UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

North American Electric Reliability Corporation	**)**	**Docket No. RR24-4-___**

COMPLIANCE FILING OF THE NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION IN RESPONSE TO THE ORDER ON FIVE-YEAR PERFORMANCE ASSESSMENT

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The North American Electric Reliability Corporation ("NERC") hereby submits this compliance filing in accordance with the Federal Energy Regulatory Commission's ("FERC" or the "Commission") December 19, 2024 Order on Five-Year Performance Assessment ("2024 Five-Year Order")[1] directing NERC to submit a suite of metrics assessing the Electric Reliability Organization ("ERO") performance in two key areas: (1) the Reliability Standards[2] development program and (2) the implementation and oversight of the Compliance Monitoring and Enforcement Program ("CMEP").[3] In the instant filing, NERC reports on metrics that track the progress of the ERO in continuing to be an effective and efficient organization in furtherance of its regulatory responsibilities. NERC requests that the Commission accept this compliance filing in satisfaction of the Commission's directive.

This compliance filing is organized as follows: Section I provides a summary of the filing and metrics. Section II provides background on the directive issued in the 2024 Five-Year Order. Section III provides details on the suite of metrics. Finally, Section IV concludes the filing.

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1 *N. Am. Elec. Reliability Corp.*, Order on Five-Year Performance Assessment, 189 FERC ¶ 61,211 (2024) [hereinafter 2024 Five-Year Order].

2 Unless otherwise indicated, all capitalized terms used in this filing shall have the meaning set forth in the NERC Rules of Procedure, Appendix 2 Definitions Used in the Rules of Procedure. The NERC Rules of Procedure are found at https://www.nerc.com/AboutNERC/Pages/Rules-of-Procedure.aspx.

3 2024 Five-Year Order at PP 38-41.

I. SUMMARY

As the ERO, NERC embraces its mission to assure the effective and efficient reduction of risks to the reliability and security of the grid. When Congress enacted the Energy Policy Act of 2005[4] and section 215 of the Federal Power Act, it entrusted the Commission with: (i) approving and enforcing rules to ensure the reliability of the Bulk Power System ("BPS"); and (ii) certifying an ERO that would be charged with developing and enforcing mandatory Reliability Standards, subject to Commission approval, and assessing reliability and adequacy of the BPS in North America.[5] FERC certified NERC as the ERO and requires NERC to submit periodic Performance Assessments that examine how well the ERO is carrying out its responsibilities. NERC performs the functions of the ERO with the support of the six Regional Entities.[6]

In the 2024 Five-Year Order, the Commission directed NERC to submit a compliance filing detailing performance metrics regarding the Reliability Standards development program and the implementation and oversight of the CMEP.[7] These performance metrics aim to "provide a more objective and systematic approach to determining the efficacy of the ERO programs and functions from one performance assessment period to the next."[8]

In satisfaction of that directive, NERC presents a suite of metrics that allows for objective, consistent, and transparent assessment of ERO performance in Reliability Standards development and implementation and oversight of the CMEP. The suite of metrics includes the following, each

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4 Energy Policy Act of 2005, Pub. L. No. 109–58, title XII, § 1211(b), 119 Stat. 942.

5 Section 215(a)(2). See also Section 215(c) (providing the ERO certification criteria). See also Pub. L. 109–58, title XII, § 1211(b), 119 Stat. 946 (clarifying, "[t]he Electric Reliability Organization… and any regional entity delegated enforcement authority… are not departments, agencies, or instrumentalities of the United States Government.").

6 The six Regional Entities include the following: Midwest Reliability Organization, Northeast Power Coordinating Council, Inc., ReliabilityFirst Corporation, SERC Reliability Corporation, Texas Reliability Entity, Inc., and Western Electricity Coordinating Council.

7 2024 Five-Year Order at P 38.

8 *Id.*

identified by the function to which the tracking will be assigned (e.g., reliability risk assessment, standards process, compliance monitoring, or enforcement):

- **Reliability Risk Metric: Risk Identification to Action Metric –** NERC will track the time from identifying a risk to the BPS to taking action on that risk, whether initiating a standards development project or other mitigating action.

- **Standards Process Metric 1: Approval Rate Per Ballot** – NERC will track the percentage of ballots that achieve approval and the number of ballots necessary to achieve approval for each standard.

- **Standards Process Metric 2: Percentage Gained Between Ballots –** NERC will track the percentage of affirmative votes gained between each successive ballot.

- **Compliance Monitoring Metric 1: Risk Planning Completion Prior to Engagement –** NERC will track whether Regional Entities have completed Inherent Risk Assessments prior to conducting compliance monitoring activities, such as audits or spot checks of Registered Entities.

- **Compliance Monitoring Metric 2: Risk Planning Completion for Newly Registered Entities –** This metric will track the rate at which Regional Entities complete Inherent Risk Assessments for newly registered entities.

- **Compliance Monitoring Metric 3: Frequency of Inclusion of Reliability Standards from CMEP Implementation Plan in Monitoring Engagements** – This metric will assess the frequency of inclusion of the Reliability Standards requirements from the CMEP Implementation Plan in monitoring engagements, such as audits and spot checks.

- **Compliance Monitoring Metric 4: Internal Control Review during Monitoring Engagements** – This metric will track whether a Regional Entity reviews internal controls during compliance monitoring engagements.

- **Enforcement Metric 1: Yearly Submitted vs. Yearly Processed Noncompliance** – This metric will compare the number of noncompliance submitted each year to the number of noncompliance processed each year.

- **Enforcement Metric 2: Compliance Exception Processing Time Status** – This metric will track the number of Compliance Exceptions processed within 180 days of being submitted.

- **Enforcement Metric 3: Inventory Reduction** – This metric will track the reduction of open inventory by reporting year.

- **Enforcement Metric 4: Serious Risk Dispositions with Aggravating Compliance History** – This metric will track serious risk dispositions with aggravating compliance history.

Each of these metrics is an indicator of the performance of the ERO, specifically its Reliability Standards development program and the CMEP. As some of these metrics are new, NERC expects to develop a broader understanding of any trends or nuances of the metrics as indicators of performance during the analysis that will be presented in the next Performance Assessment to be filed in 2029. Accordingly, NERC requests the Commission accept this filing in satisfaction of the 2024 Five-Year Order directive as these metrics provide an objective, transparent, and consistent approach for the Commission to assess ERO performance.

II. BACKGROUND

On December 19, 2024, the Commission issued an order accepting the Performance Assessment.[9] In that order, the Commission found that NERC continues to satisfy the statutory and regulatory criteria for certification as the ERO and that the Regional Entities continue to satisfy applicable statutory and regulatory criteria.[10] In addition, the Commission issued a directive to submit a compliance filing on performance metrics regarding the Reliability Standards development program and the implementation and oversight of the CMEP, stating that future performance assessment filings would include reporting on these metrics to "provide an objective, transparent, and consistent approach for the Commission to assess ERO performance."[11]

Specifically, the Commission directed that the Reliability Standards metrics should assess the efficacy of the development program, such as by measuring "(1) the time NERC takes between the identification of a reliability risk and the initiation of a process to address that risk, such as

9 *Id.* at P 26.
10 *Id.* at P 26.
11 *Id.* at P 34.

lessons learned, data requests, industry guidance, or a standards authorization request, if needed; and (2) the time it takes to develop a new or modified Reliability Standard once a standards authorization request has been approved."[12]

Regarding CMEP, the Commission directed NERC to develop metrics to track "(1) the implementation and consistency of risk-based compliance monitoring practices, (i.e., compliance oversight plans, inherent risk assessments, and internal controls); (2) timeliness of noncompliance processing; and (3) reduction in subsequent serious risk violations stemming from same or similar root cause as prior noncompliance."[13] The Commission directed NERC to file the metrics within 180 days of December 19, 2024.[14]

III. METRICS

Consistent with the 2024 Five-Year Order, NERC and the Regional Entities developed a comprehensive suite of metrics that allows for the objective, consistent, and transparent assessment of ERO performance over the course of the five-year reporting period. This suite of metrics provides a systematic approach to determining the efficacy of certain ERO programs and functions from one performance assessment period to the next, with the next performance assessment to be filed with FERC in 2029. The metrics are identified by the function they assess (e.g., reliability risk assessment, standards process, compliance monitoring, or enforcement). Section III is organized as follows: Subsection A provides the metrics that assess the performance of the Reliability Standards development program, which include metrics on reliability risk and the standards process. Subsection B provides the metrics that assess the performance of the

12 *Id.* at P 39.
13 *Id.* at P 40.
14 *Id.* at P 41.

implementation and oversight of the CMEP, including metrics specific to risk-based compliance monitoring and enforcement.

A. Reliability Standards Development Metrics

As the ERO, the NERC Reliability Standards development process must "provide for reasonable notice and opportunity for public comment, due process, openness, and balance of interests in developing reliability standards and otherwise exercising its duties."[15] NERC's Rules of Procedure are consistent with this section 215 requirement, the Commission's implementing regulations, and other requirements identified by the Commission in Order No. 672[16] by using a consensus process that develops Reliability Standards to address new and emerging threats to the grid. To that end, the Reliability Standards development metrics described in this section are designed to assess (1) the rate at which identified risks to the BPS are addressed through appropriate action, whether standards development or another mitigating method; and (2) if those risks are mitigated through the standards development process, how successful the standards development process is at achieving the necessary consensus on a Reliability Standard that addresses that risk.

1. Risk Identification and Action Metric

The 2024 Five-Year Order directed NERC to develop and report in future performance assessments a metric regarding: "the time NERC takes between the identification of a reliability risk and the initiation of a process to address that risk, such as lessons learned, data requests,

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[15] 16 U.S.C. § 824o(c)(2)(d). See also 18 C.F.R. § 39.3(b)(2)(iv).

[16] *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards*, Order No. 672, 114 FERC 61,104 at P 258 (2006), *order on reh'g*, Order No. 672-A, 114 FERC 61,328 (2006) (stating that NERC's process "must ensure that any Reliability Standard is technically sound and the technical specifications proposed would achieve a valuable reliability goal. The process must also: (1) be open and fair; (2) appropriately balance the interests of stakeholders; (3) include steps to evaluate the effect of the proposed Reliability Standard on competition; (4) meet the requirements of due process; and (5) not unnecessarily delay development of the proposed Reliability Standard.").

industry guidance, or a standards authorization request, if needed."[17] Accordingly, NERC submits the following metric on the effectiveness and efficiency of its efforts between risk identification through initiation of any actions to address that risk.

a) Reliability Risk Metric: Risk Identification to Action Metric

The Reliability Risk Metric tracks when NERC takes action to address a specifically identified risk from a NERC published statement (such as the Long-Term Reliability Assessment ("LTRA"), State of Reliability Report ("SOR"), Event Analysis Program report, Reliability and Security Technical Committee ("RSTC") action, or statement in a Commission filing). This metric would track the following timeframes from risk identification to action:

- Within six months: Expedited Action
- Between six – twelve months: Efficient Action
- Longer than twelve months: Delayed Action

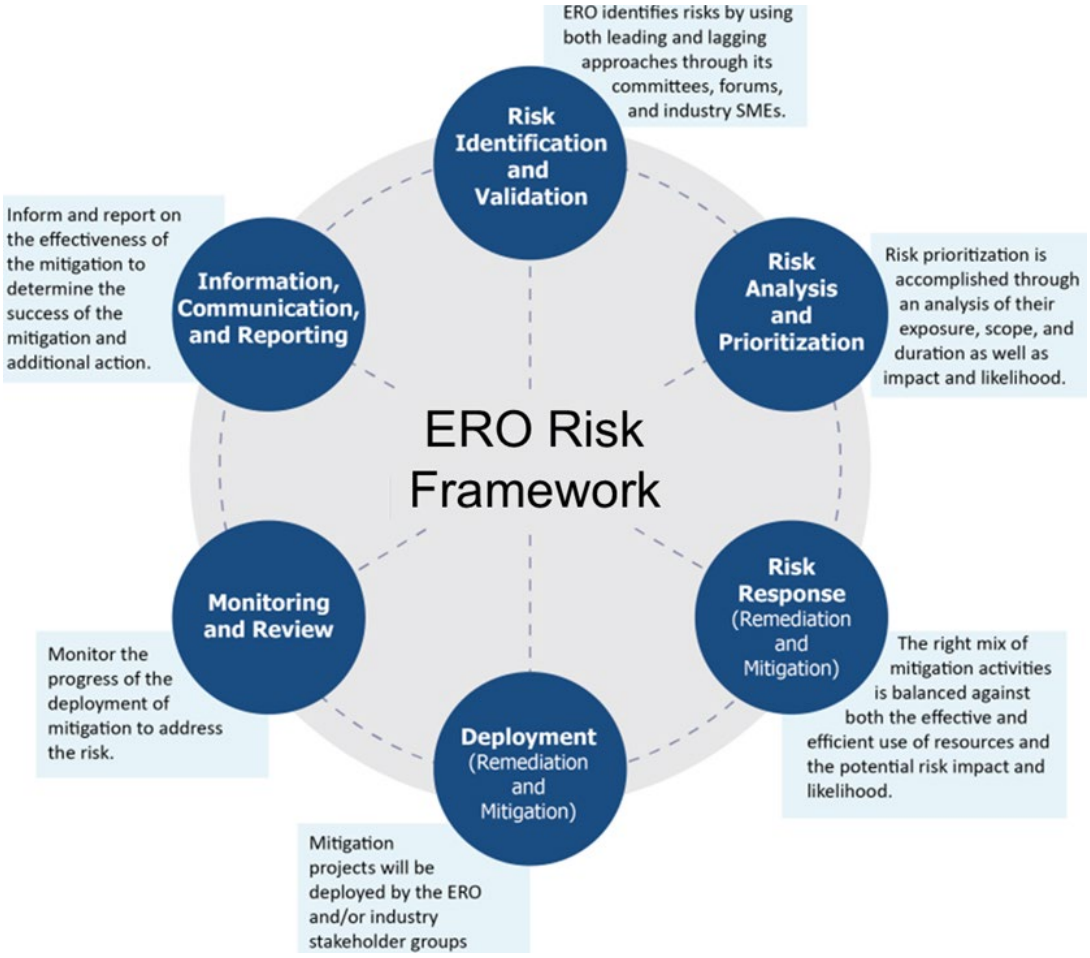
While NERC strives to initiate actions in a timeframe commensurate with risk, these timeframes would be influenced by prioritization and resource allocation within NERC's Business Plan and Budget, Work Plan Priorities, Reliability Risk Framework, Board of Trustees ("Board") directives, and standing committee plans, such as the RSTC Strategic Plan.

To ensure accurate and measurable tracking across various risks, the metric defines that a risk can be considered "identified" through inclusion in a published assessment, report, or other documentation published by NERC. As noted, documentation could include, for example, a Board statement of risk, the LTRA, SOR, NERC filed comments in a Commission proceeding or testimony at a Commission technical conference, or standing committee action. NERC's metric refers to specifically identified risks to differentiate between risk signals or risk investigation. This

[17] 2024 Five-Year Order at P 39.

distinction is important as there is an observation and vetting period when NERC's BPS assessments indicate that a new risk or issue might emerge. Projects to begin addressing a specified risk could include, for example, establishing a task force assigned to prepare technical guidance, beginning work on a Reliability or Security Guideline, initiating a project to develop a Standards Authorization Request for a new or revised Reliability Standard, or issuing a NERC data request or Alert. A period of six to twelve months is an efficient and effective period of time between identifying a specific risk, the assessment and validation of the risk, and initiating a process to address it while allotting adequate time for professional expertise, communication, and NERC's stakeholder processes, consistent with the cycle under the ERO Risk Framework illustrated below.[18]

[18] This graphic of the ERO Risk Framework is a high-level representation of the risk analysis process and may be revised from time-to-time.



NERC will report on any trends in risk identification or timeframes to take action in the 2029 Performance Assessment.

2. Standards Process Metrics

Building consensus among a variety of stakeholders is a hallmark of the NERC standards development process. Even if the steps leading up to that consensus may vary for each project, every step of the development process works toward the same goal of building consensus in a transparent and balanced manner. Achieving consensus reflects the efficacy of the development process. While the Commission provided an example of a time-based metric to assess the efficacy of the standards development process in the 2024 Five-Year Order,[19] NERC notes that the unique

[19] 2024 Five-Year Order at P 39.

characteristics of each project (e.g., technical complexity, how many standards are revised, prioritization) vary too much for a time-based metric to serve as an "objective, consistent, and transparent assessment of ERO performance" [20] regarding the efficacy of the standards development process. Accordingly, the following standards process metrics assess performance based on ballot approval percentages, which are key indicators of consensus among stakeholders.

a) Standards Process Metric 1: Approval Rate Per Ballot

Standards Process Metric 1 tracks the percentage of ballots that achieve approval, which is at least two-thirds of the Registered Ballot Body casting affirmative votes for the balloted standard. [21] Furthermore, this metric will track how many ballots were necessary to achieve consensus approval for each standard (i.e., approved during initial ballot, approved during first additional ballot, approved during second additional ballot, etc.). For the 2029 Performance Assessment, NERC plans to report on ballots conducted as part of projects initiated in 2017 and onward. In so doing, NERC will have a large pool of completed ballots from which to assess the efficacy of the standards development process. Through this assessment, NERC will consider how quickly consensus was achieved, reflecting the success rate of the standards development process.

b) Standards Process Metric 2: Percentage Gained Between Ballots

Standards Process Metric 2 tracks the percentage of affirmative votes gained between each successive ballot. While the first standards process metric focuses on when a ballot results in approval of a standard, the second standards process metric focuses on how much a standard ballot improved between successive ballots, even if it did not achieve the required number of affirmative votes for approval. For the 2029 Performance Assessment, NERC will report on trends for

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20 *Id*. at P 38.

21 NERC Rules of Procedure, Appendix 3A Standard Processes Manual section 4.10.

percentage change for ballots and consider what may have influenced the changes in affirmative votes (e.g., an informal comment period, workshop, or other formal outreach activity).

While NERC asserts that the metrics in this section are appropriate over the next five years for assessment of ERO performance, risks to the BPS continue to become more technologically complex, thereby potentially necessitating more holistic modifications to the standards development process to ensure that NERC can continue to address urgent reliability needs with the appropriate agility.[22] To that end, the NERC Board of Trustees approved the formation of the Modernization of Standards Processes and Procedures ("MSPP") Task Force at its February 13, 2025 meeting.[23] The MSPP Task Force is charged with evaluating and transforming the current standards development procedures to improve efficiency and responsiveness.[24] In addition, the MSPP Task Force is considering whether to recommend appropriate metrics as part of its efforts. The MSPP Task Force will present its recommendations to the Board of Trustees during its February 2026 meeting.[25] To the extent the MSPP Task Force recommends further changes to the NERC Rules of Procedure, NERC will pursue those changes at the appropriate time.[26] Should the recommendations also include metrics on the standards process, NERC will consider whether there are impacts to the standards process metrics discussed in the instant filing. Until such time, NERC will track and analyze these standards process metrics as an input to the 2029 Performance Assessment.

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22 *Compliance Filing of the North American Electric Reliability Corporation Regarding 2023 Revisions to the NERC Rules of Procedure for Reliability Standards*, Docket No. RR23-4-000 at p. 11 (May 28, 2025).

23 *Id.*

24 *Id.*

25 *Id.*

26 *Id.*

B. CMEP Metrics

As described in the Supplemental Filing, NERC recognizes the need for data-driven metrics to evaluate success as one of the core tenets[27] of a risk-based CMEP.[28] As noted in the Performance Assessment, NERC's introduction of the Align tool positions core CMEP business processes on a single, secure platform that includes functionality related to Enforcement and Mitigation, Periodic Data Submittals, Technical Feasibility Exceptions, Self-Certifications, Audits and Spot Checks, and Inherent Risk Assessment.[29] As such, the Align tool provides NERC an opportunity to collect data in a timely manner to generate insights and identify trends and themes that offer context and transparency into ERO Enterprise performance of its CMEP responsibilities. NERC developed the metrics, in collaboration with the Regional Entities and through engagement with FERC staff, described in this section to meet the Commission directive to track (1) the implementation and consistency of risk-based compliance monitoring practices; (2) timeliness of noncompliance processing; and (3) reduction in subsequent serious risk violations stemming from same or similar root cause as prior noncompliance.[30]

1. Implementation and Consistency of Risk-based Compliance Monitoring Practices

Risk-based compliance monitoring focuses on identifying, prioritizing, and addressing risks to the BPS during compliance monitoring engagements and activities, which enables entities to direct resources to high priority areas. The ERO Enterprise began this shift to a risk-based CMEP in 2011. As noted in the Performance Assessment, a key outcome of NERC Compliance Assurance activities for oversight and program development included maturation of elements that

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[27] *Order Approving in Part and Denying in Part Revisions to North American Electric Reliability Corporation Rules of Procedure*, 179 FERC ¶ 61,129 at P 18 (2022) (footnotes omitted).
[28] *Supplemental Filing* at p. 26 and 28-9.
[29] 2024 Performance Assessment at p. 46.
[30] 2024 Five-Year Order at P 40.

support the risk-based CMEP. Such elements include Inherent Risk Assessment development, with compliance monitoring planning incorporating that risk, and a focus on understanding entities' use of internal controls. To that end, NERC collaborates with Regional Entities to collect regional risk-based oversight planning and Inherent Risk Assessment development processes and to foster maturation of these processes across the ERO Enterprise.

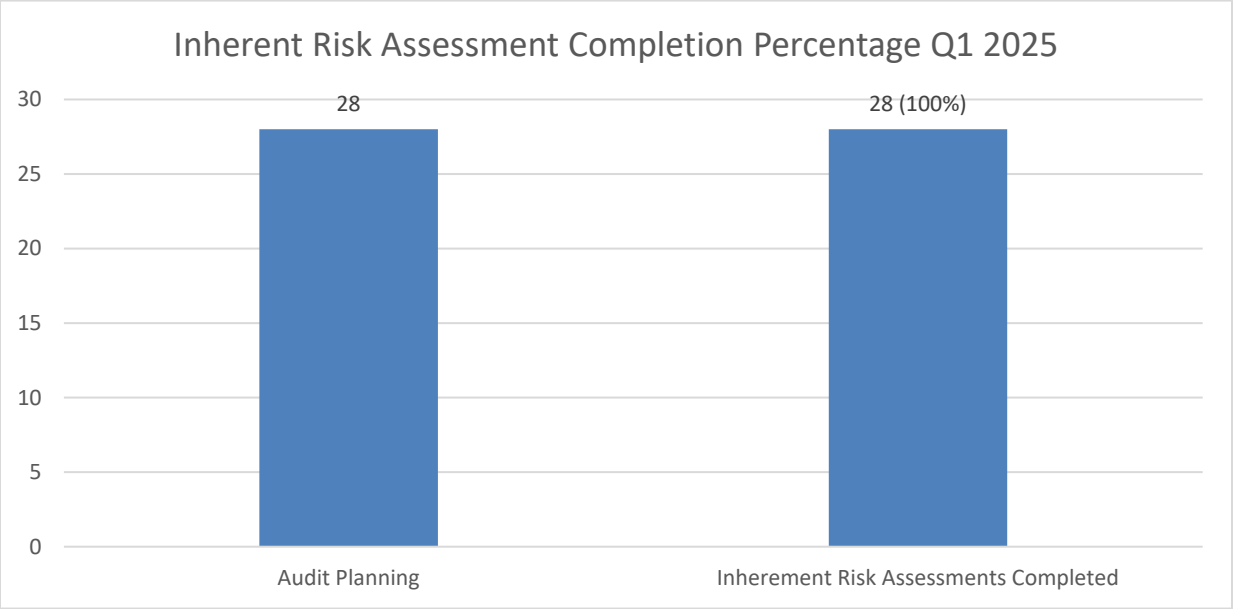
In addition to oversight of the processes developed in support of risk-based compliance monitoring, NERC also performs oversight of the implementation of those processes. As such, NERC tracks the completion of Inherent Risk Assessments and the incorporation of an entity's risk profile into compliance monitoring planning. NERC also tracks the influence of CMEP Implementation Plan risk elements and areas of focus on monitoring engagements. Finally, NERC tracks Regional Entity review of internal controls during compliance monitoring engagements. Given the role of these tools in risk-based CMEP, NERC will assess the following metrics to determine the performance of the ERO Enterprise in implementation and consistency of risk-based compliance monitoring practices.

a) Compliance Monitoring Metric 1: Risk Planning Completion Prior to Engagement

Compliance Monitoring Metric 1 measures whether certain risk-based tools, such as Inherent Risk Assessments, are completed prior to compliance monitoring engagements. As part of its risk-based CMEP, the ERO Enterprise integrated tools into compliance monitoring engagements to develop an understanding of the Registered Entity's risk profile to inform its compliance monitoring activities of that entity to ensure such activities consider that risk profile. NERC began tracking Regional Entities' use of these risk-based tools prior to conducting compliance monitoring activities, such as audits and spot checks. Moreover, as implementation of these risk-based compliance monitoring tools matured, NERC also tracked any updates of Inherent

Risk Assessments as part of its completion tracking for each year. This tracking allows NERC to continue to understand whether any updated risks are considered in compliance monitoring activities.

As an example, the chart below shows the percentage of completed Inherent Risk Assessments for the first quarter of 2025 compared to the planned audit engagements conducted in that quarter:



NERC will report on each annual comparison in its next Performance Assessment to be filed in 2029.

b) Compliance Monitoring Metric 2: Risk Planning Completion for Newly Registered Entities

While Compliance Monitoring Metric 1 informs NERC of whether certain risk-based tools have been completed prior to compliance monitoring engagements, Compliance Monitoring Metric 2 provides insight as to how many, and how quickly, Inherent Risk Assessments and oversight planning have been completed for newly registered entities. This measurement helps to ensure that Regional Entities are conducting risk assessments on newly Registered Entities to

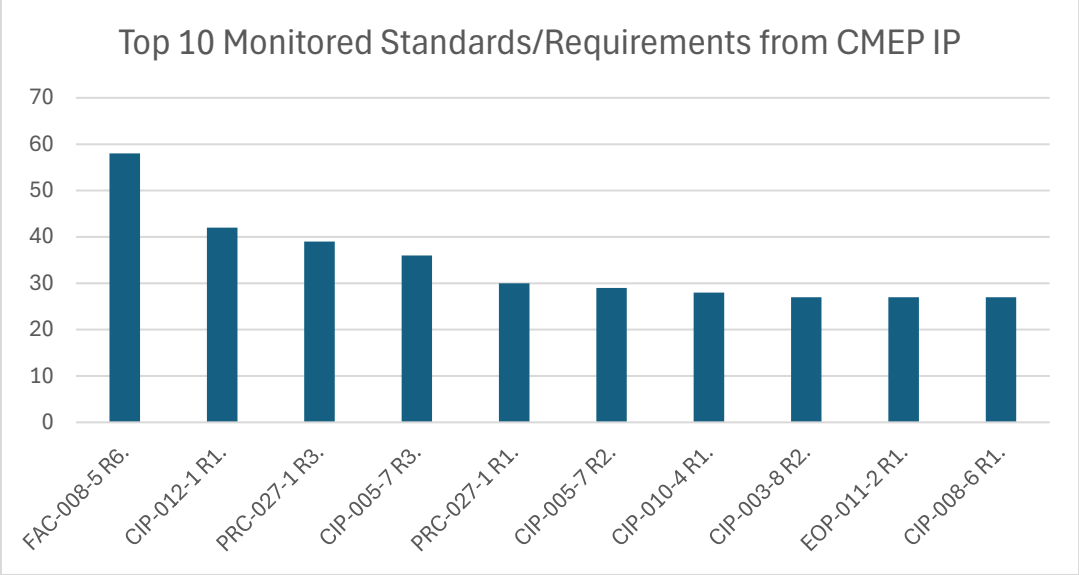
understand any possible BPS risk. For example, NERC anticipates this metric will encourage the ERO Enterprise to timely complete risk-based compliance monitoring tools for the entities registering under the new category 2 Generator Owner and Generator Operator Registry Criteria.[31] When reviewed in concert with Compliance Monitoring Metric 1, Compliance Monitoring Metric 2 allows NERC to assess whether the risk of newly registered entities is being incorporated into yearly compliance monitoring activities. In the 2029 Performance Assessment, NERC will report on the average time to complete an Inherent Risk Assessment over each year.

c) Compliance Monitoring Metric 3: Frequency of Inclusion of Reliability Standards from CMEP Implementation Plan in Monitoring Engagements

Compliance Monitoring Metric 3 assesses the frequency in which the Reliability Standards requirements identified in the CMEP Implementation Plan are in the scope of CMEP engagements, such as audits and spot checks. The CMEP Implementation Plan is an important tool in the ERO Enterprise risk-based compliance monitoring framework. The CMEP Implementation Plan describes the priorities for the ERO Enterprise's CMEP activities each year, reinforcing the focus on how the ERO Enterprise and industry proactively identify and mitigate risks to the BPS. In development of the CMEP Implementation Plan, NERC and the Regional Entities work collaboratively to (1) evaluate reports of NERC committees, ERO Enterprise analysis of events, NERC reliability assessments, and CMEP data to identify the existing and emerging risks to reliable and secure operations of the BPS and (2) identify the currently enforceable Reliability Standards requirements that address the identified risks. The intent is for these identified requirements to be the focus on CMEP engagements.

[31] Order Approving Revisions to N. Am. Elec. Reliability Corp. Rules of Proc. and Requiring Compliance Filing, 187 FERC ¶ 61,196 (2024).

This metric will allow NERC to assess whether each year's compliance monitoring activities are evaluating whether Registered Entities are addressing the risks identified in the CMEP Implementation Plan. Moreover, from the collection of data on the frequency of inclusions of these requirements in the scope of compliance monitoring engagements, NERC can determine the top ten requirements that are included most often in compliance monitoring engagements out of the approximately sixty requirements included in the CMEP Implementation Plan each year. From this information, NERC can further analyze which risks identified in the CMEP Implementation Plan seem to be considered the most in compliance monitoring activities. As an example, the following chart demonstrates the ten most frequently audited or spot-checked requirements from the CMEP Implementation Plan in a given year:



As part of the 2029 Performance Assessment, NERC will be able to include reporting on the annual appearance of requirements in monitoring engagements as well as a five-year total of times a requirement is listed in top ten most frequently included in compliance monitoring engagements.

d) Compliance Monitoring Metric 4: Internal Control Review during Monitoring Engagements

Compliance Monitoring Metric 4 tracks whether a Regional Entity reviews internal controls during compliance monitoring engagements in addition to reviewing compliance with applicable Reliability Standards. Having a clear understanding of practices and controls assists the ERO Enterprise in better evaluating the risk an entity poses, how the entity may perform in the future, and provides valuable feedback to the entity. Accordingly, these internal controls reviews are essential to the successful implementation of risk-based compliance monitoring.

For example, for 2024 audits and spot checks, Regional Entities included internal control assessments in 55% of monitoring engagements. While NERC will report on this Compliance Monitoring Metric 4 in the 2029 Performance Assessment, NERC will then consider whether to expand this metric into assessing the effectiveness of internal controls reviewed or whether to eventually report on the number of Reliability Standards where internal controls were reviewed or effectiveness assessed.

2. Timeliness of Noncompliance Processing

In the Supplemental Filing, NERC highlighted the ERO Enterprise's success rate in the Commission's acceptance of over 99.7% of minimal risk Compliance Exceptions ("CEs") submitted to FERC over the past five years, indicating appropriate disposition of minimal risk issues.[32] Nevertheless, the average processing time over the last five years for these issues was more than 16 months, and the time spent on developing a complete record for these minimal risk CEs is disproportionate to the risk posed by the noncompliance.[33] To realize the full potential of

[32] Supplemental Filing at pp. 10 and 22. Over the past five years, the ERO Enterprise has processed 4,884 minimal risk CEs. Approximately 0.3% of those minimal risk CEs submitted to FERC have been withdrawn by NERC at the request of Commission staff.

[33] *Id*. at p. 20.

the efficiencies of the CE process, NERC identified improvements to the CE process within the Supplemental Filing that will expedite the time it takes to process minimal risk noncompliance, thereby enabling the ERO Enterprise to more proactively identify trends and themes from noncompliance issues through timely and relevant data collection.[34]

Accordingly, the enforcement program metrics described in this section provide insight into the timeliness of noncompliance processing, including CEs among other disposition types. Given the ERO Enterprise is working to reduce a backlog of noncompliance that has built over time as well as more quickly process newly incoming noncompliance, NERC determined that the following three metrics provide a more complete measure of the timeliness of noncompliance processing: 1) the yearly submitted vs. yearly processed noncompliance; 2) CE processing time status; and 3) noncompliance inventory reduction. Each of these metrics is discussed in more detail below.

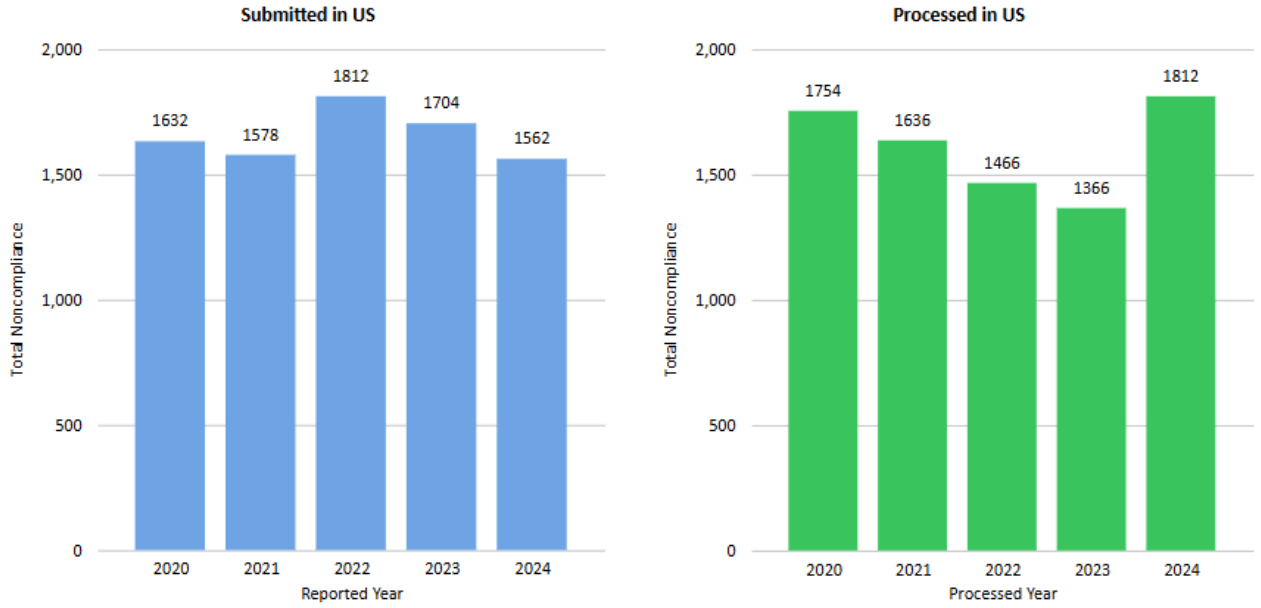
a) Enforcement Metric 1: Yearly Submitted vs. Yearly Processed Noncompliance

Enforcement Metric 1 tracks and compares the number of noncompliance submitted each year to the number of noncompliance processed each year.[35] This metric helps NERC to understand (1) whether the open inventory of noncompliance is decreasing because the rate of noncompliance processing is greater than the rate of submitted noncompliance; (2) whether the open inventory of noncompliance is increasing because the rate of submitted noncompliance is greater than the rate of noncompliance processing; or (3) whether the open inventory of noncompliance is remaining steady because the rates of noncompliance processing and submitted

[34] *Id.* at p. 25.

[35] As an example, a noncompliance submitted in 2022 would be tracked in the chart on the left below as a noncompliance reported in the 2022 calendar year. If that noncompliance was processed in 2024, it would be tracked in the chart on the right below as a noncompliance processed in the 2024 calendar year.

noncompliance are roughly equal. The following graphs demonstrate the yearly submitted and processed noncompliance in the United States from 2020 to the end of 2024:

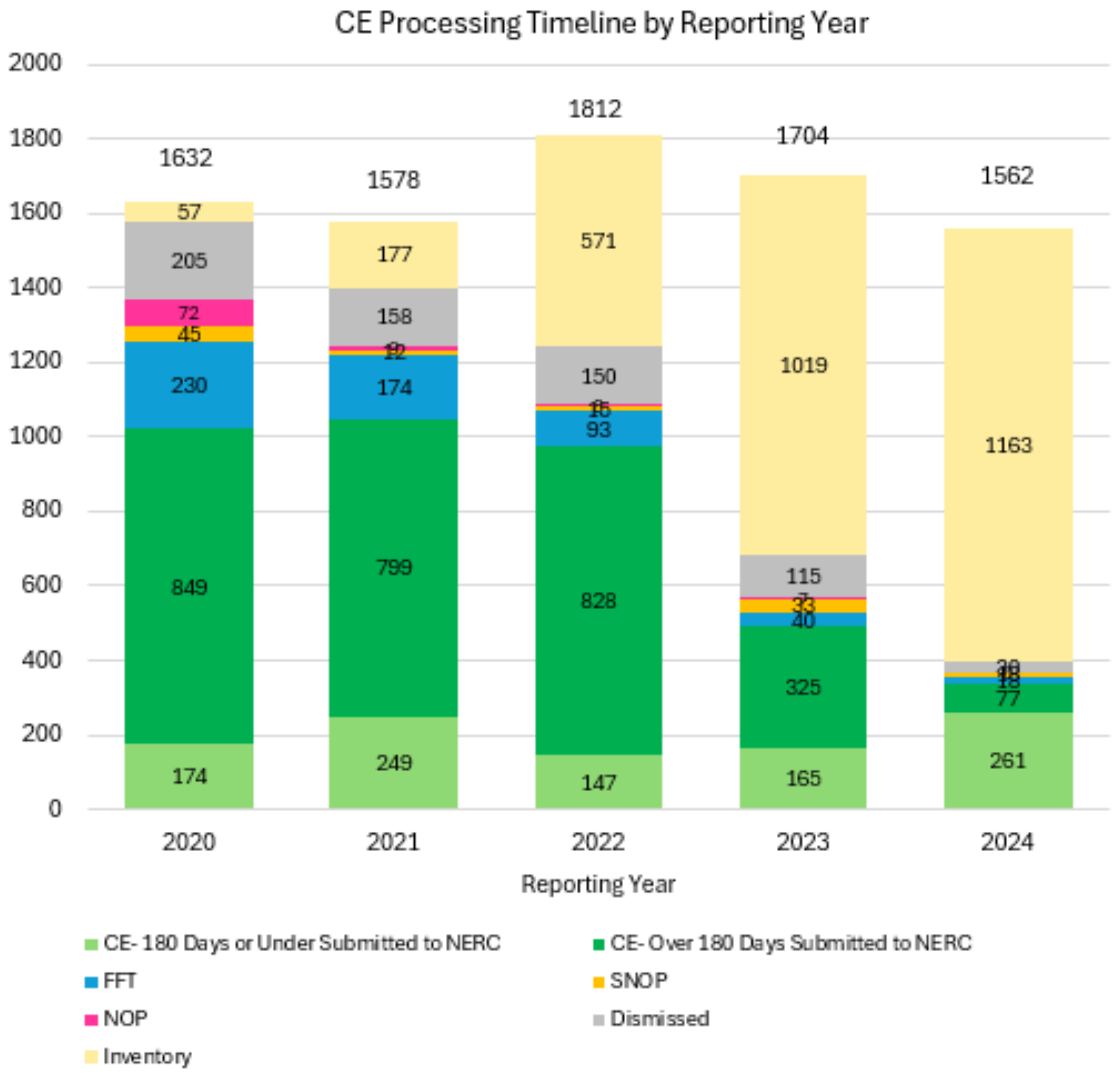


In 2024, the ERO Enterprise focused on reducing the volume of its oldest open inventory, as further described in Enforcement Metric 3 below. Accordingly, the figure above shows that the 1,812 noncompliance processed in 2024 exceeded the 1,562 noncompliance submitted in 2024, resulting in a reduction in the open inventory of noncompliance. NERC will report on these yearly numbers in the 2029 Performance Assessment, recognizing that the type of disposition (e.g., full Notice of Penalty versus CE) impacts the processing times.

b) Enforcement Metric 2: Compliance Exception Processing Time Status

Enforcement Metric 2 will track the number of CEs that were processed to NERC within 180 days of being submitted. Within the pool of submitted noncompliance each year, NERC breaks down those instances of noncompliance by the following status: 1) CEs processed to NERC in 180 days or less; 2) CEs processed to NERC in more than 180 days; 3) dismissed noncompliance; 4)

disposed via means other than CE; and 5) remaining inventory of submitted noncompliance that have not yet been processed. The following bar graph displays this breakdown for all noncompliance reported to a Regional Entity in each calendar year from 2020 through 2024, with each such calendar year being described as a reporting year.[36]



[36] The ERO Enterprise has processed more violations from these reporting years as of the date of this compliance filing, but NERC is displaying data as of the end of 2024 to demonstrate the relationship between each metric. The information in the chart above regarding CEs accounts for the timing of the processing of that noncompliance, but the other information in the chart does not account for the time it took to process such noncompliance.

In the chart above, of the 1,704 noncompliance submitted in 2023, 165 of those were ultimately processed to NERC as CEs within 180 days of submittal. This approach captures the amount of time it takes for Regional Entities to complete their work on noncompliance they receive and ultimately process as CEs. For the 2029 Performance Assessment report, Enforcement Metric 2 will provide details regarding the number of CEs that were processed to NERC within 180 days of submittal.

Finally, as stated in the Supplemental Filing, NERC will also track and monitor Reliability Standards that have been modified as a result of data derived from the streamlined process to ensure the reporting requirements are yielding industry benefits. The data from the timely processing of CEs will not only help to determine the effectiveness of existing Reliability Standards but may also support evaluation of whether a Reliability Standard should be modified or enhanced.

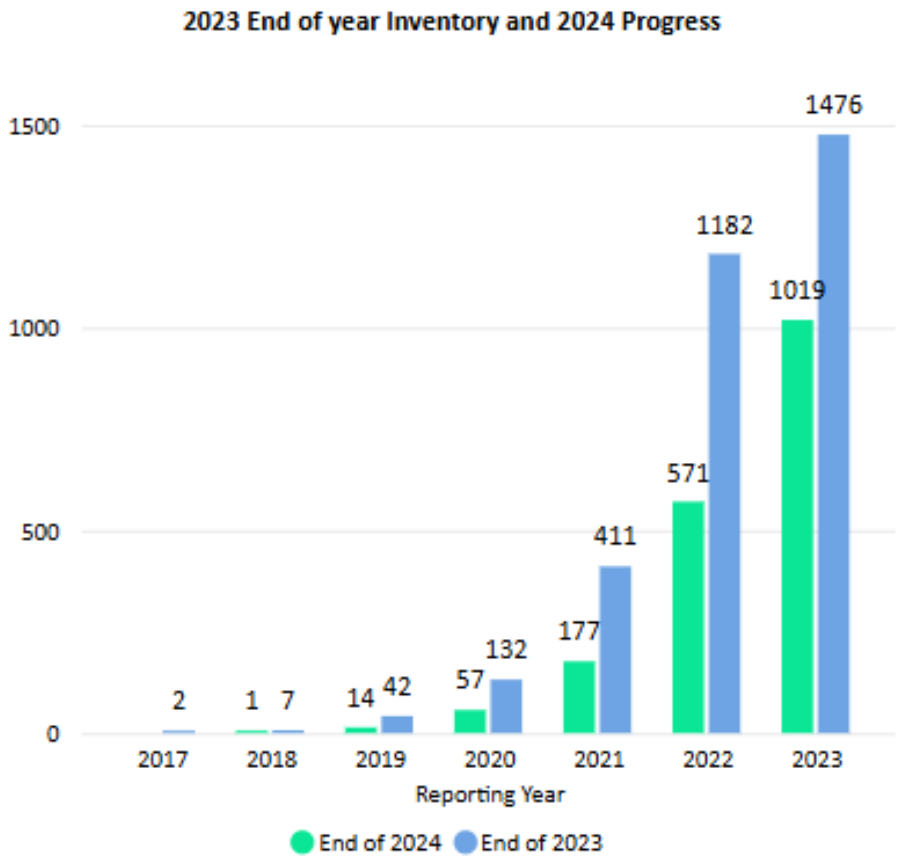
c) Enforcement Metric 3: Inventory Reduction

Enforcement Metric 3 tracks the reduction of open inventory by reporting year. The ERO Enterprise's open noncompliance inventory consists of noncompliance reported to or identified by the Regional Entities or NERC that has not yet been processed by filing with FERC (i.e. full Notices of Penalty and Spreadsheet Notices of Penalty), submission to FERC (Find, Fix, Track and Reports and CEs), or being dismissed. In 2024, the ERO Enterprise focused on reducing the volume of its oldest open inventory and made substantial reductions.[37] To that end, in 2024, the ERO Enterprise processed over 43% of the inventory that was open at the start of 2024 that had been reported in 2023 or earlier.[38] The following bar graph illustrates the end of the 2023 inventory

[37] ORCP and CMEP Annual Report (Feb. 12, 2025) at p. 19, https://www.nerc.com/pa/comp/CE/ReportsDL/2024%20CMEP%20and%20ORCP%20Annual%20Report.pdf.

[38] *Id*.

in blue with the end of the 2024 inventory in green, demonstrating a significant reduction in the inventory of older open noncompliance for each reporting year through efforts in 2024:

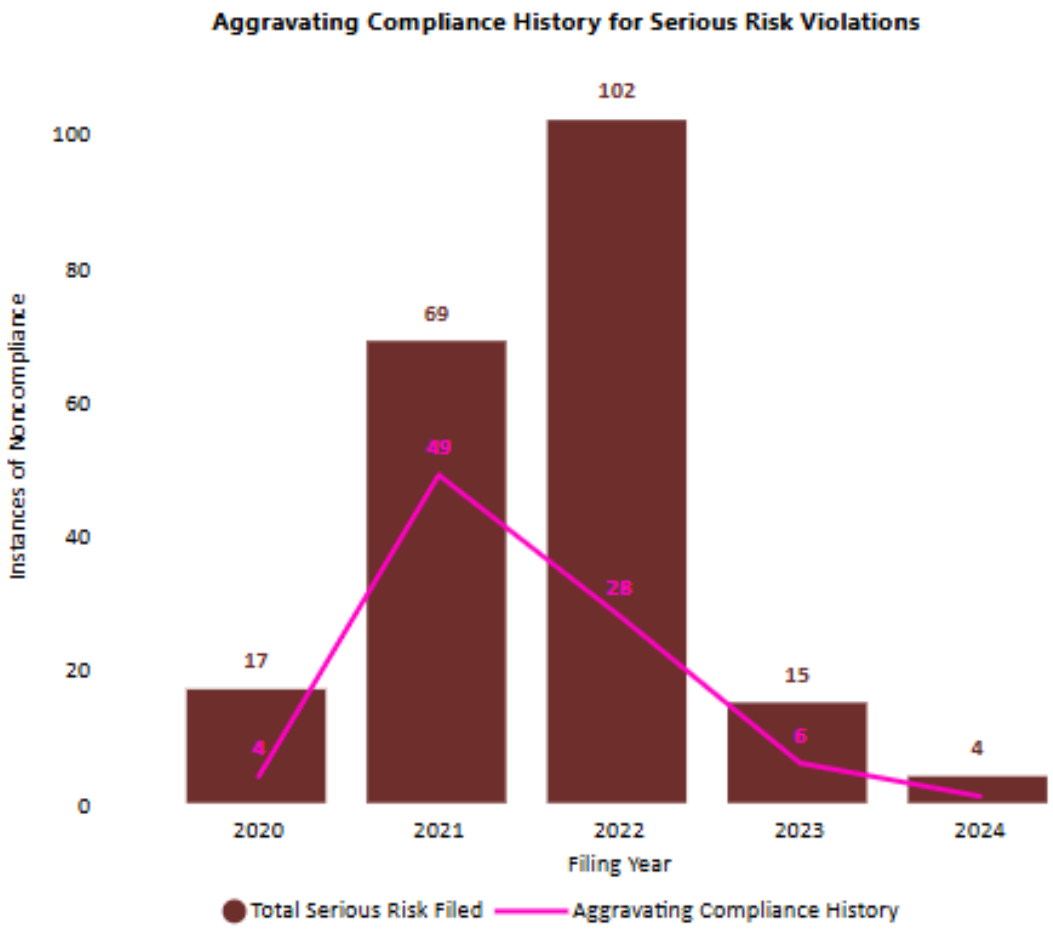


3. Reduction in Subsequent Serious Risk Violations Stemming from Same or Similar Root Cause as Prior Noncompliance

The ERO Enterprise monitors compliance history (defined as a prior noncompliance of the same or similar Reliability Standard and Requirement) and aggravating noncompliance with similar conduct (defined as a prior noncompliance that stemmed from similar actions or conduct). The ERO Enterprise monitors these cases to further explore the relationship of prior mitigation to repeat noncompliance and to identify any additional areas of focus and future actions.

a) Enforcement Metric 4: Serious Risk Dispositions With Aggravating Compliance History

Enforcement Metric 4 tracks serious risk dispositions with aggravating compliance history. The figure below shows, for each of the past five years, the number of filed (1) serious risk noncompliance; and (2) serious risk noncompliance with aggravating compliance history involving similar conduct (i.e., prior noncompliance of the same Standard and Requirement as the current noncompliance where the underlying conduct was the same or similar enough such that the Regional Entity aggravated the disposition method or monetary penalty associated with the current noncompliance). Going forward, NERC will separately track failed mitigation of prior noncompliance that leads to serious risk noncompliance. Serious risk noncompliance remains a small percentage of all processed noncompliance each year, and serious risk noncompliance with aggravating compliance history is an even smaller subset of all processed noncompliance. Since 2021, the ERO Enterprise has seen a decreasing trend in aggravating compliance history for the serious risk filings.



For the 2029 Performance Assessment, the ERO Enterprise will continue to analyze the information each year and highlight any notable trends.

IV. CONCLUSION

For the reasons set forth above, NERC respectfully requests that the Commission accept this compliance filing as meeting the directive in the 2024 Five-Year Order.

Respectfully submitted,

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Date: June 16, 2025

CERTIFICATE OF SERVICE

I hereby certify I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 16th day of June 2025.

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