an informal process in place to evidence compliance that the drafting team and the CMEP staff shall work together during Standard development.	<p>NERC should retain evidence to show compliance with SPM 3.10</p> <p>NERC should maintain and develop a systematic method of storing required documents on the NERC website by using a consistent document retention tool across the organization.</p>	<p>1. NERC will develop a "compliance/standards interaction tracking sheet" that will be completed for each project to evidence the collaboration between the two departments, thus documenting the fulfillment of this aspect of the SPM. This tracking sheet will be developed and will be used for all new projects that are started in 2015.</p> <p>Implementation Deadline: Q1 2015</p> <p>For development of training documentation and staff training.</p> <p>2. NERC currently has a company-wide project underway addressing document storage. The purpose of that project is to create a consistent tool for use across the organization.</p>

		<p>Implementation Deadline: The Standards Department does not have control over the implementation of the company-wide document tracking and storage project. Standards is tentatively scheduled for the Fall 2017.</p>
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Process Improvement Opportunity		
<p>(#7, page 15)</p> <p>Standards Process Manual Section 4.18 Paragraph 1 / Rules of Procedure Section 300</p> <p>SPM Section 4.18: "Withdrawal of a Reliability Standard, interpretation or Definition."</p>		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
<p>While the current SPM includes the process of withdrawing a Reliability Standard, Interpretation or Definition, the current SPM does not include the process of withdrawing an appeal.</p>	<p>NERC should work with the Standards Committee to initiate an update to SPM Section 4.18 to include the process for withdrawing an appeal.</p>	<p>The Standards Department will review the audit findings at the Standards Committee conference call on February 18. Standards staff will bring this issue up for consideration in the next SPM revision.</p> <p>Implementation Deadline: The Standards Department will review this recommendation at the Standards Committee conference call on February 18, 2015. At this time, Standards does not know if the SC will decide to add this item in the next SPM revision or the timing of the next SPM revision.</p>

Process Improvement Opportunity		
<p>(#8, page 16)</p> <p>Standards Process Manual Appendix 3A / Rules of Procedure Section 300</p> <p>Multiple</p>		
Observation	Recommendation	Proposed Action Plan and Implementation Deadline
<p>As each entity is only permitted one entry into the Registered Ballot Body (RBB), and members cannot be substituted in the RBB when job positions at the company change, manual votes are entered during a Final Ballot.</p> <p>Manual entries are submitted to NERC via email and votes can be manually entered into the NERC Balloting System by System Administrators. There is currently not a formalized process to track manual votes for voters who were not included in the RBB.</p>	<p>NERC should consider implementing a review process in which an independent review is performed of all manual votes input by NERC System Administrators, in order to ensure that the manual votes are submitted as requested.</p>	<p><i>(NERC has a process in place and disagrees that a more formal tracking process is necessary. Today, there is an external control in place as, when a manual vote is entered, the balloting system automatically sends a notification of the vote to the entity, thereby providing a timely initial check on the vote. Final votes are also made public, providing an opportunity for validation by the entity.)</i></p> <p>Standards Information will update its manual vote process to include the current balloting system and the Standards Balloting and Commenting System (SBS).</p> <p>Implementation Deadline: Q1 2015</p> <p>Standards Information will update its internal manual vote process to include the current balloting system and the Standards Balloting and Commenting System (SBS).</p>

Process Improvement Opportunity

(#9, page 17)

Standards Process Manual | Section 4.8 | Paragraph N/A / Rules of Procedure Section 300

No Registered Ballot Body member may join or withdraw from the ballot pool once the first ballot starts through the point in time where balloting for that Reliability Standard action has ended. The Director of Standards may authorize deviations from this rule for extraordinary circumstances such as the death, retirement, or disability of a ballot pool member that would prevent an entity that had a member in the ballot pool from eligibility to cast a vote during the ballot window. Any approved deviation shall be documented and noted to the Standards Committee.

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
Although a ballot pool review (“clean up”) was performed to approve any changes in ballot pool members from the first ballot through the end of balloting for COM-002-4, PER-005-2 and CIP- 014, the independent auditor were not able to observe evidence of documented approval for changes in ballot pool members for PER- 005-2 and CIP-014.	NERC should work with the Standards Committee and the Director of Standards to retain evidence of approval for any changes in ballot pool members from the initial ballot to the end of balloting.	<p><i>(NERC staff supports the recommendation and will implement changes to better maintain records in future cases.)</i></p> <p>The Standards Department will review the audit findings at the Standards Committee conference call on February 18, 2015.</p> <p>Implementation Deadline: Q1 2015 (Dependent on SC concurrence)</p> <p>The Standards Department will retain evidence of approvals for any “clean up” changes in ballot pool members and will have the location for this evidence identified by the end of Q1 2015. NERC staff will review the audit findings at the Standards Committee conference call on February 18, 2015 to verify whether the Standards Committee would document these approvals in the Standards Committee minutes</p>

Process Improvement Opportunity

(#10, page 18)

Standards Process Manual | Appendix 3A / Rules of Procedure Section 300

Multiple

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
Currently, all incoming SARs, interpretation requests, variances, errors, waivers, remands and appeals may not be tracked for approval or rejection.	NERC should implement procedures to track and retain all incoming SARS, interpretation requests, variations, errors, waivers and appeals. This could be implemented using existing workflow tools that would allow the request to be routed, approved or rejected and permanently tracked.	<p>The Manager of Standards Information will review current processes and recommend internal process improvements to the Director of Standards.</p> <p>Implementation Deadline: Q2 2015</p> <p>The Manager of Standards Information will review current locations to track and retain evidence of incoming SARs, interpretation requests, variations, errors, waivers and appeals, and will recommend internal controls to ensure this data retention to the Director of Standards.</p>

Process Improvement Opportunity

(#11, page 19)

Standards Process Manual | General / Rules of Procedure Section 300

Observation	Recommendation	Proposed Action Plan and Implementation Deadline
<p>In response to paragraphs 157, 158 and 159 of FERC Order 693, NERC developed an interim and long term plan and schedule to eliminate” references to the ‘Regional reliability organization’ in Reliability Standards...” In currently enforceable standards, references to the RRO in the Applicability section, still remain. Additionally, in the listing of enforceable Standards on NERC’s website (“US Enforcement Status/Functional Applicability” section), there are currently enforceable Reliability Standards where RRO has unique accountability (IRO-001-1 and MOD-016)</p>	<p>Although NERC is in the process of removing RRO as an applicable entity from Standard IRO- 001-3 and retiring Standard MOD-016-1, NERC should work with the Standards Committee to complete this activity and continue to perform a review of Standards and Requirements that have not been reviewed and consider:</p> <p>Reviewing the Standards to assess whether currently enforceable Standards add value to reliability and at least one Entity is accountable for all currently enforceable Standards.</p> <p>Reporting to the BOT when Standards no longer add value to reliability or when entities are no longer applicable to that Standard, and consider retiring the Standard.</p>	<p>1. All standards related to the Recommendation have been modified in projects. NERC will complete activity in these projects to close out addressing the issue in FERC Order No. 693.</p> <p>IRO-001-3 was adopted by the Board August 16, 2012 and filed with FERC April 16, 2013.</p> <p>May 13, 2014 NERC petitioned FERC to retire MOD-016-1.1 - the final active standard to reference RRO.</p> <p>Implementation Deadline: COMPLETED</p> <p>1. Completed with Board Adoption on May 7, 2014 of retirement of MOD-016-1.1.</p> <p>2. NERC facilitated a review conducted by independent experts for the quality and content of all non-CIP requirements in 2013, and their report was presented to the NERC Board of Trustees. Since the report was issued, industry action has been taken on many of the recommendations. A subsequent review, being conducted through a series of Enhanced Periodic Reviews, will begin in late 2015. A plan to outline the schedule for the Enhanced Periodic Reviews is being developed during the first half of 2015.</p>