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## I. INTRODUCTION

The North American Electric Reliability Corporation (NERC) respectfully submits this compliance filing and report in fulfillment of its commitment made on September 30, 2011 in the above-referenced proceeding,<sup>1</sup> and in compliance with the Federal Energy Regulatory Commission’s (FERC or Commission) March 15, 2012 Order.<sup>2</sup>

In its March 15, 2012 Order, the Commission accepted—with certain limited conditions—NERC’s Petition requesting approval of its proposal to address lesser-risk, remediated Possible Violations of Reliability Standards through an informational filing format called the Find, Fix, Track and Report (FFT) spreadsheet. The Commission also accepted an additional streamlined processing track for issues that do not pose a serious or substantial risk to the reliability of the bulk power system (BPS), but are not eligible for FFT treatment: the Spreadsheet Notice of Penalty (SNOP). The Commission ordered NERC to file a report on the implementation and progress of the FFT mechanism, at one year from the date of the March 15 Order.<sup>3</sup>

The Commission identified as the goal of this report “to provide the Commission with a meaningful opportunity to review the initiative and to consider any necessary changes going forward, including expanding the scope and parameters of possible

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<sup>1</sup> See *North American Electric Reliability Corporation*, “Petition Requesting Approval of New Enforcement Mechanisms and Submittal of Initial Informational Filing Regarding NERC’s Efforts to Refocus Implementation of its Compliance Monitoring and Enforcement Program,” Docket No. RC11-6-000 (Petition).

<sup>2</sup> *North American Electric Reliability Corporation*, “Order Accepting with Conditions the Electric Reliability Organization’s Petition Requesting Approval of New Enforcement Mechanisms and Requiring Compliance Filing,” 138 FERC ¶ 61,193 at PP 75-76 (2012) (March 15 Order).

<sup>3</sup> *Id.* at P 75.

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violations to be processed by FFT informational filings.”<sup>4</sup> To that end, the Commission identified seven specific areas of impact that the report should address so that it could assess the efficacy of the FFT mechanism.<sup>5</sup> These are:

- The effect of the program on improving BPS reliability (addressed in section V below);
- The effect of the program on addressing NERC’s compliance program, including its backlog (addressed in section III below);
- The effect of the program on NERC and the Regional Entities better focusing resources on addressing more serious violations (addressed in section V below and Attachment A);
- How NERC’s evaluation of risk in identifying candidate Possible Violations for FFT treatment has evolved during the implementation of the FFT initiative, including but not limited to how the Violation Risk Factors (VRFs) have been considered in the evaluation (addressed in section VII below);
- Manners in which the FFT mechanism can be improved based on experience to date (addressed in section VIII.A below);
- The results of any audits, spot checks, or random samplings that NERC or the Regional Entities may have performed during the year with regard to implementation of the FFT proposal (addressed in section VI below); and
- The impact, if any, the implementation of the FFT mechanism has had on the number of self-reports submitted (addressed in section IV below and Attachment B).

In addition, the Commission instructed NERC to “specifically evaluate the consistency and application of the FFT initiative and include the results of that evaluation in its twelve-month report.”<sup>6</sup> That issue is addressed in section VI below.

The report addresses the specific topics requested by the Commission and proposes several enhancements to the FFT program.

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<sup>4</sup> *Id.* at P 76.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.* at P 78.

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## **II. EXECUTIVE SUMMARY**

The FFT program is one element of a broader effort by NERC and the Regional Entities to better align its enforcement efforts with the level of risk to the reliability of the BPS posed by a potential noncompliance with the Reliability Standards. In particular, the FFT program has allowed NERC and the Regional Entities to eliminate undue regulatory burdens, streamline documentation and filing requirements for both the Electric Reliability Organization (ERO) enterprise and registered entities, and improve caseload processing. However, the most important measure of the success of the program is the degree to which it has improved the ERO enterprise's ability to devote time and resources to pursuing matters that pose a serious and substantial risk to the reliability of the BPS, thereby enhancing the ERO enterprise's ability to ensure the reliability of the BPS. As discussed herein, the FFT program has created significant processing efficiencies that make the focus on such matters possible. In addition, the FFT program has created a positive incentive for an improved culture of reliability excellence.

The successes of the program are significant. All Regional Entities utilize the FFT processing track for minimal risk issues. The parameters for determining what matters qualify for FFT treatment are used consistently throughout the ERO enterprise. Although there have been some inconsistencies in certain of the documentation requirements, which are discussed in this report, those either have been or are in the process of being addressed by NERC and the Regional Entities. The quality of the description of the remediated issues and risk assessments contained in the FFTs has improved significantly during the eighteen months covered in this report (September 2011 to December 2012).

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Further improvements to the program, proposed herein, will allow NERC and the Regional Entities to build upon the experience accumulated since the inception of the program in September 2011 and expand the program to include a broader scope of issues addressed through the FFT processing track and to improve the efficiency of the FFT processing track. NERC believes that the proposed improvements enjoy broad support from the Regional Entities and industry associations.

### **III. THE FFT PROGRAM PROVIDES SIGNIFICANT EFFICIENCIES**

The FFT program has allowed NERC and the Regional Entities to dispose of matters that pose a minimal risk to the reliability of the BPS through expedited and streamlined processing.<sup>7</sup> This, in turn, has allowed the ERO enterprise to direct more of its focus to the more serious and substantial risks to the BPS. The expedited processes also have allowed the ERO enterprise to focus its resources on risk management, training, and workshops for registered entities, as well as to focus on underlying issues uncovered in connection with BPS events.

NERC launched the program in September 2011 as part of the organization's broader goal to refocus efforts on a risk-based approach to compliance and enforcement. As indicated in NERC's September 30, 2011 Petition, all reliability risks, whether large or small, are expected to be identified, corrected, and prevented.<sup>8</sup> In the March 15 Order, the Commission agreed that NERC and the Regional Entities should have the flexibility to process and track lesser-risk issues more efficiently in order to focus resources on the

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<sup>7</sup> Matters that pose a moderate risk to the reliability of the BPS are not currently eligible for FFT treatment but may be processed through the SNOP, which is another form of streamlined processing used by NERC and the Regional Entities.

<sup>8</sup> Petition at p. 1.



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issues that pose the greatest risks to reliability.<sup>9</sup> As noted in Attachment A, the Regional Entities indicate an increased capacity for handling higher-risk reliability issues because of the time and resource savings of the FFT tool.

As indicated in this report, the program also had a significant impact on the ERO enterprise's ability to reduce its caseload and to focus resources on improvements to its enforcement processes. The FFT program is only the first step to a more efficient and effective compliance monitoring and enforcement program. The ERO enterprise will continue to focus on improvements designed to reduce risk to the reliability of the BPS. These improvements will decrease the time necessary to resolve issues and will allow NERC, Regional Entities, and registered entities to concentrate on more serious violations while decreasing the regulatory burden of responding to enforcement actions. Registered entities also have reported that the FFT program helps them focus on reliability and allows them to focus on compliance initiatives versus administration and reporting. These issues are discussed in greater detail below.

**A. Improvements in Processing Efficiency**

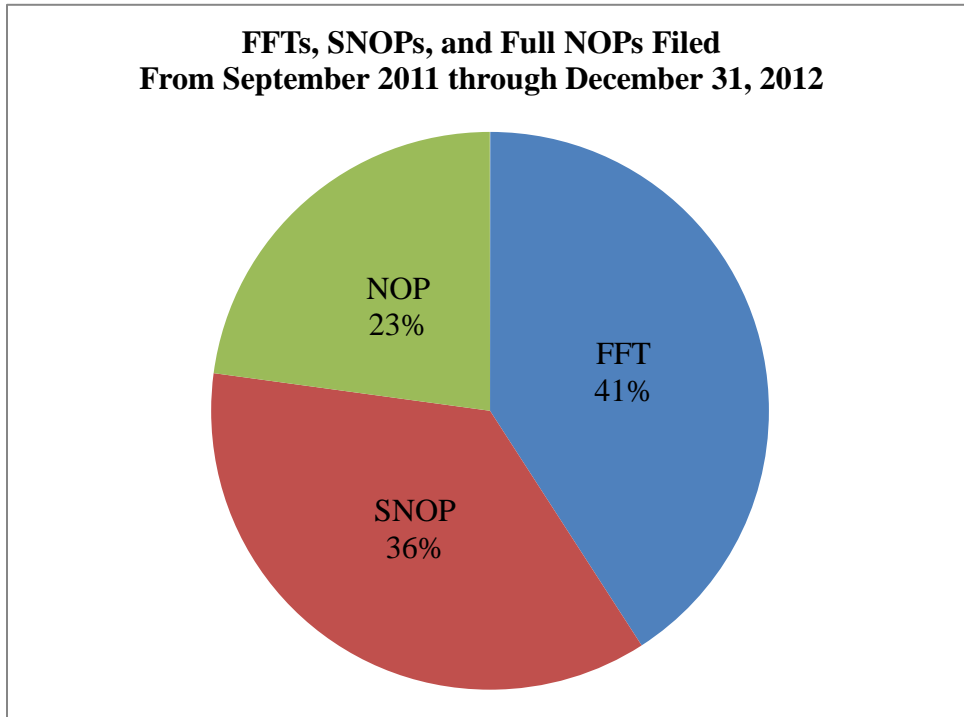
FFT has allowed the ERO enterprise to process violations more efficiently, resulting in time and resource savings for NERC, Regional Entities, and registered entities. For example, parties throughout the process have experienced time savings due to the reduced documentation and negotiation required for FFT processing. As described below and in Attachment A, this has allowed the Regional Entities to process their older caseload and focus time and resources on higher-risk issues.

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<sup>9</sup> March 15 Order at P 2.

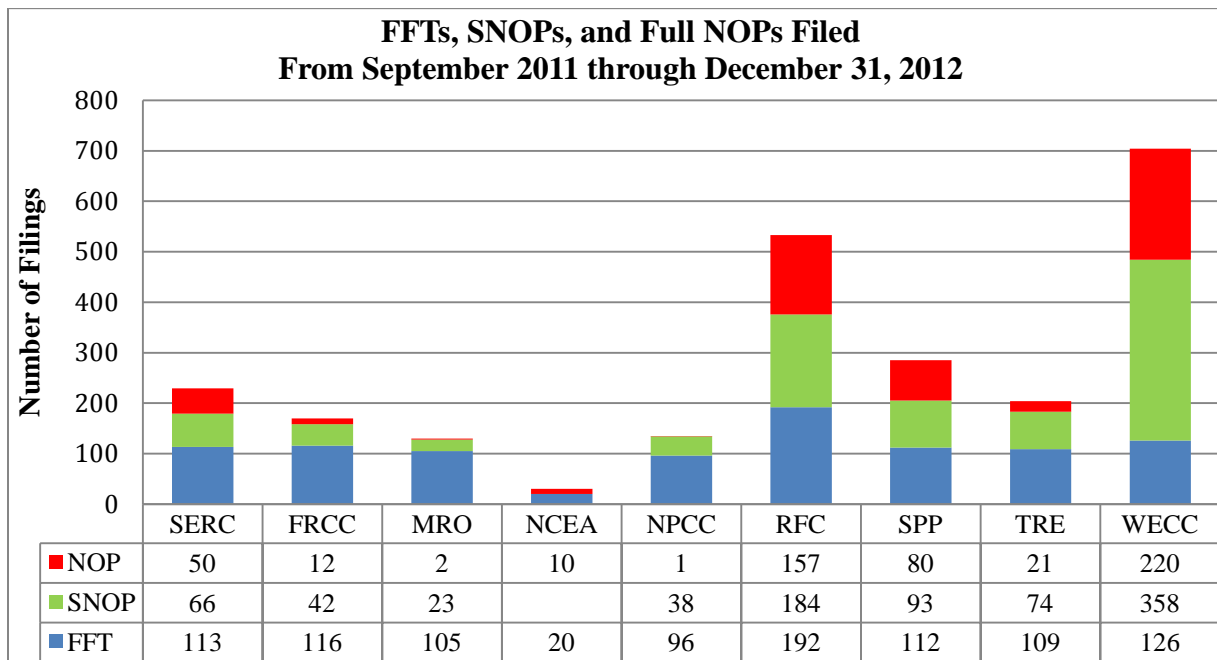
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As shown in Figure 1 below, NERC and the Regional Entities have used the FFT processing track for 41% of all filed violations since the program was implemented in September 2011. All of the Regional Entities are making use of the FFT program and have found it to be a worthwhile tool, as described below.



**Figure 1**

Figure 2 below, provides a breakdown by region of the total number of violations filed since the program was implemented, indicating levels of utilization of the streamlined processing tracks by each Regional Entity and the NERC Compliance Enforcement Authority (NCEA).<sup>10</sup>



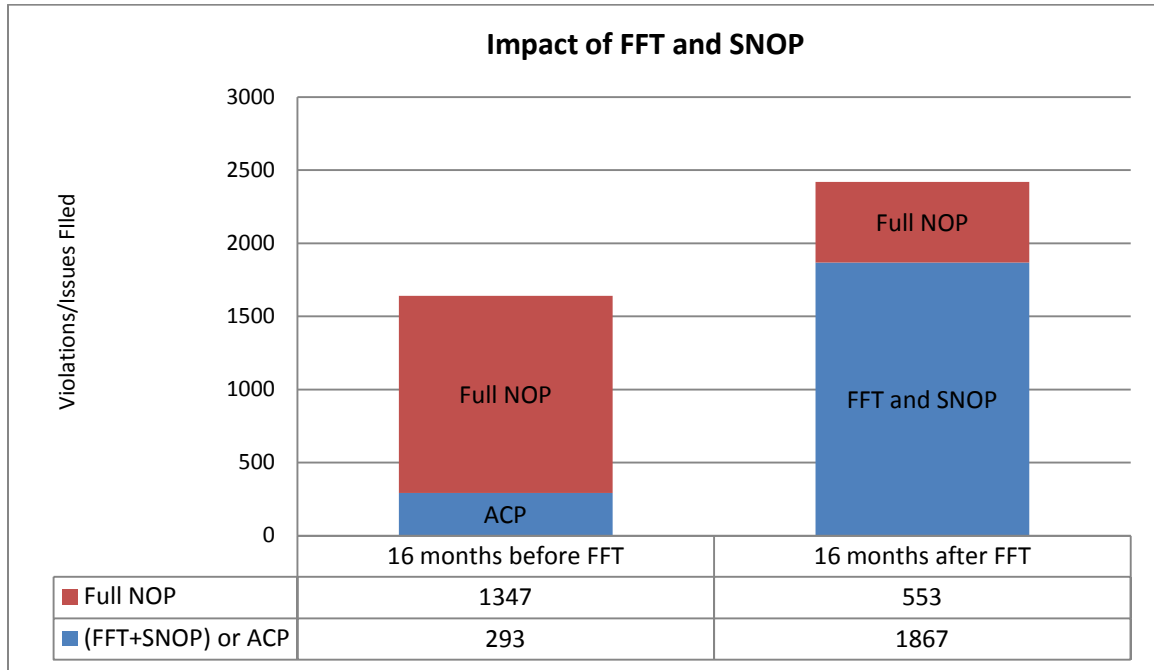
**Figure 2**

The average monthly filing rate during the 16-month period from September 2011 through January 2013 was 151.25 violations per month. By comparison, the average monthly filing rate during the 16-month period preceding September 2011 was 102.5 violations per month. This represents an improvement of 48.75 violations per month, or 47.6%.

<sup>10</sup> An alternative measurement of FFT use shows WECC's increased adoption of the disposition tool. Instead of comparing filed FFTs to filed NOP and SNOP violations, evaluation of WECC's use of FFT for its new violations shows that WECC employed FFT for almost 48% of the new violations (not counting dismissals) it received over the last six months of 2012.

Prior to September 2011, the most violations NERC processed in a single month was 192.<sup>11</sup> As a result of the streamlined process and efficiency gains described herein, NERC had the capacity to process an all-time high of 258 violations in December 2012.

As shown in Figure 3 below, between September 2011 and December 2012, NERC filed a total of 1,640 violations in the 16-month period preceding September 2011.<sup>12</sup> In the 16-month period following the program implementation, NERC has filed 2,420 violations. Of the 2,420 total violations filed during that time, 989 were FFTs.



**Figure 3**

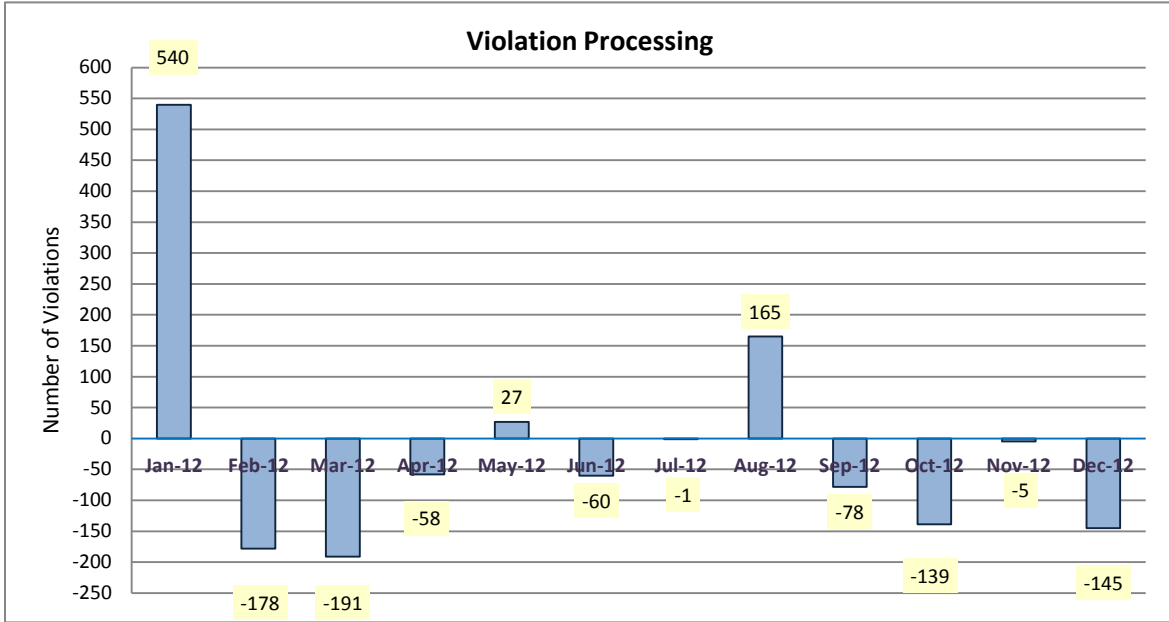
**B. Reduction in Caseload**

FFT and SNOP processing tracks continue to have a positive impact on reducing caseload by allowing more efficient processing of lesser-risk violations. This translates into more outgoing violations (through FERC filings and dismissals) than new incoming

<sup>11</sup> Excluding the omnibus filings.

<sup>12</sup> Excluding the omnibus filings.

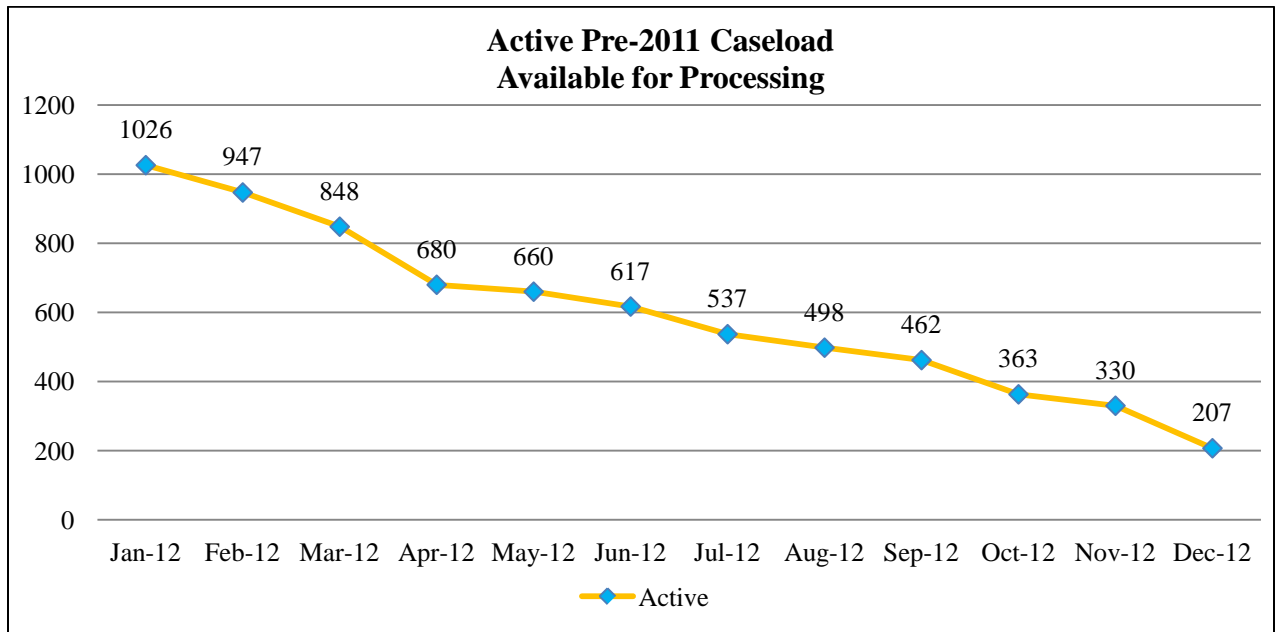
ones for 9 of 12 months in 2012, as shown in Figure 4. NERC received 2,569 new violations in 2012, while filing or dismissing 2,692, representing an overall reduction in the caseload of 123 violations.



	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	For the Year 2012
<b>New</b>	693	229	168	106	194	149	122	332	138	163	138	137	2569
<b>Total Dismissed and Filed</b>	153	407	359	164	167	209	123	167	216	302	143	282	2692
<b>Violation Processing</b>	540	-178	-191	-58	27	-60	-1	165	-78	-139	-5	-145	-123

**Figure 4**

These processing efficiencies have allowed the ERO enterprise to reduce the number of issues in its caseload dating prior to 2011 by approximately 80%, as shown in Figure 5, below.

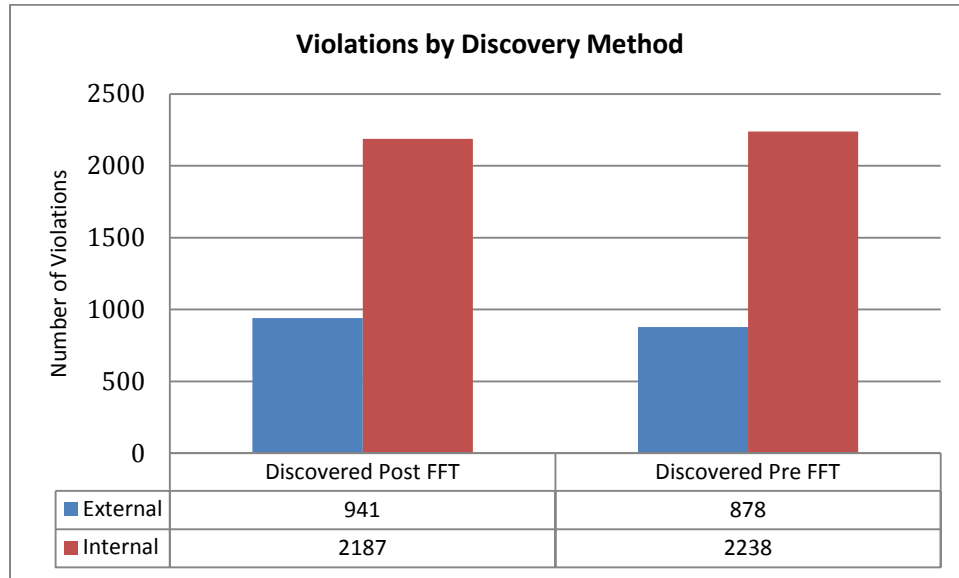


**Figure 5**

**IV. SELF-IDENTIFICATION OF POSSIBLE VIOLATIONS REMAINS STRONG**

A comparison of the 16 months preceding and following September 2011 shows that, after the implementation of the FFT program, registered entities continued to self-identify Possible Violations approximately 70% of the time. As shown in Figure 6 below, the rate of self-identification remains significant despite a very small decrease from the period prior to the implementation of the FFT program. NERC expects that the rates of self-identified Possible Violations will remain stable. Nevertheless, NERC is monitoring self-identification closely and is open to considering adjustments to the program if necessary to provide the right incentives.<sup>13</sup>

<sup>13</sup> Of the 70% of the Possible Violations self-identified within the 16 months after implementation of the FFT program, the majority (67%) were self-reports and the remainder (33%) were self-certifications.



**Figure 6**

Although self-identification of issues remains strong on an ERO enterprise basis, a few Regional Entities have reported a slight decrease in the percentage of internally discovered Possible Violations within the Regional Entity in 2012, as compared to 2011. Others reported a slight increase or reported that the percentage remained unchanged. Individual responses are found in Attachment B hereto. In each case, Regional Entities continue to engage in outreach to impress upon registered entities the importance of sustained self-identification of issues.

The variation in the percentages of self-identified issues among the Regional Entities is due to several factors. Internally identified Possible Violations may have decreased, in some areas, because Spot Checks and Compliance Audits of the CIP Reliability Standards and of PRC-005, FAC-003, FAC-008, and FAC-009 conducted in prior years led to an initial surge in self-reporting as registered entities learned what it took to comply with these NERC Reliability Standards. With additional compliance

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experience, many registered entities may have progressed past the initial mistakes common to implementation of new programs.

The FFT program reinforces (and, in some cases, provides) incentives for registered entities to develop, improve, and effectively utilize internal controls and a strong culture of reliability excellence. Registered entities are encouraged to perform self-assessments to find issues, report them to Regional Entities, NERC, and FERC, and fix them. This conclusion is supported by the steady percentage of self-identified issues throughout the ERO enterprise as well as anecdotal evidence obtained through the registered entity survey conducted by NERC in December 2012.

The incentives provided by the FFT program are similar to the incentives provided during the period prior to the effective date of the Reliability Standards when no penalties were assessed for self-identified matters during a specific period. Prompt, robust self-reporting of a violation continues to be a consideration in the ultimate disposition of a Possible Violation. Avoiding a monetary penalty, coupled with an abbreviated enforcement process under FFT, provides the incentive to registered entities to maintain compliance, as well as identify and self-report violations that pose a minimal risk to the BPS.

In addition, NERC encourages registered entities to place increasing emphasis on internal controls and on performing self-assessments to ensure that compliance is integrated into operations. This encouragement will ensure that compliance supports reliability in a proactive and positive way that does not rely solely on reactive compliance monitoring methods of Compliance Audits, Spot Checks, and Compliance Investigations.



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NERC and the Regional Entities have conducted presentations and training for registered entities on the importance of self-reporting. These training sessions include guidance on violation description, risk assessment, and appropriate mitigation activities. NERC will continue to work with the Regional Entities and registered entities to monitor and increase the percentage of internally identified issues. NERC and the Regional Entities also will continue to evaluate manners of providing additional incentive for self-identification of issues.

**V. THE FFT PROGRAM HAS RESULTED IN BENEFITS TO THE RELIABILITY OF THE BULK POWER SYSTEM**

**A. NERC, Regional Entities, and the Industry have had a Greater Focus on Serious or Substantial Risks**

The FFT program was designed to allow the ERO enterprise and industry to process minimal and moderate risk issues more efficiently, focus on issues posing a higher risk to reliability, streamline administrative requirements, and continue to encourage self-reporting and mitigation. By identifying, mitigating, and resolving issues that do not pose a serious or substantial risk to the reliability of the BPS in a more streamlined manner, more resources can be focused on violations that do pose a greater risk to reliability.

Over 900 FFTs have been filed through the end of December 2012. All of these consisted of issues that posed a minimal or moderate risk to the reliability of the BPS.<sup>14</sup> The time saved by processing these issues through the FFT process has led to a greater focus on violations that pose a serious or substantial risk to the BPS. Regional Entities have reported an increased ability to process Possible Violations with the same levels of

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<sup>14</sup> Since the March 15 Order, FFT filings have included only minimal risk remediated issues.

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personnel, reductions in processing times, ability to conduct and conclude investigations and additional analysis, and resolve more complex cases involving a higher-level of risk to the reliability of the BPS. Individual responses provided by Regional Entities are found in Attachment A hereto.

**VI. THE FFT PROGRAM IS BEING APPLIED THROUGHOUT THE ERO ENTERPRISE**

All Regional Entities are using FFT to process minimal risk issues. Over the past several months since the implementation of the program, there has been a steady increase in the quality of the information provided and the risk assessments conducted, and a movement to more consistent program requirements. This section discusses the results of NERC's sampling of FFTs as well as the results of the registered entity survey conducted by NERC in December 2012.<sup>15</sup> Since then, significant progress has been made in addressing the concerns identified herein, and support for the program is evident throughout the ERO enterprise.

**A. Early Implementation and Evolution of Oversight**

NERC Enforcement staff has been directly involved in the processing of every FFT remediated issue to this date. The Regional Entities submit FFT candidates to NERC, and NERC Enforcement staff conducts a thorough review. This review consists

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<sup>15</sup> NERC conducted a survey of registered entities from December 4 to December 21, 2012. The purpose of this survey was to gather information on the performance of the FFT program and possible improvements. The participants in the survey included main compliance contacts of the registered entities, trade representatives of the registered entities, and members of NERC technical committees, accounting for 1582 invitations sent to members of the aforementioned committees/groups. 378 unique responses were provided to the survey.

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of an analysis of whether the facts and circumstances make the issue appropriate for FFT treatment.<sup>16</sup>

NERC staff also reviews the risk assessment conducted by the Regional Entities. Where the information initially provided by the Regional Entity is insufficient to describe what factors mitigated the risk during the pendency of the issue, or is limited to information obtained after the fact or based solely on the lack of actual harm, NERC requests additional or clarifying information from the Regional Entity. It is NERC's observation that these are normally drafting issues and the information is available at the Regional Entity. NERC has worked with all Regional Entities to achieve more consistent drafting practices.

The FFT process, as applied today, is a collaborative process with the Regional Entities. The NERC and Regional Entity Enforcement staffs communicate on a regular basis to address any issues that NERC has identified, and this iterative process improves consistency in the FFT filings.

Since September 2011, the Regional Entities have become increasingly proficient in identifying FFT candidates and have reduced the processing time for FFTs. NERC has, since the early stages, conducted workshops, working group meetings, and other training with the Regional Entities to guide the implementation of the regional FFT processes. Regional Entities are implementing the FFT program successfully. This mode of oversight was very helpful to NERC and the Regional Entities in the early stages of

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<sup>16</sup> There have been few instances in which NERC determined that a given FFT candidate posed too high a risk for FFT treatment and instructed the Regional Entity to re-submit the violation in NOP format. In addition, NERC Enforcement staff has the ability to return SNOP violations to the Regional Entities to be processed through the FFT track, when appropriate.

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implementation of the FFT program. As discussed in section VIII.B below, however, NERC and the Regional Entities are ready for, and NERC proposes, a different mode of oversight that relies on a more focused review of FFT candidates after they are finalized and posted by Regional Entities. As discussed below, NERC's oversight would continue to ensure consistency of implementation.

Outreach to industry regarding NERC's expectations and guidelines also helped registered entities to work successfully with the Regional Entities and promote positive interactions. As a result, registered entities have helped drive a more consistent application of the FFT program because they know which information and documents to provide in the early stages of the process, and they know which factors are appropriately considered relative to risk. This also has helped ensure that registered entities understand the parameters of the program.

During the fourth quarter of 2012 and the first quarter of 2013, NERC conducted an informal audit of the Regional Entities' FFT programs, which involved sampling filed FFTs, reviewing source documents, and analyzing the regional FFT process documents. This audit is described more fully in the next section of this Report. As NERC transitions away from the current practice of reviewing every FFT prior to filing, sampling such as this will allow NERC to evaluate consistency and perform its oversight role.

**B. Results of Audits, Spot Checks, and Random Sampling of FFTs**

NERC's Enforcement staff performed a review of the methods used by Regional Entities, from September 2011 through December 2012, for processing and submitting Possible Violations eligible for FFT treatment. The purpose of this effort was to gather

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information on the implementation and effectiveness of the FFT program across the eight Regional Entities.

First, NERC reviewed the same 98 FFT samples from the eight Regional Entities that were selected by FERC for its independent annual FFT review. NERC elected to use the Commission's preferred sampling pool for its 2012 annual review in order to address any questions or concerns raised by FERC, and to reduce the burden posed by the FFT sampling process on the Regional Entities. NERC has reviewed every FFT prior to its filing with the Commission, since the FFT program was first established in September 2011. Based on its experience, NERC has determined a comprehensive review of the FFT process could be accomplished using the Commission's representative sample.<sup>17</sup>

In addition, NERC Enforcement staff requested and reviewed the Regional Entities' FFT procedural documents, FFT training documents for employees, contractors and registered entities, and any FFT follow-up or sampling programs, if available. NERC examined each FFT based on the 15-point criteria described in NERC's FFT Process Review Checklist (Attachment C). NERC analyzed its findings around the following four major categories: (1) description of the issue was clear and sufficient facts were included; (2) the risk was aligned with the facts and circumstances of each particular FFT and was in fact minimal; (3) the FFT was mitigated timely and appropriately; and (4) the registered entities' compliance history and internal compliance program (ICP) were considered by the Regional Entities.

NERC's assessment of the Regional Entities' internal procedural documents was based on three key criteria: (1) the quality of the internal FFT process, including presence

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<sup>17</sup> NERC did not evaluate the two FFT samples the Commission selected for NCEA.

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of risk assessment methodology and tools; (2) training for staff; and (3) outreach to registered entities. NERC's goal was to capture a snapshot of the internal processes used by the eight Regional Entities when determining FFT treatment for Possible Violations, and to ensure consistency and accuracy in the application of the program across the Regional Entities.

Following the Commission's March 15 Order, and as the program matured, the quality of the FFTs submitted to NERC by the Regional Entities has improved consistently. In particular, the risk statements have become more robust and are supported by the available facts and the language of the NERC Reliability Standards. In most instances, the risk statements are addressing both the potential and actual risk to the BPS and the mitigating activities are becoming more geared towards prevention of future violations. The Regional Entities have also improved their review of the registered entities' violation history and ICPs when evaluating the risk. In addition, the Regional Entities have developed at least some internal process documents describing the FFT evaluation criteria and have incorporated the FFTs into their forms and templates. Auditors from all of the Regional Entities are conducting FFT evaluation and are issuing recommendations for FFT treatment, thereby improving the efficiency of the FFT program. Further, some Regional Entities have decreased the documentation burden associated with the required mitigation activities and are making upgrades to their software systems to fully accommodate the FFT streamlined documentation requirements.

Nevertheless, to better align the existing FFT practices with the Commission's March 15 Order and guidelines, NERC Enforcement staff has identified some areas of

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improvement related to potential risk consideration, selection of FFTs and applicable criteria, Mitigation Plan completion and verification, and consistency of FFT application. As described below, NERC is already working with the Regional Entities to address these issues.

***Findings Regarding Description of the Issue and Risk Assessments***

During its review, NERC observed that the description of the issues presented by each FFT has improved since September 2011, when the program first went into effect. The facts included by the Regional Entities identified and were tied to the Reliability Standards at issue and adequately addressed the cause of the issue, the reliability problem, the duration, and the mitigating activities associated with the FFT.

All Regional Entities presented internal documents incorporating the FFT program into their enforcement process and risk determination procedures. The Regional Entities have implemented checklists, step-by-step internal processes, enforcement process diagrams, and FFT Notice Letters, which also outline the factors considered by the Regional Entities when making an FFT determination. For example, FRCC has implemented a risk determination tool, which summarizes the risk factors considered and assigns a numerical value to each factor. ReliabilityFirst has implemented an internal procedure to further expedite its processing of FFTs identified during audits. WECC and NPCC have described their criteria for FFT treatment in the Notices of FFT to the registered entities. While internal documents submitted by the Regional Entities may vary in form, they consistently cover the procedural and substantive elements of the FFT Program and include consideration of the risk.

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NERC observed that the Regional Entities consistently address the actual risk presented by the issue by including mitigating factors in place during the pendency of the issue. The risks were evaluated based on existing and known facts and after-the-fact determinations were provided in rare instances to bolster the finding of minimal risk, but never as the sole reason for assessing the risk. However, there was some inconsistency, both within some of the Regional Entities' FFTs and across the various Regional Entities, in addressing the potential risk presented by each FFT. In the instances where the potential risk was addressed, it was often related to the inherent risk of any Possible Violation of the particular Reliability Standard but was not specific to the situation at hand.

All of the Regional Entities have developed risk assessment tools or criteria, but at times have not included a well-documented basis for their final minimal risk determinations. Often, relevant facts and circumstances known to the Regional Entities were omitted from the risk statements presented to NERC and FERC. While these facts and circumstances were not critical for the risk determination, they would have facilitated NERC's and the Commission's review of the risk presented by each FFT. NERC staff conveyed this message to the Regional Entities in the second half of 2012, and improved FFT descriptions and risk assessments followed. NERC will continue to communicate to the Regional Entities the importance of providing complete risk statements.

Also, NERC observed that registered entities are requesting FFT treatment in their Self-Reports and have improved the quality and sufficiency of information provided to the Regional Entities to allow them to make an initial determination of the risk and



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whether a penalty is appropriate. NERC encourages this practice and will continue to work with registered entities to improve their knowledge of the FFT program.

In evaluating the 98 FFTs included in the sample, NERC did not identify any FFTs that were inappropriate for FFT treatment. For 7 of the FFTs, NERC found that the risk was minimal, but the Regional Entities did not document consistently their risk determination or failed to explain in their record documents why the issue was selected for FFT treatment. NERC also observed that the records kept by the Regional Entities improved over the course of 2012, thereby providing better support for the FFT information submitted to NERC and ultimately filed with FERC.

***Findings Regarding Evaluation and Documentation of Mitigating Activities***

NERC also examined the FFT samples to determine whether the FFTs were mitigated timely and appropriately. NERC determined that all eight Regional Entities required the registered entities to mitigate the issue in a timely manner. The mitigating activities addressed both the current issue and abatement of future risk, where such risk existed. The Regional Entities also required that registered entities certify completion of the mitigating activities and submit an affidavit signed by an officer of the company, stating that mitigating activities were completed. In some cases, both an affidavit and verification was provided.

During the September 2011 to December 2012 review period, all Regional Entities verified completion of the mitigating activities associated with the vast majority of FFTs. While there is no indication at this time that verification practices result in

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process inefficiencies, NERC is committed to communicating with the Regional Entities on this issue and assisting them in ensuring that verification is performed in the most efficient manner possible, consistent with the parameters of the FFT program approved by the Commission in the March 15 Order.

NERC also identified Mitigation Plan and affidavit practices in the Northeast Power Coordinating Council, Inc. (NPCC) Region that were not in accordance with the FFT processes established by NERC and FERC. In several instances, the affidavit from an officer of the registered entity was executed after the FFT had been filed with the Commission. In those instances, the utilization of a notarized form outside of the computerized compliance monitoring and enforcement processing system contributed to delays in obtaining a final affidavit. While such a practice is contrary to the requirement that the Regional Entity obtain the executed affidavit from the registered entity prior to NERC's filing of the FFT, in virtually all of those instances, NPCC verified completion of the mitigating activities prior to filing.

In addition, on two occasions, NPCC sent the FFT opt-out letters to the registered entity after the filing of the FFT. The sending of the FFT notice after the filing is also contrary to the FFT process.

NERC has discussed these nonconforming practices with NPCC staff, and conforming changes have been made to NPCC's FFT procedures. NPCC will work with NERC in 2013 to verify NPCC's adherence to the requirements of the FFT program.

Another area in which some inconsistency has been observed is the requirement for full Mitigation Plans. It appears that this issue is, in part, related to the type of

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software used by some Regional Entities to process Possible Violations and the Regional Entity's ability to track mitigation activities.<sup>18</sup> NERC is working with these Regional Entities to identify possible solutions, including a streamlined description of mitigation activities that is less burdensome than a full Mitigation Plan.<sup>19</sup>

A number of Regional Entities have eliminated the requirement for a formal Mitigation Plan for FFTs. For example, since December 5, 2012, Midwest Reliability Organization (MRO) does not require formal Mitigation Plans for FFTs discovered through Self-Reports and Self-Certifications, unless the description of the mitigating activities provided by the registered entity is not clear. ReliabilityFirst Corporation (ReliabilityFirst) uses a less formal approach for mitigating activities for less complex, lower-risk issues.

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<sup>18</sup> For example, Southwest Power Pool Regional Entity (SPP RE), Texas Reliability Entity, Inc. (Texas RE), and Midwest Reliability Organization (MRO) are three of the Regional Entities using a web-based compliance data management system (CDMS) to keep track of their enforcement actions and all documents associated with the enforcement matters. Currently, the CDMS requires that a formal Mitigation Plan be submitted for each violation in order for the system to submit the mitigation-related documents to NERC. The Regional Entities can manually enter mitigating activities that are not associated with a formal Mitigation Plan but these activities could not be transferred into NERC's system by CDMS. In order to keep all enforcement documents within the CDMS, SPP RE has elected to require formal Mitigation Plans, while Texas RE manually enters the mitigating activities into the CDMS and accepts both formal Mitigation Plans and descriptions of mitigation activities from the registered entities. However, both SPP RE and Texas RE are making changes to the CDMS to accommodate the requirements of the FFT process and reduce the documentation requirements for FFTs. MRO is also developing a separate process for tracking mitigating activities.

<sup>19</sup> Western Electricity Coordinating Council (WECC) also continues to require formal Mitigation Plan submissions for FFTs but is working to identify a possible streamlined format that will work with its system requirements.

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***Findings Regarding Consideration of Internal Compliance Programs and Compliance History***

NERC also considered how the Regional Entities evaluated the registered entities' compliance history, ICP, and internal controls into the FFT determination. All the Regional Entities demonstrated that the violation history was considered at least to some extent when making an FFT determination. In addition, Regional Entities have evaluated ICPs and internal controls when deciding on the disposition track for Possible Violations. The existence of a good ICP and robust internal controls weighs in favor of the registered entity receiving FFT treatment for its violations. As with other aspects of the FFT program, the quality and consistency of the Regional Entities' consideration of ICPs increased throughout 2012.

**C. Feedback from Survey of Registered Entities**

As another tool to evaluate the implementation of the program, NERC conducted a survey in late 2012 of registered entities' experience with the FFT program. This survey was similar to the one administered prior to NERC's six-month report filed with the Commission in May 2012. Based on the results of the latest survey, registered entities are concerned about the consistency, timing, and documentation requirements associated with the FFT program. The survey also indicates a need for continuing outreach and training of registered entities on the requirements of the program to ensure that in all cases registered entities' expectations are in line with the program design.

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### *Consistency*

Registered entities, especially those registered in multiple regions, desire greater consistency in the application of the FFT program across the Regional Entities. Many registered entities contend that issues treated as FFTs by one Regional Entity should be treated as FFTs by another Regional Entity. Registered entities suggest that stronger oversight by NERC and greater collaboration among the Regional Entities could help foster more consistent results.

NERC is committed to successful implementation of the FFT program, which includes consistent application across the eight Regional Entities. The goal, however, is consistency in evaluating violations and assessing risk, not uniformity of outcomes. To that end, NERC will continue its dialogue with each Regional Entity on determination of FFT candidates. Where a Regional Entity may be imposing unnecessary requirements for FFTs, NERC will use the tools described herein to work with the Regional Entity on improving its FFT implementation. NERC will also continue to facilitate interaction and discussion among the Regional Entities on the FFT program, through working group meetings and additional training for Regional Entity enforcement staff.

### *Timing*

NERC shares the opinion of the registered entities responding to the FFT survey that stated the processing of FFTs, on average, takes too long. Registered entities acknowledged that the FFT program allows some time savings at the end of the process, avoiding the expense of resources in settlement negotiations. With FFT, the registered entity can shift its focus from defense of an issue to correction of the issue. Without the

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legal and budgetary factors associated with punitive fines, registered entities can resolve FFTs more easily with their Regional Entities.

The problem thus far, as expressed by the registered entities, is that it takes too long to reach the end of the process. Regional Entities have not yet instituted enough differentiation with the intake of new violations to reap the full benefits of the FFT program for all interested parties. By and large, Regional Entities are using the same determination and assessment processes for almost all of their new violations, with only the clearest of the clear minimal risk violations going on a separate track for FFT treatment.

NERC and the Regional Entities will work in 2013 on clarifying expectations regarding record requirements. As discussed above, significant progress has been made in this regard. Increased alignment on the record requirements and evaluation criteria applicable to FFTs should provide Regional Entities with the ability to process FFTs more confidently, consistently, and expeditiously.

In addition, among other issues, NERC is continuing to consider opportunities for greater efficiencies in the processing of FFTs that are discovered in Compliance Audits, as discussed in section VIII.B below. Reducing the time between identifying a Possible Violation and determining that it will be processed as an FFT would increase certainty for registered entities about the timing and method of resolution of their issues.

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### ***Documentation Requirements***

Perhaps the most significant burden highlighted by registered entities is the requirement to submit a formal Mitigation Plan for all new violations. For some FFTs, the registered entity has completed mitigation before reporting the issue to the Regional Entity, likely describing the mitigating activities in the self-report. This issue is discussed more fully above, and NERC and the Regional Entities are working to resolve the system requirements that are primarily responsible for this problem.

### **D. Additional Tools to Improve Consistency in FFT Implementation**

#### ***Additional Instructions and Templates***

In order to improve consistency and continue to prepare the Regional Entities for the evolution of the program, including the possibility of posting FFTs without NERC review, NERC has sent a package of instructions and templates to all Regional Entities. NERC believes that standardization in the forms and requirements for posting will expedite the FFT process and lead to better alignment in the final FFT postings. The SNOP and FFT templates are attached hereto as Attachment D.

#### ***Training and Outreach***

In connection with NERC's review of FFT practices, NERC reviewed the Regional Entities' evidence of training of employees and contractors. Auditors from all eight Regional Entities participated in the NERC training program in September 2012. Several of the Regional Entities conducted additional training, which included review of

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their internal documents with staff members and explanation of the FFT process and risk assessment approach.

Several of the Regional Entities also reached out to their registered entities with presentations on FFT eligibility and process. In addition, NERC has provided training to the registered entities as recently as October 23, 2012 at its Standards and Compliance workshop. Additional training is planned to occur in March 2013.<sup>20</sup>

## **VII. THE EVALUATION OF RISK AS PART OF THE FFT PROGRAM HAS CONTINUED TO EVOLVE**

### ***Risk Assessment***

Quality evaluation of risk is vital to NERC's and the Regional Entity's continued efforts in reliability excellence. Since September 2011, the evaluation of risk in connection with identifying candidate Possible Violations for FFT treatment has evolved to meet that objective; however, some aspects of the risk evaluation have remained constant throughout the implementation of the FFT program. Risk is evaluated from the perspective of the potential risk arising out of a failure to comply with any individual Requirement *and* the actual risk posed to the reliability of the BPS, which takes into account those factors that existed during the pendency of a Possible Violation and the actual impact of the Possible Violation. This is consistent with the guidance provided by the Commission in the March 15, 2012 Order.<sup>21</sup> Pursuant to such guidance, a risk assessment is not based solely on the lack of adverse impact on the BPS without considering what other actions or processes mitigated the risk. Rather, NERC and the

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<sup>20</sup> NERC posts training presentations and other materials on its website ([www.nerc.com](http://www.nerc.com)).

<sup>21</sup> March 15, 2012 Order at PP 51-56.



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Regional Entities consider “whether a registered entity used processes or took actions that made the actual risk of a possible violation less than its potential risk.”<sup>22</sup>

Therefore, a constant principle in the evaluation of risk is the consideration of different factors that make up the totality of the circumstances. These factors include: (1) the underlying facts and circumstances, including what happened, why, where, and when; (2) the Reliability Standard at issue; (3) the applicable Violation Risk Factor (VRF) and Violation Severity Level (VSL); (4) the potential and actual level of risk to reliability, including mitigating factors during the pendency of the Possible Violation; (5) the registered entity’s compliance program, including preventive and corrective processes and procedures, internal controls, and culture of compliance; and (6) the registered entity’s compliance history.

The VRF and VSL continue to be used as a starting point for risk assessment.<sup>23</sup> In circumstances where the risk determination is not immediately clear from the facts of the case, the VRF and VSL may serve as a guide for a higher risk determination.

NERC has focused in particular on the potential risk created by CIP-based remediated issues. These issues account for 52.6% of all remediated issues that have been filed as FFTs since the beginning of the initiative in 2011. To this end, NERC Enforcement utilizes the expertise of the NERC CIP subject matter experts (SMEs) in

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<sup>22</sup> *Id.* at P 56. In addition, risk assessments are based on facts at the time of the Possible Violation, and not assumptions or facts that develop later. Moreover, Possible Violations that reveal a serious shortcoming in a registered entity’s reliability-related processes are not considered to pose a minimal risk.

<sup>23</sup> When the Possible Violation has a Medium to High VRF and a Moderate to Severe VSL, there is a more stringent evaluation of the Possible Violation’s qualification for FFT treatment. If a Medium to High VRF and a Moderate to Severe VSL is involved in the Possible Violation, NERC evaluates whether the Possible Violation may pose a moderate to serious risk to BPS reliability.

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reviewing risk assessments. The SMEs also participate in outreach activities such as providing training to the Regional Entities.

As a result of the March 15 Order, Possible Violations posing a moderate risk to the BPS are no longer eligible for FFT treatment. The scope of the FFT process became limited to only those Possible Violations that posed a minimal risk to the BPS. Due to this limitation of scope, part of the review of FFT candidates has focused on differentiating minimal and moderate levels of risk, which has led to improvement in the quality of moderate and minimal risk identification. NERC and the Regional Entities continue to consider the following matters as examples of serious and substantial risk issues: (i) those involving or resulting in (a) extended outages, (b) loss of load, (c) cascading blackouts, (d) vegetation contacts and (e) systemic or significant performance failures; and (ii) those involving (a) intentional or willful acts or omissions, (b) gross negligence and (c) other misconduct. These have typically been included in Full NOPs to date.

### ***Outreach and Training***

Since September 2011, there has been a marked increase in the quality of risk assessments. This increase in quality is a result of the development and dissemination of standard practices in use between NERC and the Regional Entities. From the beginning of the implementation of the FFT program, NERC has been providing guidance to Regional Entities and registered entities through outreach activities, such as training, workshops, and meetings.

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For instance, NERC and the Regional Entities participate in the Enforcement Sanction and Mitigation Working Group where the group collaboratively engages in instructive activities, such as reviewing and discussing risk assessment case studies. In addition to working collectively with the Regional Entities, NERC Enforcement also provides guidance to Regional Entities individually. The quality of the information contained in the FFT spreadsheets, and in particular in the risk assessment, has improved consistently, and, over time, NERC has sought more targeted information from the Regional Entities to substantiate risk findings.

For the FFT initiative to be successful, interested parties, including registered entities, need to be aligned and knowledgeable about the FFT process, including the factors considered in the determination of risk. To that end, NERC has provided training to several groups. In July and September 2012, NERC provided training to registered entities. The first training for industry stakeholders focused on new developments and provided guidance on self-reports. The purpose of the second training was to inform industry members on the FFT process, particularly risk assessment. In conformity with NERC's objective of consistent implementation of the FFT process, NERC also offered training in September 2012 and February 2013 to ERO compliance monitoring personnel. The training included sample FFT fact patterns to develop the audience's ability to determine the appropriate processing track for potential noncompliance.

The implementation of the FFT program has allowed for more dialogue and education among all parties, from NERC to Regional Entities to registered entities, on scrutinizing risk with a focus on reliability. The information shared includes the highlighting of compensating measures that mitigated the risk to the BPS during the

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pendency of a particular remediated issue. As a result of this increased attention to the risk assessment and description of mitigating factors, there has been improvement in the propagation of factors for minimizing risk.

NERC's approach to assessing risk will continue to be refined over time in order to ensure that the FFT initiative reaches its full potential. NERC will continue to work with Regional Entities and registered entities to ensure consistency in risk assessments. In addition, NERC will continue to incorporate feedback in order to ensure accurate risk determinations.

**VIII. CONTINUING EXPANSION AND EVOLUTION OF THE PROGRAM  
WILL PROVIDE GREATER BENEFITS**

**A. Proposed Enhancements to Increase Utilization of FFTs and Improve Processing**

The Commission invited NERC to submit, in the one-year report filing, a description of “matters in which the FFT mechanism can be improved based on experience to date.”<sup>24</sup> Since September 2011, NERC has worked very closely with the Regional Entities in the identification and processing of FFTs. Based on this experience, NERC's review of the Regional Entities' existing FFT practices and procedures, and consideration of the registered entities' comments related to the FFT program, NERC is proposing the following substantive and procedural enhancements to the Commission.

The enhancements include:

- (a) The inclusion of FFTs presenting moderate risk;
- (b) The inclusion of FFTs with mitigation completion timeframes in the near future;

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<sup>24</sup> March 15 Order at P 76.

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- (c) Elimination of the requirement for senior officer certification of mitigation activities;
  - (d) The public posting of FFTs in lieu of monthly informational filings; and
  - (e) NERC sampling of FFTs and submission of an annual informational report.

These enhancements would increase the scope of the program to allow more issues to be processed as FFTs, extend the allowed timeline for mitigation of certain types of issues processed as FFTs, and further improve the processing time for FFTs. NERC requests that the Commission issue an order approving these proposed enhancements. NERC and the Regional Entities are ready to implement these changes as soon as practicable after approval.

***Inclusion of FFTs Presenting Moderate Risk***

NERC proposes to increase the scope of the FFT program to include a limited pool of moderate risk issues. For example, moderate risk issues that might be treated as SNOPs with a zero-dollar penalty or a low penalty could be afforded FFT treatment (without any penalty assessed) if, at the time of the Possible Violation, the registered entity has already established a strong ICP with internal controls designed to prevent, detect, and correct violations of this particular Reliability Standard. Not all violations posing moderate risk to the BPS would be eligible for FFT treatment. Specifically, isolated instances of noncompliance presenting moderate risk could also fall into this category if the registered entity could demonstrate it had existing robust internal controls designed to prevent reoccurrences.

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For example, a recently filed SNOP involving four CIP violations and a zero-dollar penalty shows that moderate risk violations could qualify for FFT treatment.<sup>25</sup> In this SNOP, the registered entity self-reported violations of CIP-007-2a R6, CIP-006-3c R2, CIP-005-3a R5, and CIP-005-2a R3. The first two violations presented a moderate risk to the BPS, as explained in more detail, and the remaining two presented a minimal risk. When the registered entity installed its new log monitoring system, a subset of the devices were not properly configured to send logs to the monitoring system or capture the logs from all devices, in violation of CIP-007-2a R6. The registered entity violated CIP-006-3c R2 for a failure to afford the protections of CIP-004-3 R3, CIP-005-3 R2 and R3, CIP-006-3c R5, and CIP-007-3 R6 and R8 to a net controller, which is a Cyber Asset that authorizes and/or logs access to the registered entity's Physical Security Perimeter. Both of these violations presented a moderate risk to the BPS, but the risk was mitigated by several factors, including the fact that the monitoring system logged and monitored the traffic to and from the Electronic Security Perimeter (ESP) containing Cyber Assets. In addition, the registered entity provided the protections of CIP-003-3, CIP-007-3 R2, R3, R4, R5, and R7, CIP-008-3, and CIP-009-3 to the net controller at issue. The Regional Entity and NERC imposed a zero-dollar penalty for the four violations because the registered entity had an ICP in place and promptly identified and reported the violations. Due to the effective execution of its ICP, and due to the installation of internal controls that yielded identification of the issues prior to the occurrence of any harm, a monetary penalty was not warranted and these violations could have been reported as FFTs.

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<sup>25</sup> Violation IDs: RFC2011001125, RFC2012001321, RFC2012010101, and RFC2012010419 filed with FERC on January 31, 2013 under NP13-23-000.

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Another CIP-007-1 R4.1 SNOP also demonstrates that, under certain circumstances, moderate risk violations could be successful FFT candidates.<sup>26</sup> In this SNOP, the registered entity failed to install and/or use anti-virus software and other malware prevention tools on workstations classified as Critical Cyber Assets (CCAs) even though it was technically feasible to do so. Instead of installing anti-virus software on each CCA, the registered entity maintained alternate, comparable security measures which included a network-based intrusion detection system (IDS) designed to protect all of the CCAs within its ESPs. The registered entity depended on its perimeter devices, such as its IDS and hardened vendor-specified configuration, to mitigate the risk of malware and maintained a locked down environment where all updates were evaluated for malware detection. However, the registered entity's anti-virus and malware prevention measures were not sufficient for compliance with CIP-007-1 R4.1. The risk in this situation was moderate, but there were mitigating factors during the pendency of the violation. Also, the registered entity had an ICP at the time the violation occurred, discovered the noncompliance internally, and self-reported it to the Regional Entity. For the two SNOPs at issue, the Regional Entities and NERC determined that under these circumstances, a monetary penalty was not warranted.

In the March 15 Order, the Commission stated that until it can obtain "more experience on how the risk determinations are made for the purpose of qualifying possible violations for FFT treatment, the Commission will condition its acceptance of the FFT proposal on allowing only possible violations that pose a minimal risk to Bulk-

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<sup>26</sup> Violation ID: FRCC2011007586 filed with FERC on January 31, 2013 under NP13-23-000.

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Power System reliability to be eligible for FFT treatment.”<sup>27</sup> The Regional Entities have refined their risk determinations since September 2011 and have obtained more experience on how the risk determinations are made for the purpose of qualifying Possible Violations for FFT, SNOP, or Full NOP treatment. The Regional Entities and NERC have been making moderate risk determinations since the Reliability Standards became mandatory and enforceable and have been filing the associated violations as SNOPs or Full NOPs. The additional experience and education gained since the inception of the FFT program in September 2011 related to the identification of minimal (as opposed to moderate or serious and substantial) risk issues provides the confidence that Regional Entities are able to make accurate risk determinations for moderate risk issues. As noted below, NERC and FERC oversight will ensure that these determinations are in fact accurately and consistently made throughout the ERO enterprise.

***Inclusion of FFTs with Mitigation Activities to be Completed in a Short Timeframe***

In order to broaden the scope of issues qualifying for FFT treatment, NERC also proposes to eliminate the requirement that remediated issues must be completely mitigated prior to posting as FFTs by the Regional Entity, a process which is described in more detail below. This is not intended to allow every issue processed as an FFT to be unmitigated by the time of the filing or posting. Rather, it is intended to allow those issues that would otherwise be eligible for FFT treatment but that require, for a specific reason, additional time for mitigation. For example, the mitigation may involve work on

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<sup>27</sup> *Id.* at P 47.



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facilities for which an outage must be scheduled in the future and cannot be completed immediately. NERC expects that this additional time frame would not, in most cases, exceed three months. In each case, by the time of the posting, the Regional Entity must understand the scope of the issues underlying the FFT and the scope of the mitigating activities. It is only the completion of the mitigating activities that would be allowed to extend into the future. An affidavit of completion of the mitigation would still be required (although proposed modifications to the requirements related to the affidavit are discussed below).

Accepting FFT candidates that pose a minimal risk or moderate risk and are on track to be completely mitigated in no more than three months from the time the FFT is filed or posted by the Regional Entity will allow for additional FFTs to be processed more efficiently.

#### ***Elimination of Requirement for Senior Officer Certification***

In the March 15 Order, as clarified on May 31, 2012,<sup>28</sup> the Commission required, with respect to FFTs, that “a registered entity submit to its Regional Entity a statement certifying that remediation has occurred and is completed, ... [and] that a registered entity submit to the Regional Entity an affidavit, signed by an officer with knowledge of the remediation, certifying that the statement is true and correct.”<sup>29</sup> The Commission further explained that its intent “was to ensure that compliance matters that are processed through the FFT mechanism are brought to the attention of senior officials of the

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<sup>28</sup> See *North American Electric Reliability Corporation*, “Order Granting in Part, and Denying in Part, Clarification and Denying Rehearing,” 139 FERC ¶ 61,168 (2012) (May 31 Order).

<sup>29</sup> March 15 Order at P 7.

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registered entity.”<sup>30</sup> The Commission denied NERC’s request for clarification or, in the alternative, rehearing to modify this requirement and expand the potential signatories who can certify that mitigation is complete to officers, employees, or other authorized representatives of any registered entity.

In connection with the evolution of FFT, and in light of the experience of the last several months, NERC submits that it is appropriate to reconsider this requirement. The Commission’s concern, as expressed on May 31, 2012, that appropriate senior personnel within a registered entity be made aware of Possible Violations and have personal knowledge that they are mitigated is not consistent with an approach that focuses resources on issues that pose a greater risk to the reliability of the BPS.

It is important to ensure that there is appropriate involvement by senior management of a registered entity in compliance and enforcement matters. However, that involvement is most beneficial to the reliability of the BPS when it occurs in a structured manner, through the implementation of a robust compliance program, which is supported by the highest levels of management within an organization. The existence of these types of compliance programs is one of the factors taken into account when determining whether an issue qualifies for FFT treatment. The certification of mitigation by a senior officer does not necessarily reflect the same level of company-wide commitment that is essential to the reliability of the BPS. Rather, it imposes a burden on the registered entities that is no longer justified in light of the experience and level of maturity of the FFT program. As a result, NERC proposes that the requirement be

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<sup>30</sup> May 31 Order at P 7.

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eliminated. In the alternative, NERC requests that the requirement be eliminated in connection with those mitigating activities which have been verified as complete by the Regional Entity at the time of the filing or posting of the FFT.

***Public Posting of FFTs Followed by Annual Informational Filing***

NERC proposes that, in lieu of a monthly informational filing containing the FFT spreadsheets, the Regional Entities publicly post FFTs on a common website (such as the NERC website), on the last day of each month. The information contained in the FFTs posted would remain the same and available for review by the public, NERC, and the Commission. FFTs involving CIP-002 through CIP-009 would continue to observe the same confidentiality measures applied so far by NERC and mask the identity of the registered entities involved in the issues. Regional Entities would provide access to the non-public versions of these FFTs to NERC and FERC.

This proposed change would eliminate the time and resources currently invested in the preparation of the informational filing by NERC and the Regional Entities. That would eliminate the approximately one-and-a-half month review and approval process undertaken by NERC in connection with the informational filing that is made with the Commission. This would provide a benefit to registered entities because more issues would be processed through this further streamlined procedure. NERC would shift some of these resources towards evaluating data in a forward-looking fashion to identify

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emerging risks and trends, as well as towards continuing to educate and train Regional Entities and registered entities to ensure consistency of the FFT program.<sup>31</sup>

NERC's proposal is consistent with the comments of registered entities, which indicated in response to NERC's FFT survey in December 2012 that a procedural change like this would be more reflective of the program's original intent and goals. The program is intended to allow NERC, Regional Entities, and registered entities to spend less time and resources processing the types of issues that qualify for FFT treatment. Moving from a monthly informational filing to a monthly posting maintains the transparency of the process but minimizes the administrative requirements. To the extent that the Commission has a concern regarding a specific FFT posted and not filed, the Commission has a number of tools to obtain additional information. Under 18 CFR § 39.2(d), the Commission may require additional information regarding any FFT posted. The information request may be made through informal means or the Commission may require that a specific item or group of items be formally filed if formal Commission action is necessary.

### ***NERC FFT Sampling and Oversight***

In its March 15 Order, the Commission explained that it will consider an FFT matter closed 60 days after the NERC FFT informational filing is submitted to FERC. Additionally, the Commission stated that it would survey a random sample of FFTs filed

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<sup>31</sup> To the extent that FERC allows the expansion of the scope of the FFT program to include moderate risk issues as discussed above, those would continue to be reviewed by NERC, prior to posting, for a period of six months.

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each year to gather information on how the FFT program is working, but the purpose of the survey would not be to reopen the FFTs selected for the survey.<sup>32</sup>

NERC plans to align closely its FFT review practice with that of the Commission. NERC proposes to review a representative sample of the FFTs posted by the Regional Entities during a 60-day window starting from the day the Regional Entities post the FFTs on the NERC website. In order to ensure consistency and exercise oversight over the FFT process, NERC would select, each month, a sample of FFTs posted by Regional Entities for review. After the 60-day review period, NERC would consider all FFTs to be closed. NERC will also sample FFTs outside the 60-day review period in preparation for its proposed annual informational filing with the Commission, as discussed below. This sampling, however, would not include reopening of FFTs and would be conducted solely for the purpose of gathering information related to NERC's annual filing with the Commission.

As indicated in the March 15 Order, FFTs could also be reopened outside of the 60-day review period in the event that a material misrepresentation associated with the FFT is discovered.<sup>33</sup> NERC reserves its right to reopen FFTs under these circumstances, and any such FFTs would be processed according to NERC's Compliance Monitoring and Enforcement Program.

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<sup>32</sup> March 15 Order at PP 72-73.

<sup>33</sup> March 15 Order at P 72.

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### *Annual Informational Filings with the Commission*

NERC proposes to continue to make an annual informational filing with FERC to report on the results of its FFT sampling throughout the year and report on any other matters of interest associated with the FFT program. NERC's intent is to keep the Commission and the public informed about the status and progress of the FFT program by providing statistical data and analysis in the form of an annual information filing.

#### **B. Expansion of the FFT Program in Connection with Findings Made by Compliance Monitoring Staff**

In addition to the proposed enhancements discussed above, NERC will seek, in 2013, to expedite the determination of the processing track for minimal and moderate risk issues<sup>34</sup> that are discovered in connection with a Compliance Audit, Spot Check, or other externally identified monitoring method. This is not a proposed change to the program and is being discussed in this document for informational purposes only.

Since the inception of the FFT program, compliance monitoring staff in all eight Regional Entities received training on risk assessment and the parameters of the FFT program. As of today, compliance monitoring staff in all Regional Entities has made recommendations to the Regional Entities with respect to FFT candidates uncovered at Compliance Audits, Spot Checks, and investigations.

The determination regarding FFT treatment for externally identified issues is subject to the same parameters established for issues treated as FFTs arising out of other discovery methods. The recommendations made by compliance monitoring staff regarding qualification for processing as an FFT are subject to the oversight of Regional

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<sup>34</sup> The inclusion of moderate risk issues would depend on Commission approval for expansion of the scope of matters that qualify for FFT treatment requested herein.

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Entities (as is the case with any other determinations made by compliance monitoring staff over the course of any monitoring method) and NERC. The oversight performed by the Regional Entity and NERC ensures the quality and consistency of decisions made during the monitoring process. NERC is not proposing to eliminate such oversight. However, in order to realize the full benefit of a recommendation made by compliance monitoring staff on the disposition of a Possible Violation through the FFT process, the oversight needs to be exercised within a reasonable timeframe.

At this time, the average time for processing an FFT that arises from a Compliance Audit within the ERO enterprise is over 10 months. In order to reduce this duration, NERC is considering implementing a requirement that an auditor recommendation to process a specific Possible Violation as an FFT will be acted upon by the Regional Entity within a specific timeframe from the time of the auditor exit briefing. At that time, the Regional Entity would provide the registered entity with the opt-out letter and process the matter as an FFT. NERC will review the determination in the same manner as it reviews other FFTs.

The earlier certainty with respect to the processing track will allow the benefits of the reduced burden that result from a streamlined processing track to be realized by both Regional Entity and registered entity alike.

Since the inception of the program, compliance monitoring staff has been trained on risk assessments and other matters relevant to the utilization of streamlined processing tracks, so they are ready to assume a greater level of responsibility with respect to the identification of risk levels and determination of processing tracks, under the oversight of the respective Regional Entity management. Additional training for compliance

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monitoring staff is ongoing and will continue to be provided by NERC and the Regional Entities. Additional opportunities for improvement of this aspect of the program will continue to be considered.

**IX. CONCLUSION**

NERC's and the Regional Entities' risk-based approach to compliance and enforcement, and in particular the availability of the FFT processing track, has provided significant benefits. It has resulted in significant processing efficiencies, which in turn allowed NERC and the Regional Entities to devote time and resources to matters that have the greatest impact to the reliability of the BPS. NERC and the Regional Entities intend to continue to evolve their risk-based approach to compliance monitoring and enforcement as they earn experience with the various processing tracks available. NERC respectfully requests that the Commission accept this report and issue an order accepting the proposed program enhancements described in section VIII.A above.



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Respectfully submitted,

/s/

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*Counsel for North American Electric  
Reliability Corporation*

Dated: March 15, 2013

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**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 15th day of March, 2013.

/s/

Sonia C. Mendonça  
*Attorney for North American  
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## **Attachment A**

# **Individual Regional Entity Responses Regarding Impact of FFT Program on Reliability**

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## **Attachment A**

### **Individual Regional Entity Responses Regarding Impact of FFT Program on Reliability**

#### *FRCC*

FRCC has found a substantial time savings in the use of both the FFT and SNOP processes when compared to the requirements that existed prior to the introduction of these formats. FRCC has included instruction on the FFT process and risk assessment in two regional compliance workshops, as well as in discussions with registered entities at board meetings, Regional Compliance Committee meetings, and many one-on-one calls and encounters. FRCC has noticed that registered entities have improved in their inclusion of sufficient information about the risks associated with a self-reported Possible Violation. This gathering of risk information has led registered entities into earlier and more rigorous reviews of the root cause of the Possible Violation. It also aids in determining the extent of condition of the Possible Violation, which enhances the timeliness and sufficiency of mitigation efforts.

#### *MRO*

MRO has increased its completion rate<sup>1</sup> of enforcement actions each year since the successful implementation of the ACP and FFT beginning in late 2010. The average completion rate of enforcement actions in 2011 was 61%. The average rate of completion of enforcement actions in 2012 was 70%. Without these streamlined processes, MRO would not have been able to complete many of these enforcement

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<sup>1</sup> The completion rate of enforcement actions is a performance metric that MRO uses to measure the percent of violations processed. It is calculated based on the total number of violations (from 2007 to the present) and the total number dismissed and filed with FERC or Canadian regulators to date. Thus, a higher completion rate of enforcement actions indicates a lower number of active violations in the MRO caseload.

actions. Just over half of the Possible Violations that have been processed by MRO since mandatory enforcement began in 2007 have been ACP/FFT issues. With these issues addressed through streamlined processes, MRO has been able to focus resources and attention on more complex matters, including two enforcement actions with violations posing higher risk to the BPS.

#### *NPCC*

NPCC has been able to focus on the more serious violations since the implementation of the FFT process in September 2011. In 2012, the efficiency of the process improved. There were 24 FFT issues identified prior to September 30, 2011 that took nine months on average for NPCC to process and send to NERC. In 2012, NPCC filed 81 FFTs and the monthly average for processing by NPCC was reduced to 5.7 months. This reduction in time has allowed for NPCC Enforcement to concentrate on the other violations submitted to NPCC.

#### *ReliabilityFirst*

The FFT streamlined process has allowed *ReliabilityFirst* to focus on two large sets of violations posing a potential for serious or substantial risk to the BPS.

*ReliabilityFirst* executed a settlement agreement resolving 73 violations of the CIP Reliability Standards in May 2012. The 73 violations, considered in the aggregate, demonstrated a systematic non-compliance with the CIP Reliability Standards.

*ReliabilityFirst* was able to oversee comprehensive corrective actions implemented by the registered entities, including a compliance initiative for those registered entities to revise their compliance program. *ReliabilityFirst* has also concluded an investigation relating to an event which occurred on June 23, 2010. *ReliabilityFirst's* Reliability

Assessment and Performance Analysis group conducted a study of the portion of the transmission system involved in the event. ReliabilityFirst also elicited opinions from numerous subject matter experts about the reliability impact of these violations. While the overall time of investigation in the event example is over two years, that process included extensive analysis and would either have been less inclusive, or would have taken longer without the time savings of the FFT program for lesser-risk issues. In addition, the FFT program will allow ReliabilityFirst's personnel additional time and resources to conduct Spot Checks for verification of completion of mitigating activities for these issues.

### *SERC*

The FFT program allows SERC to give higher priority to issues with greater significance to the reliability of the BPS. SERC balances the need to process high-priority items with its ability to address items of lesser impact to the BPS expeditiously through the FFT process. A comprehensive assessment by enforcement staff is necessary to determine the scope of the issue and the potential risk to reliability of the BPS regardless of the type of filing mechanism. Since SERC was able to process lesser-risk issues more quickly through the FFT process, SERC was able to focus on a CIP NOP that included a number of issues that posed a serious or substantial risk to the BPS. The NOP included the analysis and assessment of 124 incidents covering 7 Standards and 23 requirements. SERC staff faced various challenges while assessing the breadth and depth of the issues. For example, many of the Self-Reports and/or addendums were submitted before the registered entity had identified the root cause of the problem or had completed its entire evaluation. Considering the totality of the circumstances, SERC determined

that the registered entity's CIP program failure was a serious risk to the BPS. SERC was able to focus on the determination and conclusion of these violations in part because of increased available analysts and time which was saved by disposing of lesser-risk issues through the FFT process.

### *SPP RE*

SPP RE has reported that the FFT process has allowed SPP RE Enforcement to reallocate resources to processing violations posing a potential serious or substantial risk to the reliability of the BPS sooner rather than later. For the past two years, SPP RE has established performance metrics that drive SPP RE Enforcement to focus its efforts on more serious violations. The FFT process complements SPP RE Enforcement's objectives and has allowed SPP RE Enforcement to reduce its caseload. SPP RE has one case manager devoted to processing FFT candidates. FFT candidates are identified early in SPP RE's enforcement process and channeled to this case manager for processing. It is SPP RE's belief that the FFT process, in particular the streamlined process for completing the enforcement action for FFT violations, has reduced the time required to process these minor violations and freed up more senior case managers to work on the more serious violations.

In 2011, all the violations in the SPP RE caseload were assigned a point value based on the violation's VRF and age. The assigned point value was heavily skewed toward more serious violations. In 2011, SPP RE exceeded its performance goal for processing violations by 10.3% and completed the enforcement actions on 28 "High" VRF violations. In 2012, SPP RE Enforcement issued one NAVAPS for a High Impact violation. Of the 88 High Impact violations in the SPP RE caseload in 2012, 64

Mitigation Plans were submitted and accepted; 39 have been verified as complete; and the average time for SPP RE Enforcement to solicit an acceptable Mitigation Plan for High Impact violations is approximately 90 days. SPP RE Enforcement completed the enforcement action on 45 High Impact violations in 2012.

#### *Texas RE*

Texas RE has been able to reduce its caseload significantly through the use of the streamlined processing tracks. Texas RE balances its need to ensure mitigation and processing of higher-risk violations with the need to more quickly process lesser-risk impact issues by having one Enforcement Engineer oversee the review and processing of FFT candidates. By December 31, 2012, Texas RE closed 99.9% of its pre-2011 caseload, 74% of its 2011 caseload, and 29% of its 2012 caseload. This reduction in caseload has allowed Texas RE to focus on more serious issues and increase stakeholder outreach and training, including sharing helpful lessons learned. Some of the more serious issues addressed by Texas RE Enforcement staff include the enforcement of a number of violations arising from the February 2, 2011 cold weather event and the mitigation and enforcement of a large number of CIP violations for one registered entity. Texas RE expanded its stakeholder training programs by implementing bi-monthly *Talk with Texas RE* meetings and webinars at which Texas RE provides education and a discussion forum for registered entities.

#### *WECC*

Due in part to the increased efficiency of the FFT process, WECC has been able to focus additional resources, primarily time, on two significant violations, while maintaining efficient, fair, and reasonable processing on the whole of its caseload. First,



WECC has worked with a registered entity to resolve a significant CIP-002 issue. The parties are discussing comprehensive Mitigation Plans that would not only resolve the CIP-002 issue, but would also resolve the subsequent CIP-003 through CIP-009 protections of these assets once the Critical Asset and Critical Cyber Asset lists are updated. WECC has also worked with the same registered entity to resolve a significant Modeling, Data, and Analysis (MOD) violation pertaining to the registered entity's Available Transfer Capability. The parties are discussing an acceptable and thorough Mitigation Plan that would address many of the MOD Standards.

## **Attachment B**

# **Individual Regional Entity Responses Regarding Self-Identification of Issues**

## **Attachment B**

### **Individual Regional Entity Responses Regarding Self-Identification of Issues**

#### *FRCC*

FRCC has been gathering and reporting the breakdown of discovery methods for several years and has noticed that the percentage of internally discovered Possible Violations is lower in 2012 than in 2011.<sup>1</sup> It is significant that the overall level of Possible Violations (all discovery methods) is lower in 2012 than in 2010 and 2011. FRCC continues to emphasize routinely the importance of registered entities conducting self-assessment and self-reporting in its meetings, compliance workshops, WebEx sessions, and Mitigation Plan discussions with registered entities. Registered entities are now more likely to include sufficient details about the probability and impact of any adverse consequences associated with a Possible Violation. The incentive of possible FFT treatment appears to have been helpful in this regard. The FFT process has likely led to increased willingness to self-identify since there is greater likelihood that the length of time for disposition and any penalty will more closely match the reliability risk associated with the Possible Violation.

#### *MRO*

MRO experienced an increase in the percentage of internally identified Possible Violations in 2012. While there was a steady increase in the number of internally identified Possible Violations year over year from 2009-2011, there was a significant increase, from 47% to 60%, in 2012. Additionally, MRO notes that it had successfully implemented the Administrative Citation Process (ACP) beginning in December 2010. While the percentage of internally identified Possible Violations only rose slightly from 2010 to 2011, the number of

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<sup>1</sup> “Internally discovered” Possible Violations include those discovered through Self-Reports, Self-Certifications, Periodic Data Submittal, and Exception Reporting.

Possible Violations identified in 2011 (198 Possible Violations) was almost double the number identified in 2010 (105 Possible Violations). As of November 30, 2012, 155 Possible Violations were identified in 2012 both from external and internal identification methods, trending lower than 2011. It is noteworthy that although fewer Possible Violations were identified in 2012, the percentage of internally-identified Possible Violations increased significantly in 2012.

#### *NPCC*

NPCC has experienced an increase in internally identified Possible Violations since the September 2011 Petition. NPCC saw a reduction in the overall number of Self-Reports during 2012, but had a substantial increase in Self-Certifications because many entities had CIP certifications due at the beginning of the year. NPCC believes that if the Self-Certifications had not been required, there would have been an increase in Self-Reports.

#### *ReliabilityFirst*

ReliabilityFirst has identified a marked change in internally identified issues since the implementation of the FFT process. In fact, self-identified issues constituted 76% of all identified Possible Violations in the ReliabilityFirst region. This is an increase from 68% from the previous year (and constitutes the highest percentage of self-identified issues experienced to date). ReliabilityFirst believes the FFT process is a positive first step toward better incentivizing desired entity behavior through better designed compliance mechanisms.

For example, ReliabilityFirst advocates the importance of strong internal controls that promptly identify, mitigate, and report compliance issues. ReliabilityFirst believes that the FFT process enables ReliabilityFirst to better align its message with its actions. It begins to allow ReliabilityFirst to better reward strong internal controls that promptly identify, mitigate, and report compliance issues (which tend to be minimal risk) with less enforcement processing.

Strong internal controls improve reliability. ReliabilityFirst will continue to work with NERC to evolve this and other programs to maximize their reliability benefit.

#### *SERC*

SERC reported that the percentage of self-reported issues in SERC increased from 68% in 2011 to 70% in 2012, based on the total reported issues for each year.

#### *SPP RE*

Before the implementation of the FFT program, SPP RE data indicates that 256 of 672 Possible Violations, or 38%, were Self-Reports. After the implementation of the FFT program, data indicates that 121 of 275 Possible Violations, or 44%, were Self-Reports. However, SPP RE does not believe that the FFT program influenced the number of internally identified Possible Violations submitted by registered entities. While SPP RE does consider the discovery method in its determination of the appropriateness of the FFT program, it is not a determinant factor, and the submission of a Self-Report is not a prerequisite for SPP RE's use of the FFT program. Of the 111 Possible Violations SPP RE has processed via the FFT disposition method, 46, or 41.1%, have been Self-Reports.

#### *Texas RE*

Texas RE experienced a decrease in Self-Reports at the beginning of the third quarter of 2011, but this negative trend ended in mid-2012. The percentage of all internally discovered Possible Violations has decreased in the 18 months after the CEI was introduced. Upon identifying the reduction in Self-Reports, Texas RE undertook substantial stakeholder outreach regarding the benefits of strong cultures of reliability and compliance, including self-reporting, by discussing the benefits at its workshops, in its newsletters, and at its Member Representatives Committee and Board meetings. Texas RE also reached out to discuss self-reporting with a

number of individual registered entities, including registered entities that had Possible Violations identified during Compliance Audits. A number of Texas RE registered entities (which Texas RE identified as having strong cultures of compliance and reliability) have assisted Texas RE at workshops and other stakeholder meetings by discussing and promoting the benefits of having strong cultures of compliance and reliability, including the prompt and thorough self-reporting of Possible Violations. This stakeholder outreach, particularly coupled with the active participation and support by Texas RE registered entities, seems to have been effective. Texas RE will continue its outreach regarding strong cultures of compliance and reliability as part of the developing reliability assurance initiative.

#### *WECC*

WECC has not seen an increase in the number of self-reported Possible Violations as compared to all discovery methods. This steady state of internally identified issues can be explained by the outreach WECC has done to the registered entities, which has always emphasized the importance of self-reporting. Many registered entities within the WECC region have also undergone recent CIP Compliance Audits. Prior to these Compliance Audits, the registered entities provided an increased number of Self-Reports. WECC does weigh discovery method as a part of its FFT determination process.

## **Attachment C**

### **FFT Process Review Checklist**

# FFT Process Review

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Regional Entity:

Contact:

FFT Sampling performed by:

Samples reviewed:

Violation ID	Standard & Requirement	VRF (Regional determination)	VSL (Regional determination)
Violation ID 1			
Violation ID 2			
Violation ID 3			
Violation ID 4			
Violation ID 5			
Violation ID 6			
Violation ID 7			
Violation ID 8			

Item	Requirement	Documents Reviewed	Comments/Conclusion
A	Any procedural documents, training documents that are used for the FFT process.	<i>Include Document title and revision, if applicable</i>	<i>Summary of the process that the documents address and if they discuss how the FFT program functions.</i>
B	Follow-up or Sampling Program, e.g., audit or spot-check documents, related to closed FFTs.		
C	Additional documents, if requested.		



# FFT Process Review

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Evaluation:

No.	Requirement	Violation ID	Standard & Req.	Status	Comments/Conclusion
1	The description of the issue was adequate.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				NA	
				U	
				S	
				S	
				S	
				S	
				S	
2	Risk Statement adequately addresses the issue.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	
				S	
				S	
				S	
				S	
				S	
				S	

# FFT Process Review

No.	Requirement	Violation ID	Standard & Req.	Status	Comments/Conclusion
3	The issue posed a minimal risk to the BPS and does not warrant a monetary penalty.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	
				S	
				S	
				S	
				S	
				S	
				S	
4	Risk statement based on potential and actual risk, not just after-the-fact determinations.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	
				S	
				S	
				S	
				S	
				S	
				S	
5	Risk statement based on facts at the time of the			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that</i>

# FFT Process Review

No.	Requirement	Violation ID	Standard & Req.	Status	Comments/Conclusion
	violation.				<i>are specific to the violation.</i>
				S	
				S	
				S	
				S	
				S	
				S	
				S	
6	The registered entity provided a statement of completion certified by an officer of the company.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	
				S	
				S	
				S	
				S	
				S	
7	The mitigating activities address both the current violation and abatement of			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>

# FFT Process Review

No.	Requirement	Violation ID	Standard & Req.	Status	Comments/Conclusion
	future occurrences.			S	
				S	
				S	
				S	
				S	
				S	
				S	
8	While not required, completion of mitigating activities verified.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	
				S	
				S	
				S	
				S	
				S	
9	The RE has a sampling process for random checking of completion or a spot check or audit process.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	

# FFT Process Review

No.	Requirement	Violation ID	Standard & Req.	Status	Comments/Conclusion
				S	
				S	
				S	
				S	
				S	
				S	
10	The RE determined that the registered entities “maintain evidence of such corrective actions for possible later verification through an audit, spot check, random sampling, or other inquiry.” The RE provided a sample of the registered entities’ backup proof.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	
				S	
				S	
				S	
				S	
				S	
				S	
11	Consideration, if any, of the registered entity’s internal compliance program.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	
				S	

# FFT Process Review

No.	Requirement	Violation ID	Standard & Req.	Status	Comments/Conclusion
				S	
				S	
				S	
				S	
				S	
12	The registered entity's compliance program includes preventive and corrective processes and procedures, internal controls and culture of compliance.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	
				S	
				S	
				S	
				S	
				S	
13	The RE considered the compliance history when evaluating this issue.			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	
				S	
				S	
				S	

# FFT Process Review

No.	Requirement	Violation ID	Standard & Req.	Status	Comments/Conclusion
				S	
				S	
				S	
14	The RE provided the requested dates throughout the evaluation. 1) Date of discovery 2) Date of completion of mitigation			S	<i>For each violation, add comment/conclusion statement here regarding status. Reference any pertinent documents reviewed that are specific to the violation.</i>
				S	
				S	
				S	
				S	
				S	
				S	
				S	
15	There have not been any re-occurrences since the mitigation activities were completed.			S	<i>Patrice will provide this information to you. Based on the information provided add details about the recurring violation, if applicable.</i>
				S	
				S	
				S	
				S	
				S	
				S	

# FFT Process Review

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No.	Requirement	Violation ID	Standard & Req.	Status	Comments/Conclusion
				S	

**NERC CIP team’s comments on CIP FFTs:**

*[Type a quote from the document or the summary of an interesting point. You can position the text box anywhere in the document. Use the Text Box Tools tab to change the formatting of the pull quote text box.]*

**NERC Enforcement comments on non-CIP FFTs:**

*[Type a quote from the document or the summary of an interesting point. You can position the text box anywhere in the document. Use the Text Box Tools tab to change the formatting of the pull quote text box.]*

**Lessons Learned / recommendations from process review:**

*[Type a quote from the document or the summary of an interesting point. You can position the text box anywhere in the document. Use the Text Box Tools tab to change the formatting of the pull quote text box.]*



# **Attachment D**

## **Templates**

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/Stipulates," "Neither Admits nor Denies," or "Does Not Contest"	Other Factors Affecting the Penalty Determination, including Compliance History, Internal Compliance Program and Compliance Culture
REGION NAME (REGION ACRONYM)	ENTITY NAME (ENTITY ACRONYM)	NCRXXXXX		ex. - Settlement Agreement Notice of Confirmed Violation	Include discovery date, discovery method, applicable registered functions, and Standard and Requirement violated. Also include information related to the determination of VSL.  ex. - On DATE, ENTITY ACRONYM submitted a Self-Report to REGION ACRONYM that, as a [Function(s) applicable to the violation], it was in violation of [Standard and Requirement] because...	ex. - CIP-004-3	R	ex. - R1; R1.1	ex. - Medium ex. - Severe	This violation posed a minimal risk and did not pose a serious or substantial risk to the reliability of the bulk power system. [describe the factors that mitigated the risk]  This violation posed a moderate risk and did not pose a serious or substantial risk to the reliability of the bulk power system. REGION ACRONYM determined that the violation posed a moderate risk because... [begin with the most aggravating, then follow up with the factors that mitigated the risk]	DATE (Explanation of start date)  ex. - 6/18/2007 (when the Standard became mandatory and enforceable)  7/1/2009 (when the Standard became mandatory and enforceable as a "Table 1" entity)  1/22/2013 (when failed to follow the directive from the function)  1/22/2013 (when entity registered as function)	DATE (Explanation of end date)  ex. - 1/23/2013 (Mitigation Plan completion)  1/23/2013 (when entity followed the directive from the function)  present	\$DOLLARPENALTY (for VIOLATION IDS [if more than one])	ex. - Self-Certification  Self-Report  Complaint  Compliance Audit  Periodic Data Submittal  Compliance Investigation  Spot Check	To mitigate this violation, ENTITY ACRONYM:  1) past tense activity; 2) past tense activity; and 3) past tense activity.  OR  To mitigate this violation, ENTITY ACRONYM will:  1) future activity; 2) future activity; and 3) future activity.  Note: If only one activity listed, do not use a colon and list format, just make a normal sentence.  Note: Do not include milestone or other dates.	X/X/XXXX  ex. - 1/22/2013  3/31/2013 (approved completion date)	X/X/XXXX  ex. - 1/22/2013  TBD	ex. - Admits  Agrees/Stipulates  Neither Admits nor Denies  Does Not Contest	Address the entity's internal compliance program here, if reviewed by the region:  REGION ACRONYM reviewed ENTITY ACRONYM's internal compliance program (ICP) and considered it to be a [mitigating/neutral] factor in the penalty determination. [describe the ICP, if desired]  Address violation history here, if the entity has prior filed violations of the same or similar Standard.  A [Settlement Agreement/NOCV] covering violations of VIOLATIONS for ENTITY ACRONYM was filed with FERC under NPXX-X-000 on DATE. On DATE, FERC issued an order stating it would not engage in further review of the Notice of Penalty.  A Find, Fix, Track and Report (FFT) informational filing addressing remediated issues for certain registered entities including noncompliance with [Standard and Requirement] for ENTITY ACRONYM was filed with FERC under NPXX-XX-000 on DATE. The 60-day review period passed on DATE.  For each piece of violation history discussed, include one of the following:  REGION ACRONYM determined that ENTITY ACRONYM's previous violations of VIOLATION constituted a prior violation and an aggravating factor in the penalty determination.  REGION ACRONYM determined that this prior violation should not serve as a basis for aggravating the penalty because... [list factors that distinguish the instant violation from the prior violation]

Region	Name of Entity	NCR	Issue Tracking #	Standard	Req.	Description of Remediated Issue	Description of the Risk Assessment	Description and Status of Mitigation Activity
REGION NAME (REGION ACRONYM)	ENTITY NAME (ENTITY ACRONYM)	NCRXXX XX		ex. - CIP-004-3	R  ex. - R1; R1.1	<p>Include discovery date, discovery method, applicable registered functions, and Standard and Requirement at issue.</p> <p>ex. - On DATE, ENTITY ACRONYM submitted a Self-Report to REGION ACRONYM stating that, as a [Function(s) applicable to the violation], it had an issue with [Standard and Requirement] because...</p>	<p>This issue posed a minimal risk and did not pose a serious or substantial risk to the reliability of the bulk power system. [describe the factors that mitigated the risk]</p> <p>Address compliance history here, if the entity has prior filed violations/issues of the same or similar Standard.</p> <p>A [Settlement Agreement/NOCV] covering violations of VIOLATIONS for ENTITY ACRONYM was filed with FERC under NPXX-X-000 on DATE. On DATE, FERC issued an order stating it would not engage in further review of the Notice of Penalty.</p> <p>A Find, Fix, Track and Report (FFT) informational filing addressing remediated issues for certain registered entities including noncompliance with [Standard and Requirement] for ENTITY ACRONYM was filed with FERC under NPXX-XX-000 on DATE. The 60-day review period passed on DATE.</p> <p>For each piece of compliance history discussed, include:</p> <p>REGION ACRONYM determined that the instant issue is appropriate for FFT treatment because... [list factors that distinguish the instant violation from the prior violation].</p>	<p>To mitigate this issue, ENTITY ACRONYM:</p> <ol style="list-style-type: none"> <li>1) past tense activity;</li> <li>2) past tense activity; and</li> <li>3) past tense activity.</li> </ol> <p>If the mitigation activity has been verified, include the following: REGION ACRONYM has verified the completion of all mitigation activity.</p> <p>Note: Do NOT include a reference to the mitigation activity being certified, since a certification is required for all FFT issues.</p>