

September 30, 2013

Ms. Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: NERC Full Notice of Penalty regarding Southern California Edison - Transmission & Distribution Business Unit, FERC Docket No. NP13-_-000

Dear Ms. Bose:

The North American Electric Reliability Corporation (NERC) hereby provides this Notice of Penalty¹ regarding Southern California Edison - Transmission & Distribution Business Unit (SCE), NERC Registry ID# NCR05398,² in accordance with the Federal Energy Regulatory Commission's (Commission or FERC) rules, regulations and orders, as well as NERC's Rules of Procedure including Appendix 4C (NERC Compliance Monitoring and Enforcement Program (CMEP)).³

This Notice of Penalty is being filed with the Commission because NERC and SCE have entered into a Settlement Agreement to resolve all outstanding issues arising from NERC's determination and findings of the violation⁴ of PER-002-0 Requirement (R)1. According to the Settlement Agreement, SCE agrees to the violation and to the assessed penalty of five thousand dollars (\$5,000), in addition to other remedies and actions to mitigate the instant violation and facilitate future compliance under the terms and conditions of the Settlement Agreement. Accordingly, the violation identified as NERC Violation

¹ *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards* (Order No. 672), III FERC Stats. & Regs. ¶ 31,204 (2006); *Notice of New Docket Prefix "NP" for Notices of Penalty Filed by the North American Electric Reliability Corporation*, Docket No. RM05-30-000 (February 7, 2008). See also 18 C.F.R. Part 39 (2011). *Mandatory Reliability Standards for the Bulk-Power System*, FERC Stats. & Regs. ¶ 31,242 (2007) (Order No. 693), *reh'g denied*, 120 FERC ¶ 61,053 (2007) (Order No. 693-A). See 18 C.F.R § 39.7(c)(2).

² NERC confirmed that SCE was included on the NERC Compliance Registry as a Transmission Operator (TOP), Transmission Owner, Distribution Provider, and Transmission Planner in the Western Electricity Coordinating Council (WECC) region on June 17, 2007. As a TOP, SCE is subject to the requirements of NERC Reliability Standard PER-002-0.

³ See 18 C.F.R § 39.7(c)(2).

⁴ For purposes of this document, each violation at issue is described as a "violation," regardless of its procedural posture and whether it was a possible, alleged or confirmed violation.

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Tracking Identification Number NCEA201000117 is being filed in accordance with the NERC Rules of Procedure and the CMEP.

Statement of Findings Underlying the Violation

This Notice of Penalty incorporates the findings and justifications set forth in the Settlement Agreement executed on March 13, 2012, by and between NERC and SCE, which is included as Attachment a. The details of the findings and basis for the penalty are set forth in the Settlement Agreement and herein. This Notice of Penalty filing contains the basis for approval of the Settlement Agreement by the NERC Board of Trustees Compliance Committee (NERC BOTCC). In accordance with Section 39.7 of the Commission’s regulations, 18 C.F.R. § 39.7 (2013), NERC provides the following summary table identifying each violation of a Reliability Standard resolved by the Settlement Agreement, as discussed in greater detail below.

Region	Registered Entity	NOC ID	NERC Violation ID	Reliability Std.	Req. (R)	VRF	VSL	Total Penalty
NERC Compliance Enforcement Authority	Southern California Edison - Transmission & Distribution Business Unit	NOC-1248	NCEA201100107	PER-002-0	R1	High	Severe	\$5,000

PER-002-0

The purpose statement of Reliability Standard PER-002-0 provides: “Each Transmission Operator and Balancing Authority must provide their personnel with a coordinated training program that will ensure reliable system operation.”

PER-002-0 R1 provides: “Each Transmission Operator and Balancing Authority shall be staffed with adequately trained operating personnel.”

PER-002-0 has a “High” Violation Risk Factor and a “Severe” Violation Severity Level. The subject violation applies to SCE’s TOP function.

On January 9, 2009, an Investigation by NERC was initiated regarding an event that took place on November 7, 2008 (the Event). On November 7, 2008, a fire in a series capacitor bank at a substation in San Diego Gas and Electric's service territory resulted in a 500 kV line (TL50001) being taken out of

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service for approximately 15 minutes. De-energizing the line led to operation of two Remedial Action Schemes that shed 855 MW of generation and the opening of another line. A System Operating Limit (SOL) exceedance on Path 49 developed, and load shedding was attempted to relieve this condition.

SCE was requested to shed approximately 1,000 MW by the California Independent System Operator (CAISO). Only 200 MW of the requested 1,000 MW was ultimately shed by SCE. This prolonged the length of the Event.

One month prior to the Event, SCE replaced its Energy Management System (EMS) and Telecom network, which resulted in the Distribution Circuit Load Shedding (DCLS) execution process being changed. SCE had not completed training of its operations personnel on the new procedures for DCLS on the new EMS system prior to the Event. Consequently, on the day of the event, the Grid Control Center operator attempted to execute the superseded, older process for load shedding, resulting in less than the requested load being shed. NERC found that SCE, as a TOP, violated PER-002-0 R1 by failing to be staffed with adequately trained operating personnel. Specifically, SCE failed to train approximately 1.5% of its operating personnel on the new process for load shedding.

NERC determined the duration of the violation to be from October 1, 2008 (the month prior to the event when SCE replaced its EPS and Telecom network without training operations personnel on the new procedures) through March 27, 2009 (Mitigation Plan completion).

NERC determined that this violation posed a moderate risk to the reliability of the bulk power system (BPS) and did not pose a serious or substantial risk. SCE was unable to shed the entire requested load. The Balancing Authority, CAISO, used other resources to address the Event. This included load shedding by other entities, derating other lines, shifting load, and bringing the TL50001 line back into service. The risk posed by SCE's failure to train all of its operating personnel in a timely manner was mitigated by the fact that some of SCE's operating personnel had already received the training and these individuals were able to shed part of the required load. Other training activities were ongoing for the remainder of the staff.

Regional Entity's Basis for Penalty

According to the Settlement Agreement, NERC has assessed a penalty of five thousand dollars (\$5,000) for the referenced violation. In reaching this determination, NERC considered the following factors:

1. load was shed during the Event (approximately 200 MW by SCE);
2. SCE was cooperative both during and after the investigation;

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3. NERC determined that the violation posed a moderate risk and did not pose a serious or substantial risk to the reliability of the BPS;
4. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
5. SCE had a compliance program at the time of the violation which NERC considered a mitigating factor;⁵
6. SCE conducts formal, a self-audit of its internal compliance program annually; and
7. there are no previous violations of this Standard by SCE;⁶ and
8. NERC reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

After consideration of the above factors, NERC determined that, in this instance, the penalty amount of five thousand dollars (\$5,000) is appropriate and bears a reasonable relation to the seriousness and duration of the violation.

⁵ SCE has a robust compliance program and NERC considered it a mitigating factor in penalty determination. SCE's internal compliance program is identified as the NERC Compliance Program (NCP). Documented in SCE's NCP Manual, the NCP establishes the framework and performance standards by which SCE, through the actions of its business organizations, demonstrates compliance. The NCP Manual is available in full text to all SCE employees through the NCP website on the SCE intranet. The NCP is budgeted and fully staffed with 4 full-time employees at the corporate center level, working together with Compliance Managers and their supporting compliance personnel within each Business Unit/Registered Entity. SCE's NCP Executive Sponsor Team provides direction, support, resources, resolution of high-level issues, and the approval of NCP compliance policies, processes, and strategies. The NCP Executive Sponsor Team meets quarterly to discuss and provide direction on various facets of the Program.

⁶ This Notice of Penalty is concurrently being filed with two other Notices of Penalty involving violations arising from the Event. The first Notice of Penalty is a Settlement Agreement addressing a violation of PER-002-0 R1 for San Diego Gas & Electric. The second Notice of Penalty is a Settlement Agreement addresses violations of COM-002-2 R2, EOP-001-0 R3, EOP-003-1 R8, TOP-002-2 R1, TOP-004-1 R6, and Western Electricity Coordinating Council (WECC) Regional Reliability Standard TOP-STD-007-0 WR1 for California Independent System Operator (CAISO). CAISO is a participant in Coordinated Functional Registrations (CFRs) (formerly known as Type II Joint Registration Organization (JRO) Registrations) with various registered entities, including JRO00009 with SCE, originally dated September 11, 2008. Under JRO00009, CAISO is the responsible entity for any violations of EOP-001-0 and EOP-003-1 due to actions or inactions of SCE. Under JRO00008, CAISO is the responsible entity for any violations of TOP-004-1 R6 due to actions or inactions of SDG&E.

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Status of Mitigation Plan⁷

To mitigate this violation, SCE ensured that all operators were subsequently trained on the new load shedding features of the EMS as well as the new procedures. Drills are conducted no less than annually.

On March 13, 2012, SCE certified that its mitigation activities were completed on March 27, 2009. On February 8, 2012, after reviewing SCE's submitted evidence, NERC verified that SCE's mitigation activities were completed on March 27, 2009.

Statement Describing the Assessed Penalty, Sanction or Enforcement Action Imposed⁸

Basis for Determination

Taking into consideration the Commission's direction in Order No. 693, the NERC Sanction Guidelines and the Commission's July 3, 2008, October 26, 2009 and August 27, 2010 Guidance Orders,⁹ the NERC BOTCC reviewed the Settlement Agreement and supporting documentation on March 12, 2012. The NERC BOTCC approved the Settlement Agreement, including NERC's assessment of a five thousand dollar (\$5,000) financial penalty against SCE and other actions to facilitate future compliance required under the terms and conditions of the Settlement Agreement. In approving the Settlement Agreement, the NERC BOTCC reviewed the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violation at issue.

In reaching this determination, the NERC BOTCC considered the following factors:

1. the violation constituted SCE's first occurrence of violation of the subject NERC Reliability Standard;
2. NERC reported that SCE was cooperative throughout the compliance enforcement process;
3. load was shed during the Event;

⁷ See 18 C.F.R. § 39.7(d)(7).

⁸ See 18 C.F.R. § 39.7(d)(4).

⁹ *North American Electric Reliability Corporation*, "Guidance Order on Reliability Notices of Penalty," 124 FERC ¶ 61,015 (2008); *North American Electric Reliability Corporation*, "Further Guidance Order on Reliability Notices of Penalty," 129 FERC ¶ 61,069 (2009); *North American Electric Reliability Corporation*, "Notice of No Further Review and Guidance Order," 132 FERC ¶ 61,182 (2010).

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4. SCE had a compliance program at the time of the violation which NERC considered a mitigating factor, as discussed above;
5. there was no evidence of any attempt to conceal a violation nor evidence of intent to do so;
6. NERC determined that the violation did not pose a serious or substantial risk to the reliability of the BPS, as discussed above; and
7. NERC reported that there were no other mitigating or aggravating factors or extenuating circumstances that would affect the assessed penalty.

For the foregoing reasons, the NERC BOTCC approved the Settlement Agreement and believes that the assessed penalty of five thousand dollars (\$5,000) is appropriate for the violation and circumstances at issue, and is consistent with NERC's goal to promote and ensure reliability of the BPS.

Pursuant to 18 C.F.R. § 39.7(e), the penalty will be effective upon expiration of the 30 day period following the filing of this Notice of Penalty with FERC, or, if FERC decides to review the penalty, upon final determination by FERC.

Attachments to be Included as Part of this Notice of Penalty

The Settlement Agreement by and between NERC and SCE executed March 13, 2012, is included as part of this Notice of Penalty as Attachment a;

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Notices and Communications: Notices and communications with respect to this filing may be addressed to the following:

<p>Gerald W. Cauley President and Chief Executive Officer North American Electric Reliability Corporation 3353 Peachtree Road NE Suite 600, North Tower Atlanta, GA 30326-1001 (404) 446-2560</p> <p>Charles A. Berardesco* Senior Vice President and General Counsel North American Electric Reliability Corporation 1325 G Street N.W., Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile charles.berardesco@nerc.net</p> <p>*Persons to be included on the Commission’s service list are indicated with an asterisk. NERC requests waiver of the Commission’s rules and regulations to permit the inclusion of more than two people on the service list.</p>	<p>Sonia C. Mendonça* Assistant General Counsel and Director of Enforcement North American Electric Reliability Corporation 1325 G Street N.W. Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile sonia.mendonca@nerc.net</p> <p>Edwin G. Kichline* North American Electric Reliability Corporation Senior Counsel and Associate Director of Enforcement Processing 1325 G Street N.W. Suite 600 Washington, DC 20005 (202) 400-3000 (202) 644-8099 – facsimile edwin.kichline@nerc.net</p> <p>John Pespisa* Director, NERC Compliance Program Southern California Edison 2244 Walnut Grove Ave. Rosemead, CA 91770 (626) 302-3308 John.pespisa@sce.com</p>
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Conclusion

NERC respectfully requests that the Commission accept this Notice of Penalty as compliant with its rules, regulations and orders.

Respectfully submitted,

/s/ Sonia Mendonça

Sonia C. Mendonça
Assistant General Counsel and Director of
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cc: Southern California Edison - Transmission & Distribution Business Unit
North American Electric Reliability Corporation

Attachments

Attachment a

**Settlement Agreement by and between NCEA
and SCE executed March 13, 2012**

**NOTICE OF SPREADSHEET NOTICE OF PENALTY TREATMENT AND
SETTLEMENT AGREEMENT
BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND
SOUTHERN CALIFORNIA EDISON – TRANSMISSION & DISTRIBUTION BUSINESS
UNIT**

1. Southern California Edison – Transmission & Distribution Business Unit (SCET) admits to the alleged violation of NERC Reliability Standard PER-002-0 Requirement 1 and has agreed to the proposed penalty to be assessed to SCET, in addition to mitigation actions undertaken to mitigate the instant alleged violation.
2. Acceptance of this Agreement results in the assessment of \$5,000 for the violation listed in Attachment A, subject to approval or modification by the North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC or Commission). Payment terms, if applicable, will be set forth in the invoice to be submitted by the applicable Regional Entity after Commission approval of the instant Notice of Penalty.
3. SCET has agreed to enter into this Settlement Agreement with the North American Electric Reliability Corporation (NERC) to avoid extended litigation with respect to the matters described or referred to herein, to avoid uncertainty, and to effectuate a complete and final resolution of the issues set forth herein. SCET agrees that this Settlement Agreement is in the best interest of the parties and in the best interest of bulk-power system reliability.
4. The violation listed in Attachment A will be considered a Confirmed Violation for all purposes and may be used as aggravating factors in accordance with the NERC Sanction Guidelines for determining appropriate monetary penalties or sanctions for future violations.
5. SCET certifies that the violation listed in Attachment A has been mitigated by the following activities:
 - a. All operators were trained on the EMS system, including the Distribution Circuit Load

Settlement Agreement of Southern California Edison Transmission & Distribution Business Unit and
North American Electric Reliability Corporation

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March 8, 2012

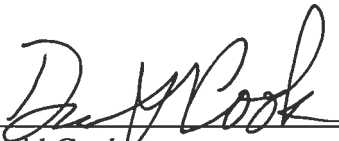
Shedding (DCLS) procedures, by March 27, 2009. Continuous training will be provided and materials updated, as necessary, to reflect current DCLS procedures.

b. Unannounced load shedding drills have been and will continue to be scheduled annually utilizing current procedures with the first drill being held December 14, 2009.

6. NERC Compliance Enforcement Authority (NCEA) has verified on February 8, 2012, that the violation listed in Attachment A has been mitigated as of March 27, 2009, as described in Attachment A.
7. The disposition agreed to herein represents a full and final disposition of the violation listed in Attachment A, subject to approval or modification by NERC and FERC with notice to SCET in accordance with the NERC Rules of Procedure. SCET waives its right to further hearings and appeals, unless and only to the extent that SCET contends that any NERC or Commission action on this Settlement Agreement contains one or more material modifications to this Settlement Agreement.
8. In the event SCET fails to comply with any of the stipulations, remedies, sanctions or additional terms, as set forth in this Settlement Agreement, NERC will initiate enforcement, penalty, or sanction actions against SCET to the maximum extent allowed by the NERC Rules of Procedure, up to the maximum statutorily allowed penalty. Except as otherwise specified in this Settlement Agreement, SCET shall retain all rights to defend against such enforcement actions, also according to the NERC Rules of Procedure.
9. Each of the undersigned warrants that he or she is an authorized representative of the entity designated, is authorized to bind such entity, and accepts the Settlement Agreement on the entity's behalf.

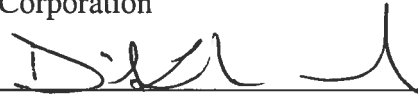
10. The undersigned representative of each party affirms that he or she has read the Settlement Agreement, that all of the matters set forth in the Settlement Agreement are true and correct to the best of his or her knowledge, information and belief, and that he or she understands that the Settlement Agreement is entered into by such party in express reliance on those representations.

Accepted:



David Cook
General Counsel
North American Electric Reliability
Corporation

3-8-2012
Date



David L. Mead
Senior Vice President,
Transmission & Distribution Business Unit
Southern California Edison

3-13-2012
Date

Attachment A

Region	Registered Entity	NCR_ID	NERC Violation ID #	Notice of Confirmed Violation or Settlement Agreement	Description of the Violation	Reliability Standard	Req.	Violation Risk Factor	Violation Severity Level	Risk Assessment	Violation Start Date	Violation End Date	Total Penalty or Sanction (\$)	Method of Discovery	Description of Mitigation Activity	Mitigation Completion Date	Date Regional Entity Verified Completion of Mitigation	*Admits,* "Agrees/Supplies," "Neither Admits nor Denies," or "Does Not Contest"	Other Factors Affecting the Penalty Determination, including Compliance History, Internal Compliance Program and Compliance Culture
NERC Compliance Enforcement Authority (NCEA)	Southern California Edison - Transmission & Distribution Business Unit (SCE)	NCR05398	NCEA201100117	Settlement Agreement	<p>On January 9, 2009, an investigation by NERC was initiated regarding an event that took place on November 7, 2008 (the Event). On November 7, 2008 a fire in a series capacitor bank at a substation in San Diego Gas and Electric's service territory resulted in a 500 kV line (TL50001) being taken out of service for approximately 15 minutes. De-energizing the line led to operation of two Remedial Action Schemes that shed 855 MW of generation and the opening of another line. A System Operating Limit (SOL) exceedance on Path 49 developed, and load shedding was attempted to relieve this condition.</p> <p>Initially, SCE was requested to shed approximately 1000 MW by the California Independent System Operator (CAISO). Only 200 MW of the requested 1000 MW was ultimately shed by SCE. This prolonged the length of the Event.</p> <p>One month prior to the Event, SCE replaced its Energy Management System (EMS) and Telecom network, which resulted in the Distribution Circuit Load Shedding (DCLS) execution process being changed. SCE conducted no operations personnel training on the new procedures for DCLS on the new EMS system prior to the Event. Consequently, on the day of the event, the Grid Control Center operator attempted to execute the superseded, older process for load shedding, resulting in less than the requested load being shed. NCEA found that SCE, as a Transmission Operator, violated PER-002-0 R1 by failing to be staffed with adequately trained operating personnel. Specifically, SCE failed to train its operating personnel on the new process for load shedding.</p>	PER-002-0	R1	High	Moderate	This violation posed a moderate risk to the reliability of the bulk power system (BPS). Although SCE was unable to shed all of the requested load, this violation did not pose a serious or substantial risk to the reliability of the BPS because the Balancing Authority, CAISO, used other resources to address the Event. This included load shedding by other entities, derates of other lines, shifting load and bringing the TL50001 line back into service.	11/7/2008 (during the duration of the Event which occurred for approximately 50 minutes)	11/7/2008 (approximately 50 minutes) 3/27/2009 (Mitigation Plan completion)	\$5,000	Compliance Investigation	All operators were subsequently trained on the new load shedding features of the EMS as well as the new procedures. Drills are conducted no less than annually.	3/27/2009	2/7/2012	Admits	<p>SCE has a robust compliance program and NCEA considered it a mitigating factor in penalty determination. SCE's internal compliance program is identified as the NERC Compliance Program (NCP). Documented in SCE's NCP Manual, the NCP establishes the framework and performance standards by which SCE, through the actions of its business organizations, demonstrates compliance. The NCP Manual is available in full text to all SCE employees through the NCP website on the SCE intranet. The NCP is budgeted and fully staffed with 4 full-time employees at the corporate center level, working together with Compliance Managers and their supporting compliance personnel within each Business Unit/Registered Entity. SCE's NCP Executive Sponsor Team provides direction, support, resources, resolution of high-level issues, and the approval of NCP compliance policies, processes, and strategies. The NCP Executive Sponsor Team meets quarterly to discuss and provide direction on various facets of the Program. SCE conducts formal, a self-audit of its internal compliance program annually.</p> <p>Additionally, SCE was extremely cooperative both during and after the investigation. Load was shed during the Event (approximately 200 MW by SCE). There are no previous violations of this Standard by SCE.</p>