Agenda

Compliance and Certification Committee

September 18, 2018 | 3:15 p.m. – 5:00 p.m. Central
September 19, 2018 | 8:00 a.m. – 12:00 p.m. Central

Midwest Reliability Organization (MRO)
380 St. Peter Street, Suite 800
St. Paul, MN 55102

Introduction and Chair’s Remarks

Welcome – Sara Patrick, President and CEO, MRO

Opening Remarks – Frederick W. Gorbet, NERC Board of Trustees

NERC Antitrust Compliance Guidelines and Public Announcement*

Agenda Items

1. Administrative – Secretary and Jennifer Flandermeyer

2. Committee Business
   a. Consent Agenda – (Review) – (Jennifer Flandermeyer)
      i. Meeting Agenda – (Approve)
      ii. CCC June 2018 Meeting Minutes – (Approve)
      iii. Charter Revision – (Approve)

3. CCC Strategy Session Debrief – (Inform) – (Jennifer Flandermeyer/Ken McIntyre)

4. CCC Action Items and Work Plan Status* – (Discuss) – (Scott Tomashefsky)

5. NERC Board Enterprise-wide Risk Committee – (Update) – (Jennifer Flandermeyer)

6. NERC Board of Trustees and Members Representatives Committee (MRC) Update, August 2018 Meetings – (Inform) – (Scott Tomashefsky)

7. NERC Reliability Issues Steering Committee* – (Update) – (Patti Metro)

8. Program Alignment – (Update) – (Ken McIntyre / Jennifer Flandermeyer/ Steve Noess)

9. Standards Efficiency Review Phase II – (Update) – (Ken McIntyre / Jennifer Flandermeyer)

10. CMEP Technology Project – (Andy Rodriquez)

11. Subcommittee – (Updates)
   a. Nominating Subcommittee – (Helen Nalley)
i. Vacancy review
b. ERO Monitoring Subcommittee (EROMS) – (Ted Hobson)
   i. Internal Audit Report – (Matt Gibbons)
   ii. 2018 NERC Self-Certifications
   iii. 2018 ERO Enterprise Survey
c. Compliance Processes and Procedures Subcommittee (CPPS) – (Lisa Milanes)
   i. CCCPP-010-5 (Approval)
d. Organization Registration and Certification Subcommittee (ORCS) – (Greg Campoli)

12. 2019 Work Plan – (Discuss) – (Scott Tomashefsky)

13. ERO Enterprise Program Alignment / Alignment Working Group – (Discuss) – (Martha Henson/Steve Noess)

14. NERC Compliance Monitoring Update – (Inform) – (Steve Noess)

15. NERC Enforcement Update* – (Inform) – (Ed Kichline)

16. Review of Action Items – (Review) – (Scott Tomashefsky)

17. Future Meeting Dates – (Inform)
   a. Confirmed 2018 Dates
      i. December 5-6, 2018: Atlanta, GA (NERC offices)
   b. Confirmed 2019 Dates
      ii. June 18-19, 2019: Chicago, IL (Exelon Offices)
      iii. September 12-13, 2019: TBD – Potential combination with SC meetings (Tentative)
      iv. December 3-4, 2019: Rosemead, CA (SCE Offices)

18. Adjourn

*Background materials included.
MRO Strategic Priorities

Aligning with the ERO Enterprise
Sara Patrick
President and CEO

Sara Patrick joined MRO in August 2008 as Director Regulatory Affairs and Enforcement. In 2011, Ms. Patrick was promoted to Vice President Enforcement and Regulatory Affairs, and in 2016 she became the Vice President Compliance Monitoring and Regulatory Affairs. In June 2018, the MRO Board of Directors named Ms. Patrick President and CEO.

Prior to joining MRO, Ms. Patrick served as the Director of Government Affairs for Explore Information Services, LLC, a leading service provider to the property and casualty insurance industry. Ms. Patrick also served as an Assistant Attorney General for the State of Arizona under both the administration of Janet Napolitano (D) and Grant Woods (R). Early in her career, she honed her legal research skills at Thomson West, a leading provider of legal reference materials.

Ms. Patrick is also a graduate of the Lee Honors College of Western Michigan University in Kalamazoo, MI and received her doctor of jurisprudence (J.D.) from the Indiana University School of Law in Bloomington, IN. She is licensed to practice law in Minnesota and Arizona, and is a Certified Information Privacy Professional, Certified Compliance and Ethics Professional, and a member of the Energy Bar Association. Additionally, Ms. Patrick completed the University of Idaho Utility Executive Course in June 2013.
The ERO Enterprise Shared Vision:

A highly reliable and secure North American bulk power system.
MRO’s Mission Supports our Vision

To identify, prioritize and assure effective and efficient mitigation of risks to the reliability and security of the North American bulk power system by promoting Highly Effective Reliability Organizations (HEROs).
MRO Strategic Priorities Support our Vision and Mission

The following are strategic priorities for MRO in 2018 and 2019:

1. **Integrate** new registered entities in MRO.
2. **Execute** NERC-delegated functions including oversight, analysis, and assessments for the entire expanded MRO footprint.
3. Align with the ERO Enterprise and provide support to the ERO Enterprise goals.
Integrate new registered entities into MRO

Provide entities with opportunities to:

• be included in stakeholder committees and other regional activities
• share their expertise with MRO staff and other stakeholders
• get to know MRO staff
Integrate New Entities to MRO

The following changes allow participation of the expanded region

- Bylaw changes add four new directors to the MRO Board:
  - Two Independent Directors and two Regional Directors
- New Advisory Council structure leverages the experience and expertise of the expanded region
  - Reliability Advisory Council
  - Security Advisory Council
  - CMEP Advisory Council
- Staff is reviewing the proposed activities of these councils to minimize duplication of efforts with SPP working groups
- Above changes will be implemented on January 1, 2019
Execute NERC-delegated functions

- Continue to identify, prioritize, and mitigate risks to the bulk power system during integration
- Continue to conduct high quality execution of delegated functions
  - for all entities in MRO’s expanded footprint
  - pursuant to MRO principles
  - including oversight, analysis, and assessments
- Understand new registered entities’ strengths and vulnerabilities
- Share and learn best practices
Align with the ERO Enterprise

- Support the ERO Enterprise Long-Term Strategy and Operating Plan

- MRO’s Strategic Plan and Metrics adopts:
  - ERO Enterprise Vision, Mission and Core Principles
  - ERO Enterprise Operating Plan and goals
  - ERO Enterprise Metrics as applicable to MRO
## Aligning With The ERO Enterprise

### Supporting ERO Metrics

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<th>Threshold(s)</th>
<th>Target(s)</th>
<th>MRO Notes</th>
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<tr>
<td>Number and severity of BES events.</td>
<td>No category 4 or 5 events resulting from a violation of a Reliability Standard.</td>
<td>No category 3 events resulting from a violation of a Reliability Standard.</td>
<td><strong>THRESHOLD</strong>: There have been no category 4 or 5 events in the MRO region. <strong>TARGET</strong>: There have been no category 3 or above events in the MRO region.</td>
</tr>
<tr>
<td>Stable/downward trend from peak for the event severity index.</td>
<td></td>
<td><strong>TARGET</strong>: There is a downward trend in the event severity index, which measures the impact of system events on the bulk power system in MRO's region.</td>
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Aligning With The ERO Enterprise
Contributing MRO Factors (the work of HEROs)

- Address NERC and/or Region risks, such as protection system misoperations
  - Protective Relay Subcommittee Whitepapers on Misoperations

- Collaborate on event cause coding, as well as event related lessons learned development and communication
  - Registered entities, NERC and MRO staff discussions; Operating Committee reviews

- Conduct information gathering and sharing regarding good industry practices in risk identification, mitigation, and lessons learned
  - Performance Risk Oversight Subcommittee internal controls
## Metric 2: Feedback loops exist between MRO compliance monitoring activities and NERC Reliability Standards (Supports ERO Enterprise Operating Plan Goals 1–3)

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<th>Measure(s)</th>
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| Gaps between compliance monitoring activities (or the RRA) and NERC       | Technical risk-based feedback is provided to NERC supporting the Standards Efficiency Review (P-81\(^2\)) initiative. | Complete annual review of Standards to identify administrative and/or low-risk requirements and incorporate this review into MRO's Performance Areas. | **THRESHOLD:** MRO provided the SER team with 100 requirements to be considered for retirement based on the result of MRO IRAs and technical justifications resulting from past MRO RRAs and Performance Areas. 68 of the 100 are in the SER team's SAR.  
**TARGET:** The annual RRA has commenced, with greater involvement from the MRO OC, PC and SAC this year. An annual update to Performance Areas will be performed after the RRA is complete, estimated for Q4 2018. |
Aligning With The ERO Enterprise

Contributing MRO Factors (the work of HEROs)

- Coordinate and provide stakeholder input on and facilitate industry review of new and existing Reliability Standards
  - NERC Standards Review Forum
- Gather stakeholder feedback to assess which Reliability Standards may need further guidance and outreach
  - Subject Matter Expert Teams develop Standard Application Guides
- Engage stakeholders on annual Regional Risk Assessment, which drives Performance Areas
  - Operations, Planning, and Security SMEs from MRO Committees
# Aligning With The ERO Enterprise

## Supporting ERO Metrics

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<th>Target(s)</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Number of unanticipated resource deficiencies.</td>
<td>No load shedding over 300 MW due to resource or essential reliability services deficiency, or common mode failure. This excludes deficiencies or common mode failures identified as a risk in an assessment during the past 3 years and not reported as resolved.</td>
<td>No Energy Emergency Alert 3 (EEA-3) declarations for resource deficiencies. This excludes (1) any deficiencies or common mode failures identified as a risk in an assessment during the past 3 years and not reported as resolved and (2) any deficiencies that do not lead to a load shedding event.</td>
<td><strong>THRESHOLD:</strong> There has been no load shedding over 300 MW in the MRO region in 2018. <strong>TARGET:</strong> There have been no EEA-3 alerts in the MRO region in 2018, which have led to load shedding.</td>
</tr>
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</table>
Aligning With The ERO Enterprise
Contributing MRO Factors (the work of HEROs)

- Identify risks in LTRA and Seasonal Assessments
  - ERO-wide peer reviews of the LTRA are used to obtain broad input to identification and mitigation of risks
- Planning Coordinators address specific risks at each MRO Planning Committee meeting
- Reliability Coordinators present seasonal preparedness activities and concerns at MRO Operating Committee meetings
## Aligning With The ERO Enterprise

### Supporting ERO Metrics

**Metric 4: Reduced reliability risk from unauthorized physical or electronic access (Supports ERO Enterprise Operating Plan Goals 1–3 and 5)**

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<thead>
<tr>
<th>Measure(s)</th>
<th>Threshold(s)</th>
<th>Target(s)</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Number of disruptions to BES facilities caused by unauthorized physical or electronic access.</td>
<td>No load loss due to BES cyber attack.</td>
<td>No reported disruption of electrical operations of the BES facilities due to cyber attack.</td>
<td>THRESHOLD: There has been no load loss due to a BES cyber attack in 2018. TARGET: There have been no BES reliability impacts realized from cyber or physical attacks in the MRO region in 2018.</td>
</tr>
<tr>
<td>No BES facility disruptions resulting in 100 MW or more of load loss due to physical attack.</td>
<td>Compliance severity index of CIP violations stable to declining.</td>
<td></td>
<td>THRESHOLD: There have been no BES reliability impacts realized from cyber or physical attacks in the MRO region so far in 2018. TARGET: The CIP CSI, projected for 2016-2018 based on completed risk determinations, is showing a downward trend in risk associated with CIP violations, but the majority of 2017 and 2018 CIP noncompliances have yet to be processed.</td>
</tr>
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</table>
Aligning With The ERO Enterprise
Contributing MRO Factors (the work of HEROs)

- Improve industry engagement regarding cyber and physical security risks
  - Security Advisory Council Weekly Threat Call
- Leverage engagement with registered entities to encourage effective security practices and controls
  - Security Advisory Council sponsored webinars
## Aligning With The ERO Enterprise

### Supporting ERO Metrics

**Metric 5: Reduced reliability risk from noncompliance (Supports ERO Enterprise Operating Plan Goals 1 and 2)**

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<th>Measure(s)</th>
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<th>Target(s)</th>
<th>Notes</th>
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<tbody>
<tr>
<td>Compliance severity index.</td>
<td>Compliance severity index stable (within 110% of peak).</td>
<td>Compliance severity index declining.</td>
<td><strong>THRESHOLD</strong>: The CSI projects to be well below 110% of its peak.</td>
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<tr>
<td></td>
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<td></td>
<td><strong>TARGET</strong>: The CSI continues to show a downward trend in the risk of noncompliances through Q2.</td>
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<tr>
<td>Repeat violations.</td>
<td>No repeat of severe violations within three years of mitigation completion.</td>
<td>No repeat of severe or moderate violations within two years of mitigation completion.</td>
<td><strong>THRESHOLD</strong>: MRO has had no repeat of severe violations within three years of mitigation completion.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td><strong>TARGET</strong>: MRO has had no repeat of severe or moderate violations within two years of mitigation completion.</td>
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Aligning With The ERO Enterprise
Contributing MRO Factors (the work of HEROs)

• Conduct information gathering and sharing regarding good industry practices in risk identification, mitigation, and lessons learned
  • Performance Risk Oversight Subcommittee shares internal controls
  • Subject Matter Expert Teams develop Standard Application Guides to promote examples of mitigation for significant risk areas

• Work collaboratively across the ERO to provide clear and consistent guidance on the CMEP process
  • Compliance Committee supports Annual CMEP Conference
  • Stakeholders contribute to MRO Reliability Matters newsletter
## Aligning With The ERO Enterprise

### Supporting ERO Metrics

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<tr>
<td>Annual Misoperations rate of performance.</td>
<td>Annual Misoperations rate of performance is less than 12.0% or declining.</td>
<td>Annual Misoperations rate of performance drops by 2 percentage points from the composite rate of the last three years.</td>
<td><strong>THRESHOLD:</strong> 2018 Q1 rate was less than 12.0%. <strong>TARGET:</strong> 2018 Q1 rate was 8.57%, down 3.01% from 11.58% in 2017.</td>
</tr>
<tr>
<td>Number of transmission line outages due to vegetation.</td>
<td>No transmission line outages due to FAC-003 violations on transmission lines above 300kV.</td>
<td>No transmission line outages due to FAC-003 violations on any transmission lines above 200kV.</td>
<td><strong>TARGET:</strong> There have been no transmission line outages due to FAC-003 violations on transmission lines above 300kV. <strong>THRESHOLD:</strong> There have been no transmission line outages due to FAC-003 violations within the MRO region in 2018.</td>
</tr>
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Aligning With The ERO Enterprise
Contribution MRO Factors (the work of HEROs)

- Address NERC and/or Region risks, such as protection system misoperations
  - Protective Relay Subcommittee Whitepapers on Misoperations

- Use all tools and data available to identify trends or leading indicators of potential new or emerging BPS reliability risks
  - Subject Matter Expert Teams develop Standard Application Guides
  - Operations, Planning, and Security Committees contribute to Regional Risk Assessment
## Aligning With The ERO Enterprise

### Supporting ERO Metrics

**Metric 7:** ERO Enterprise’s efficiency and effectiveness (Supports ERO Enterprise Operating Plan Goal 6)

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| Financial performance.        | +/- 10% or less actuals as compared to budget (or revised budget target). | Actuals to budget (or revised budget target) within +2.5%/-5%.             | **THRESHOLD:** MRO is tracking actual costs compared to budget within +/- 10%.  
**TARGET:** MRO anticipates finishing the year within +2/5%/-5% the 2018 approved budget, excluding the transition budget of $1.8M, which is being tracked separately. |
| Staff turnover.               | No more than three voluntary terminations on a twelve-month rolling basis. | No more than two voluntary staff terminations on a twelve-month rolling basis. | **THRESHOLD:** MRO has had no more than three voluntary terminations on a twelve month rolling basis.  
**TARGET:** MRO has had one voluntary staff termination in a rolling twelve month period. |
Aligning With The ERO Enterprise
Contributing MRO Factors (the work of HEROs)

- Make effective and efficient use of stakeholder expertise and resources to obtain input on key initiatives
  - Security Advisory Council sponsored webinars
  - Compliance Committee sponsored webinar

- Identify and support opportunities to improve regional and ERO Enterprise collaboration and efficiency
  - Organization Group restructure feedback from existing Committees
  - Compliance Committee supports Annual CMEP Conference
  - Stakeholders contribute to MRO Reliability Matters newsletter
Antitrust Compliance Guidelines

I. General
It is NERC’s policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC’s compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC’s antitrust compliance policy is implicated in any situation should consult NERC’s General Counsel immediately.

II. Prohibited Activities
Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants’ expectations as to their future prices or internal costs.
- Discussions of a participant’s marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.
• Any other matters that do not clearly fall within these guidelines should be reviewed with NERC’s General Counsel before being discussed.

III. Activities That Are Permitted
From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC’s Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

• Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.

• Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.

• Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.

Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.
Public Announcements

Face-to-face meeting version:
Participants are reminded that this meeting is public. Notice of the meeting was posted on the NERC website and widely distributed. Participants should keep in mind that the audience may include members of the press and representatives of various governmental authorities, in addition to the expected participation by industry stakeholders.

August 10, 2010
Compliance and Certification Committee (CCC) Charter Revision

**Action**
Approve

Attachment 1 Redlines Changes to CCC Charter, “Attachment A CCC Membership Structure”

**Background**
On May 4, 2018, the Federal Energy Regulatory Commission approved the termination of the Regional Delegation Agreement between the North American Electric Reliability Corporation and Southwest Power Pool RE, as well as the transfer of registered entities within SPP RE to MRO and SERC, and the revisions to MRO and SERC Regional Delegation Agreements reflecting their changed geographic footprints.

As a result of the SPP RE dissolution, the redlined CCC Charter, “Attachment A CCC Membership Structure” reflects the removal of SPP RE from CCC membership.

Upon approval by the CCC, the updated Charter will be submitted to the Board of Trustees for approval.
Compliance and Certification Committee Charter

Approved by Filed with FERC on June 28XXX XX, 2018, in Docket No. RR198-4XX-000.

February 8XXX XX, 2018
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Mission

In the capacity of a North American Electric Reliability Corporation (NERC) Board of Trustees (Board)-appointed stakeholder committee serving and reporting directly to the NERC Board, the Compliance and Certification Committee (CCC) will engage with, support, and advise the NERC Board and NERC regarding all facets of the NERC Compliance Monitoring and Enforcement Program (Compliance and Enforcement program), Organization Registration program (Registration program), and Organization Certification program (Certification program). As a committee providing support and advice but otherwise independent of the execution of these programs, the CCC will monitor NERC’s adherence to the Rules of Procedure (ROP) for these programs. Also and in a similar manner, as a committee independent of the Reliability Standards development process, the CCC will be the body responsible for monitoring NERC’s adherence to the (ROP) regarding the Reliability Standards development process with the exception of appeals of substantive or procedural action or inaction associated with a Reliability Standard or the Standards process as defined in the appeals section of the Standard Processes Manual. The CCC is also responsible for establishing and implementing a program to monitor NERC’s compliance with the Reliability Standards that apply to NERC.
Compliance and Certification Committee Functions

To fulfill its mission, the CCC performs the following functions:

1. Organizes and conducts committee meetings directly with NERC staff regarding all facets of the Compliance and Enforcement, Registration, and Certification programs;¹
2. Provides comments and recommendations to the NERC Board and NERC staff;
3. Provides comments to NERC with respect to stakeholders’ perception of the policies, practices, and effectiveness of the Compliance and Enforcement program, Registration program, and Certification program;
4. Recommends revisions of the electric reliability organization (ERO) ROP related to the Compliance and Enforcement program, Registration program, and Certification program to the NERC Board;
5. Establishes and implements programs to monitor:²
   a. NERC’s adherence to Section 405 for Compliance Monitoring and Enforcement, including but not limited to the uniform CMEP (Appendix 4C) and the Sanction Guidelines (Appendix 4B).
   b. NERC’s adherence to Section 506 for Organization Registration and Certification, including but not limited to the Organization Registration and Certification Manual (Appendix 5A).
   c. NERC’s adherence to Section 300 of the ROP regarding the Reliability Standards development process with the exception of appeals of substantive or procedural action or inaction associated with a Reliability Standard or the Reliability Standards process as defined in the appeals section of the Reliability Standards Development Procedure. Committee members who have participated in the development process for a particular Reliability Standard shall not participate in the committee’s monitoring of that process.
   d. NERC’s compliance with the Reliability Standards that apply to NERC.
6. Serves as the hearing body for any contest regarding findings of or penalties or sanctions for violation(s) of Reliability Standard(s) where NERC is directly monitoring the entity for compliance with those standards (registered entity by agreement with a Regional Entity or absent a delegation agreement; the Region itself where approved standards are applicable to the Region) as described in Section 408 of the NERC ROP;
7. As directed by the NERC Board, serves as the mediator for any disagreements between NERC and the Regional Entities concerning NERC performance audits of Regional Entities’ compliance programs. When directed by the Board to serve as mediator, the committee chair will appoint three disinterested members of the committee to meet with representatives of NERC and the Regional Entity to attempt to resolve the matter.
8. At the discretion of the CCC, participates as an observer in Regional Entity Compliance Program audits executed by NERC’s Internal Audit and Corporate Risk Management function, consistent with Appendix 4A of the ROP.
9. Actively supports the Standards Committee in the development of new and revised standards by providing a pool of qualified compliance oriented personnel for participation in the compliance administration element phase of the standards development process;

¹ Meetings are conducted under Section 4 of this Charter.
² Monitoring by the CCC is ongoing and does not preclude, interfere with or replace, in whole or in part, the NERC Board’s responsibility to conduct and provide such reviews of these programs as required by Federal Energy Regulatory Commission (the Commission) regulations, 18 C.F.R. § 39.3.c: “The Electric Reliability Organization shall submit an assessment of its performance audits three years from the date of certification by the Commission, and every five years thereafter.”
10. Provides assistance to NERC and the Regional Entities to implement the Compliance and Enforcement, Registration, and Certification programs; and

11. Undertakes assignments from the Board or the Board’s Compliance Committee related to compliance and enforcement, organization registration, organization certification, and standards development.
Membership

Goals
The CCC provides for balanced discussion, commentary, and recommendations on compliance issues by bringing together a wide diversity of opinions and perspectives from NERC member sector experts who have particular familiarity, knowledge, and experience in the area of compliance and NERC Standards and Regional Standards.

Appointment and Terms of Service
Members are appointed to the committee by the NERC Board and serve on the committee at the pleasure of the Board. Member terms are the lesser of three years from appointment or interim approval (Section 5.b), replacement, or removal by the Board. Members may be reappointed at the conclusion of a term. There is no limitation on the number of times a member may be reappointed. A member may be recommended to the Board for reappointment by the Nominating Subcommittee by self-nomination. To the extent practicable, member terms will be staggered such that approximately one-third of the committee is subject to reappointment or replacement each year.

Qualifications
Individuals deemed qualified to serve on the committee will generally include senior-level industry experts who have particular familiarity, knowledge, and experience in the area of compliance, compliance enforcement, compliance administration and management, organization responsibilities and registration, organization certification, and NERC Standards and Regional Standards. These individuals should be involved with internal compliance programs within their respective organizations.

Expectations
Committee members are expected to represent the interests of the sector they represent to the best of their ability and judgment. In addition to the duties, rights, and privileges described elsewhere in this charter, committee members will:

1. Act consistently during meetings with the procedures in this manual and Robert’s Rules of Order;
2. Demonstrate and provide knowledge and expertise in support of committee activities;
3. Adjudicate in a fair and unbiased manner that meets applicable legal and due process requirements when participating in hearing procedures conducted under the NERC ROP Section 408;
4. Solicit comments and opinions from constituents and groups of constituents or trade organizations represented by the member and convey them to the committee;
5. Respond promptly to all committee requests, including requests for reviews, comments, and votes on issues before the committee;
6. Arrange for a proxy to attend and vote at committee meetings in the member’s absence; and
7. Respond promptly to all requests to register for committee meetings.

Representation
The membership structure of the CCC will be modeled upon the membership structure of the NERC Member Representatives Committee (MRC) as described in NERC’s Bylaws (the Bylaws) Article VIII Section 2 [see Attachment A]. This should produce a committee that has an appropriate balance of entities subject to compliance with the NERC Reliability Standards and NERC’s Compliance and Enforcement program, and others affected by the Standards and the Compliance and Enforcement program.
Regional Entities
Each Regional Entity, or the applicable regional organization if no Regional Entity exists for the geographic area, may nominate one member to the committee. In aggregate, the sector will have voting strength equivalent to two members. The voting weight of each Regional member’s vote will be set such that the sum of the weight of all available Regional members’ votes is two votes.

Canadian Representation
The committee structure will include representation by Canadians as laid out in Article VIII Section 4 of the Bylaws.

NERC Membership
Users, owners, and operators of the bulk power system are subject to the Compliance, Registration, and Certification programs regardless of whether they are NERC members. It is expected that committee members will generally be from organizations who are NERC members; however, committee members may be non-members of NERC who are subject to the qualifications identified herein and meeting requirements laid out in the Bylaws for non-NERC-member participation in the MRC.

Selection
The CCC will conduct open nominations processes to receive nominations to fill any membership vacancies. Prospective members of the committee may be identified to the CCC via any means the committee finds acceptable, including solicited or unsolicited nomination by a recognized industry group or association, general open solicitation by the committee for nomination(s), individuals’ self-nomination, directed solicitation by the committee to an individual or individuals, or referral by the Board or other NERC body or committee.

Nominating Subcommittee
The CCC will annually appoint a Nominating Subcommittee to identify, qualify, and recommend individuals to fill sector representative vacancies on the committee or, when required, to serve as the chair or vice chair of the committee. The subcommittee will identify the individuals they are recommending to the full CCC for review. Individuals recommended by the subcommittee for appointment to the committee must be approved by the Board.

Interim Approval
Upon approval of the committee, individuals identified and selected by the Nominating Subcommittee for membership on the committee may serve as members on an interim basis pending their appointment by the Board.

Expertise
When selecting individuals to recommend for committee membership, the Nominating Subcommittee will seek to engage individuals who, in aggregate, provide the committee with a level and breadth of expertise sufficient to achieve its goals and fulfill its scope and responsibilities while respecting other important factors such as industry sector, Region, interconnection, and country.

Regional Entity Members
Each Regional Entity, or the applicable regional organization if no Regional Entity exists for the geographic area, may nominate an individual to serve as a member representing their organization. The Nominating Subcommittee will defer to these nominations. The nomination is non-binding upon the Board. Vacancies on the committee will exist where the Regional Reliability Organization or Regional Entity has not provided a nomination.

Canadian Members
The Nominating Subcommittee will endeavor to attract and engage Canadians with suitable qualifications and expertise in adequate numbers to satisfy Article VIII Section 4 of the Bylaws. Recognized Canadian organizations...
such as the Canadian Electricity Association and Canada’s Energy and Utility Regulators will be consulted and solicited for assistance in recruiting Canadians to serve on the committee. All members considered to be serving as Canadians on the committee will be expected to have an endorsement, as appropriate, of such an organization. Canadian representatives should be capable of representing Canadian viewpoints in committee activities, in addition to the sector that they otherwise represent. Consistent with practice regarding the MRC, the Board may appoint additional Canadian individuals to the committee towards satisfying Article VIII Section 4 of the Bylaws.

**Industry Sector Members**
The Nominating Subcommittee will assess the qualifications of nominees and select individuals to recommend to the NERC Board for appointment to the committee. The subcommittee may give preference to candidates nominated by organizations generally considered by the industry as representative of a broad cross-section of the industry sector in question, such as an industry trade association. A NERC Member sector may elect to identify sector representatives for nomination to the Nominating Subcommittee through a process approved by the NERC Board.

**General Nominations and Appointment Process**
The committee’s secretary administers the general nominations process.

**Requesting Nominations**
The NERC staff will request nominations and will forward all nominations received to the Nominating Subcommittee. The Nominating Subcommittee will then prepare its recommended slate of members. The recommended slate will be reviewed by the whole committee for information purposes before it is submitted to the Board. The committee may approve the slate to serve as members on an interim basis, pending appointment by the Board at the Board’s earliest convenience, but will not otherwise act on the slate.

**Board Approval**
The Nominating Subcommittee will present the recommended committee membership slate to the Board for approval. If the Board approves the recommended committee slate, each member on the slate is appointed. The Board may also appoint members individually as needed to meet membership balance and fill vacancies.

**Vacancies and Non-participation**
The committee’s secretary will administer the nominations process for vacancies on the committee.

**Addressed on an Ongoing Basis**
Vacancies on the committee can be addressed on an ongoing basis through receipt and consideration of both solicited and unsolicited nominations for the vacant positions.

**Role of the Nominating Subcommittee**
Nominations received for vacancies will be vetted by the Nominating Subcommittee in the same manner as general nominations. The subcommittee may subsequently and individually recommend nominees they deem qualified to the NERC Board for consideration for appointment to the committee. Existing committee members may also approve such individuals to serve as members on an interim basis pending full appointment by the Board.

**Resignations**

**By the Member**
In the event a member can no longer serve on the committee, that member will submit a written resignation to the committee chair or the secretary.
Requested by the Chair
The chair may request any committee member who ceases to participate in the committee, as indicated by not
attending or sending a proxy for two consecutive meetings, to submit a resignation or to request continuation of
membership with an explanation of extenuating circumstances. If a written response is not received within 30
days of the chair’s request, the lack of response will be considered a resignation.

Referral to the Nominating Subcommittee
The committee chair will refer the vacancy resulting from a resignation to the Nominating Subcommittee of the
committee. If a recent list of nominations is available to the Nominating Subcommittee that it deems to be valid,
the subcommittee will recommend a replacement nominee; otherwise, the subcommittee will request NERC staff
prepare a new solicitation for nominations to fill that position. The Nominating Subcommittee will follow the
previously stated criteria in recommending a replacement.

By the Board
Committee members serve at the pleasure of the Board who may request resignation from, remove, or replace a
member from the committee, as the Board deems appropriate.

Interim Approval
The committee chair may seek a vote of the committee to allow the proposed replacement member to be seated,
pending appointment of the replacement at the Board’s next scheduled meeting.

Proxies
A substitute representative, or proxy, may attend and vote during all or a portion of a committee meeting in lieu
of a voting member provided the absent member notifies the committee chair, vice chair, or secretary of the
proxy.

Notification
Such notification will be in writing (electronic medium is acceptable). The proxy representatives and their
affiliation will be named in the correspondence.

Serving as Proxy
A voting member of a committee may not serve as a proxy for another voting member on the same committee
(i.e. a member may not cast more than their own vote).

Exclusions
Regional Entity Staff
Regional Entity staff members who administer any portion of the Compliance and Enforcement program,
Registration program, or Certification program for that Regional Entity, or for any other Regional Entity, may not
serve as a member of the CCC.

Organizations
No two individuals from the same organization, or affiliated organizations, may serve concurrently on the
committee. Any committee member who has a membership conflict of this nature is obligated to notify the
committee secretary, who shall inform the committee chair. Members impacted by such a conflict, such as
through a merger of organizations, may confer between themselves to determine which member should resign
from the committee and notify the committee secretary and chair; however, if both members are within the same
industry sector and cannot reach an amicable solution by determining the member to remain, the Nominating
Subcommittee will review the qualifications of each member and propose the member to remain to the full
committee who will determine which member shall continue to serve, subject to Board approval. If the conflict is
not resolved in a timely manner by the impacted members, the committee chair shall notify all members of the

affected industry sectors recommending actions to resolve the conflict. If the membership conflict is still unresolved, the committee chair shall take the conflict to the NERC Board for resolution.

**NERC Staff**

The Director of Compliance Assurance shall not be a member of the committee or vote on committee business. The Director of Compliance Assurance and the secretary shall be recused from participating in any committee activity that involves monitoring of NERC’s adherence to ROP or activity that the Director of Compliance Assurance oversees. If the NERC staff coordinator has been recused from participating in a Committee activity, the chair shall appoint another member of the committee as acting secretary for any meetings or other activities from which the NERC staff coordinator is recused.

**Changes in Member Affiliation**

A committee member whose affiliation has changed may retain the membership position under these circumstances:

1. The new organization is in the same industry sector, and
2. The member meets all other membership requirements.

**Conflict of Interest**

No committee member may have a conflict of interest that would impair his or her ability to fulfill obligations under this charter. Any committee member who knows of any form of membership conflict, such as working for an entity affiliated with that of another committee member, will notify the committee chair within 10 business days of obtaining that knowledge.
Meetings

In the absence of specific provisions in this manual, all committee meetings will follow Roberts Rules of Order.

Quorum

Two-thirds Requirement
The quorum necessary for transacting business at meetings of the committee is two-thirds of the voting members currently on the committee’s roster.

Interim Basis
Voting members approved by the committee on an interim basis, pending appointment by the Board, will be counted in the determination of a quorum.

Lack of Quorum
If a quorum is not present at the beginning of the meeting, the committee may not take any actions requiring a vote by the committee; however, the chair may, with the consent of the members present, elect to allow discussion of the agenda items.

Voting
Actions by members of the committee will be approved upon receipt of the affirmative vote of two-thirds of the votes present (including proportional votes by Regional Representatives) at any meeting at which a quorum is present.

Antitrust Guidelines
All persons attending or otherwise participating in a NERC committee meeting will act in accordance with NERC’s Antitrust Compliance Guidelines at all times during the meeting.

Open Meetings
NERC committee meetings will be open to the public, except as noted below under Confidential Information.

Confidential Sessions
At the discretion of the CCC chair, a meeting or portion of a meeting may have attendance limited based on confidentiality of the information to be disclosed at the meeting. Such limitations should be applied sparingly and on a non-discriminatory basis as needed to protect information that is sensitive information or confidential information to one or more parties. All hearings of compliance matters will be confidential sessions. Confidential information will only be disclosed as provided by NERC ROP 1500. Confidentiality agreements may also be applied, as necessary, to protect sensitive information or confidential information.

Types of Meetings
Meetings may be conducted in person, by conference call, or by other means. The procedures contained in this manual will apply to all meetings regardless of how they are conducted.

Majority and Minority Views
All members of a committee will be given the opportunity to provide alternative views on an issue. The results of committee actions, including recorded minutes, will reflect the majority as well as any minority views of the committee members. The chair will communicate both the majority and any minority views in presenting results to the Board.
Action Without a Meeting
Two-thirds Majority
Any action required or permitted at a meeting of the committee may be taken without a meeting if two-thirds of the total votes available to the members of the CCC (including the proportional votes available to Regional Representatives) approve taking the action outside of a meeting.

Procedure
Such action without a meeting will be performed by mail or electronic ballot (e.g., telephone, fax, email, or Internet) and will be recorded in the minutes as a roll call ballot. The secretary will announce the action required at least 10 days before the date on which the action is to be voted. As time permits, members should be allowed a window of 10 business days to vote. The secretary will provide the results of such an action within 10 business days of the close of the voting period.
Officer and Staff

**General**

**Number of Positions**
The committee will have two officers and one secretary.

**Officers**
The committee officers will be one chair and one vice chair.

**Executive**
The committee shall retain an Executive Committee consisting of the committee officers, subcommittee chairs, secretary, and the Director of Compliance Assurance.

**Secretary**
The NERC staff coordinator will serve as the committee’s secretary.

**Voting of Officers**
The committee chair and vice chair are voting members of the committee.

**Officers Nominated by the Nominating Subcommittee**
The CCC Nominating Subcommittee will recommend a chair and a vice chair who are then appointed by the NERC Board for a two-year term. The term of the chair and the vice chair, except for the first year, will begin on July 1 and end on June 30.

**Officers as Sector Representatives**
The chair and vice chair are selected from the membership of the committee and, in addition to their chair or vice chair responsibilities, will continue to serve as a member for the sector for which they were appointed to the committee.

**Chair**
The chair will direct and provide general supervision of committee activities, including the following:

1. Coordinate the schedule of all committee meetings, including approval of meeting duration and location;
2. Develop committee agendas and rule on any deviation, addition, or deletion from a published agenda;
3. Preside at and manage committee meetings, including the nature and length of discussion, recognition of speakers and proxies, motions, and voting;
4. Will lead or direct the conduct of any hearings and the preparation of any adjudicatory documents by the committee under Section 408 of the NERC ROP;
5. Will ensure actions and undertakings by the committee under the NERC ROP Section 408 meet all applicable legal and due process requirements;
6. Will act as spokesperson for the committee at forums inside and outside of NERC; and
7. May attend meetings of the NERC Board when necessary to report to the Board on committee activities.

**Vice Chair**
The vice chair will assume the responsibilities of the chair under the following conditions:

1. At the discretion of the chair (for brief periods of time);
2. When the chair is absent or temporarily unable to perform the chair’s duties; or
3. When the chair is permanently unavailable or unable to perform the chair’s duties. In the case of a permanent change, the vice chair will continue to serve until a new chair is nominated and selected by the Board.

**Staff Coordinator**
A member of the NERC staff will be selected by NERC’s Director of Compliance Assurance to serve as the staff coordinator and secretary of the committee. The staff coordinator is not a committee member and does not have a vote. Under the direction of the committee executive and applicable NERC bylaws, guidelines, and ROP, the staff coordinator will do the following:

1. Manage the day-to-day operation and business of the committee;
2. Prepare and distribute the notices of the committee meetings, prepare the meeting agenda, and prepare and distribute the minutes of the committee meetings; and
3. Act as the committee’s parliamentarian.
Nominating Subcommittee

Appointment
The CCC will annually appoint a Nominating Subcommittee.

Five Members
The subcommittee will consist of five members nominated by the committee chair and approved by the committee. The chair of the subcommittee will be selected by the CCC chair from among the five subcommittee members.

Appointed Annually
The chair will appoint the subcommittee members at the first regular meeting of the committee of the calendar year.

Length of term
The subcommittee members will serve for up to 14 months or until a new Nominating Subcommittee is authorized, whichever is earlier.

Duties
In addition to the duties, rights, and privileges described elsewhere in this manual, members of the Nominating Subcommittee will:

1. Prepare a slate of committee officer candidates for submission to the NERC Board for approval, and
2. Prepare a slate of recommended individuals to fill designated committee vacancies as required.
Subordinate Groups

Committee Organization
The CCC organizational structure will be arranged as allowed in the NERC Bylaws to support a superior-subordinate hierarchy that is ordered as follows: a committee, a subcommittee, a working group, and a task force, with a committee being primary and a task force being quaternary.

Subgroups
The committee may establish subcommittees, working groups, and task forces as necessary. The committee chair may also form any of these subordinate groups on behalf of the committee. The committee will be the responsible sponsor of all subordinate subcommittees, working groups, or task forces it may create, or that its subordinate subcommittees and working groups may create. The committee will keep the Board informed of all groups subordinate to the committee.

Subcommittees
The committee may establish subcommittees to which the committee may delegate some of the committee’s broadly defined continuing functions. The committee will approve the scope of each subcommittee it forms. The committee chair will appoint the subcommittee officers (typically a chair and a vice chair) for a specific term (generally two years). The subcommittee officers may be reappointed for up to two additional terms. The subcommittee will work within its assigned scope and be accountable for the responsibilities assigned to it by the committee. The formation of a subcommittee, due to the permanency of the subcommittee, will be approved by the Board.

Working Groups
The committee or any of its subcommittees may delegate specific continuing functions to a working group. The sponsoring committee or subcommittee will approve the scope of each working group it forms. The chair of the sponsoring committee or subcommittee will appoint the working group officers (typically a chair and a vice chair) for a specific term (generally two years). The working group officers may be reappointed for up to two additional terms. The sponsoring committee or subcommittee will conduct a “sunset” review of each working group every two years. The working group will be accountable for the responsibilities assigned to it by the committee or subcommittee and will, at all times, work within its assigned scope.

Task Forces
The committee, subcommittee, or working group may assign specific work of a finite duration to a task force. The sponsoring committee, subcommittee, or working group will approve the scope of each task force it forms. The chair of the sponsoring committee, subcommittee, or working group will appoint the task force officers (typically a chair and a vice chair). Each task force will have a finite duration, normally less than one year. The sponsoring group will review the task force scope at the end of the expected duration and at each subsequent meeting of the sponsoring group after that until the task force is retired. Action of the task force sponsoring group is required to continue the task force past its defined duration. The sponsoring group should consider promoting to a working group any task force that is required to work longer than one year.

Membership and Representation
The membership of each subcommittee, working group, and task force should be established to address the need for expertise and balance of interests. Each group’s membership requirements will be defined within the group’s approved scope.

As a general guide, the broader the group’s scope, the more emphasis there should be on balancing of interests. Therefore, subcommittees would be expected to have the broadest representation of appropriate industry
sectors, while a task force may be more focused on simply having the necessary expertise, and a working group may be somewhere between.

Each member of a subordinate group, and its officers, will be appointed by the chair of the sponsoring committee or group.

To the extent subgroup membership is of a representative nature, recommendations for staffing of the group should be provided in a manner consistent with the principles outlined in the staffing of a committee, including the use of an open nominations process. Regional Entity representatives should be recommended by the Regional Entity and Canadian representatives by the Canadian Electricity Association.

Preference may also be given to representatives recommended by broadly-based industry associations.

To the extent that subgroup membership is based on providing requisite expertise, the chair of the sponsoring committee or group may appoint members based on the relevant technical qualifications.

**Procedures**

Subcommittees, working groups, and taskforces will conduct business in a manner consistent with all applicable sections of this manual and Robert’s Rules of Order.
Hearings

General
The CCC will conduct hearings, as necessary, to fulfill its function of serving as the hearing body for any contest between NERC and a Regional Entity regarding NERC findings, penalties, or sanctions for violation(s) of Reliability Standard(s) by the Regional Entity as described in Section 408 of the NERC ROP.

Hearing Procedure
Unless specifically identified otherwise elsewhere in this charter, the CCC’s hearing procedure shall follow the hearing procedure mandated and approved by jurisdictional authorities for use by NERC and the Regional Entities in the Compliance and Enforcement program.

Hearing Panel
The committee shall not have a standing hearing panel. When a hearing is to be conducted, the CCC shall select five members to serve as the adjudicatory panel for that hearing. Members to serve on the panel shall be selected by vote of a valid quorum of the committee. Voting members of the committee at arm’s length from parties to the hearing may be nominated or volunteer to stand for selection to the hearing panel. One or more alternates may also be selected, as the committee deems appropriate for the circumstances. A member may serve on more than one panel concurrently. A panel is disbanded upon conclusion of the hearing proceedings for which it was formed.
## CCC Membership Structure

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<th>Primary Sector</th>
<th>Sub-Sector</th>
<th>Number of Members</th>
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<th>Proportional Voting</th>
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Report of August 2018
Member Representative Committee (MRC) and Board of Trustees (Board)

Action
Information

Background
The following notes are provided by Compliance and Certification Committee (CCC) attendees at the meetings, and not intended to represent all agenda topics in full. The North American Electric Reliability Corporation (NERC) MRC and Board convened their quarterly meetings in Calgary, Alberta on August 15-16, 2018.

MRC Meeting Summary:
The following notes represent some of the significant highlights from the meetings. The Agenda package and the associated presentation are available from the following links:


Policy Input
MRC members raised concern that the most recent Board quarterly Policy Input Letter did not ask for specific policy feedback from stakeholders. NERC Chair Roy Thilly indicated that much of the policy discussion was not necessary at this time, since stakeholder policy feedback has been largely tied to conversations regarding the 2019 NERC budget. Chair Thilly noted he fully expected to have a broader range of policy questions developed in advance of the November 2018 Board meetings.

The group offered a number of potential areas for consideration in the next Policy Input Letter, including but not limited to: ERO Program Alignment, the definition of resilience, progress surrounding the CMEP technology project, and efforts to improve the effectiveness and efficiency of NERC meetings - both for NERC and stakeholders. The MRC expects to address the broader impact of costs and reducing the travel/cost burdens on stakeholders who participate at all levels of the ERO Enterprise, including the CCC.

MRC Input Regarding Board Agenda Items
The MRC offered some input regarding current Board Agenda Items, including supply chain issues, the Standards Efficiency Review, and developments surrounding the reliability coordinator function in the West. Specific concerns regarding the reliability coordinator function were raised by MRC member Clark and Board member Goulding. Board member Goulding argued that market decisions are driving movement in the West, rather than a desire to improve reliability.
No specific input was provided with regard to CCC Revisions to Appendix 4E of the NERC Rules of Procedure. These provisions are related to times when the CCC may operate as a hearing body or may provide mediation services regarding a NERC audit of a regional compliance process.

Resilience Framework

The Reliability Issues Steering Committee (RISC) Committee continues with a Board directive to assess the concept of resilience as it relates to the bulk power system. It was reported that the resilience assignment from the BOT will be closed out with a report to be shared in November. NERC has developed a template to collect data from industry as various inputs to various reports regarding inherent and residual risks.

Reliability Assessments
NERC provided an update regarding three major analysis staff started in 2017: 1) Long-term Reliability Assessment, 2) Potential bulk power system Impacts Due to Severe Disruption, and 3) a WECC report assessing natural gas vulnerabilities in the West. Key conclusions from the reports include the following:

- Consequences of shutting down gas for power generation is easier than shutting down gas for residential heating;
- Meeting the future needs of the bulk power system reliably and at the lowest cost will require: gas system expansion, dual-fired generation capabilities, demand-side resources, and a storage program.

Board Meeting Summary:
The following notes represent some of the significant highlights from the meetings. The Agenda package and the associated presentation are available from the following links:

https://www.nerc.com/gov/bot/Agenda%20highlights%20and%20Minutes%202013/Board_Open_Meeting_Agenda_Package_August_16_2018.pdf

https://www.nerc.com/gov/bot/Agenda%20highlights%20and%20Minutes%202013/Presentations_Combined_Board_Meeting_August_16_2018.pdf

Key Areas of Specific Interest to the CCC

- As part of the Board approval of the consent agenda, the Board approved the appointment of John Allen (City Utilities of Springfield, MO) to the CCC, representing the State/Municipal Utility sector.
- NERC approved revisions to Appendix 4E of the NERC Rules of Procedure.
- During the discussion of the Standards Efficiency Review process, it was noted that CCC and Standards Committee members will be added to the Phase 2 Standards Efficiency Review Effort. The scope of this work effort is supposed to be clarified during Q3 2018. Phase 1 is essentially complete, with 114 requirements proposed for retirement. A draft SAR has been sent to the Standards Committee for review.

Other Items of Interest
- Melanie Frye (WECC President/CEO) presented to the Board on Reliability Coordination Activities in the West.
• Reports were presented to the Board as a normal course of business by the various Board Committees, NERC Committees, and Forum Groups.

**Board Committee Summaries**

The remainder of this document highlight items discussed at various Board Committee meetings that are most relevant to CCC members. In this report, the Board of Trustees Compliance Committee (BOTCC) as well as the Board of Trustees Technology and Security Committee are included.

**BOTCC Meeting Summary:**

The following notes represent some of the significant highlights from the meetings. The Agenda package and the associated presentation are available from the following links:


https://www.nerc.com/gov/bot/BOTCC/Compliance%20Committee%202013/Presentations_CC_Open_Meeting_August_15_2018.pdf

**Update on Program Alignment**

Ken McIntyre led the Program Alignment discussion on behalf of NERC, highlight the efforts NERC and the CCC have undertaken since the initiative. Specific emphasis was placed on outreach efforts and the collaborative effort between NERC staff and the CCC Alignment Working Group.

• BOTCC Chair Janice Case asked for the ERO to make sure that they close the loop on these and ensure that there was broad awareness of closing the loop.

• Several Board members (specifically Fred Gorbet) asked for additional industry feedback on how the process was working – potentially a case study report out with industry and NERC for the next Board meeting.

• BOTCC Chair Case stated she intended to ask again for Policy input on this topic in November. It should be noted that during the Board meeting the following day, she acknowledged that this report may need to slip to February 2019, given the wide range of Board policy issues expected to be addressed at the November 2018 Board meetings.

**Compliance Violations**

Ed Kichline and Ken McIntyre led a discussion identifying trends in operations and planning violations. Focus was on vegetation management (FAC-003), facility ratings (FAC-008-3/FAC-009-1), and protection system maintenance and testing (PRC-005). It was reported there has been an uptick in Vegetation Management and Facility Ratings and PRC-005 violations, as well as the severity of violations.

**Board of Trustees Technology and Security Committee Meeting Summary:**

The following notes represent some of the significant highlights from the meetings that was held via conference call on August 9, 2018. The Agenda package and the associated presentation are available from the following links:
ERO Enterprise IT Strategy and IT Projects
Stan Hoptroff led a comprehensive strategy discussion regarding the various IT projects NERC is undertaking. Considerable attention was directed at the CMEP IT project tool, which has involved the CCC and the CCC’s Alignment Working Group. It was reported that the CCC AWG is actively engaged in the process harmonization phase of the project, and has been asked to provide feedback on the self-reporting module being developed by NERC IT staff.

It was also reported that, while the CMEP IT project cost remains at $5.1 million, new applications across the ERO enterprise will produce $548,000 in annual savings, compared with the old system. Process harmonization will continue through the end of 2018. In 2019, CMEP Tool Release 1 will include self-reports, enforcement, and mitigation modules. In 2020, Release 2 will include compliance monitoring features, while Release 3 will include features support the reliability risk implementation plan, compliance oversight plans, inherent risk assessments, and internal controls assessments.
NERC Reliability Issues Steering Committee (RISC) Update

Action
Information

Background
The RISC continues its efforts to finalize the Resilience Framework and support the development of the NERC Enterprise Risk Assessment.

Summary
The Reliability Issues Steering Committee (RISC) is preparing a report for the NERC Board which will include the RISC Resilience Framework and its reexamination of resilience over the past year. The report will include the input provided by the NERC stakeholder committees including those provided by the CCC in March 2018. The RISC anticipates the report will be submitted for NERC Board approval at its November 2018 meeting.

The RISC is supporting NERC management and staff to provide input for the development of a risk assessment template which will provide a repeatable and consistent process assisting in the identification, analysis, and evaluation of the risks to the Reliable Operation of the bulk power system. This information collected will enable the ERO Enterprise to achieve its objectives and prioritize those risks to ensure resources are allocated appropriately. In addition, the analysis and results of the data collected will be used to populate the heat map that will be included the 2019 RISC report.

Efforts are underway to finalize the agenda and secure speakers and moderators for the 2019 Reliability Leadership Summit scheduled on Thursday, March 14, 2019, at The Mayflower in Washington, DC.
• Status of Reliability Issues Steering Committee’s (RISC) resilience activities
  ▪ Work to date
  ▪ Report outline and schedule

• Development of risk template for industry input into emerging and evolving risks
  ▪ Identify baseline risk
  ▪ Project residual risk
• Develop common framework, understanding, and definition of the key elements of bulk power system (BPS) resilience
  ▪ National Infrastructure Advisory Council’s (NIAC’s) resilience framework
    ○ Robustness, Resourcefulness, Rapid Recovery, Adaptability
  ▪ Adequate Level of Reliability definition and technical report

• Understand how key elements of BPS resilience fit in the existing ERO framework
  ▪ Identified current activities within the four framework constructs

• Evaluate whether additional steps are needed to address key elements of BPS resilience within the ERO framework
Discussion at February and May 2018 MRC meetings

Industry’s reply comments on FERC’s Resilience Proceeding

RTO/ISO FERC filing

ERO Enterprise staff

Standing Committees

- Compliance and Certification Committee
- Critical Infrastructure Protection Committee
- Operating Committee
- Personnel Certification and Governance Committee
- Planning Committee
- Standards Committee
Recommended report outline:

- Board Assignment to RISC
- RISC commitment to evaluate resilience
- RISC resilience framework
- FERC resilience proceeding
- Recommendations from NERC’s Workshop on Gas Infrastructure Risk
- Suggestions for additional NERC activities supporting resilience
- Conclusions

Present recommendations to Board of Trustees in November
• Provide a repeatable and consistent process for identifying, analyzing, prioritizing, and evaluating bulk power system risks

• Template developed to collect data from industry as input to the heat map for RISC’s 2019 ERO Reliability Risk Priorities Report

• Next steps
  ▪ Identify risks for measurement
  ▪ Agree upon activities to mitigate each risk and measure residual risk
  ▪ Determine initial audience
  ▪ Distribute in early Winter
  ▪ Analysis in mid-2019
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<th>Internal Control Effectiveness Likelihood (Scale 1-10 See Risk Criteria)</th>
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</table>
Questions and Answers
Update to Board of Trustees

- Board of Trustees Compliance Committee - August 15, 2018
- Background on consistency concerns from stakeholders
- History of CCC collaboration in designing and implementing the program
- Development and role of Alignment Working Group (AWG)
- Outreach
  - Regional Entity workshops
  - Standards and Compliance Workshop
  - Trades and Forums
- Initial observations and current status
Program Alignment Process

**Track**
Identify & Capture Issues

- Program Oversight and Monitoring
- Survey Responses
- Stakeholder Reporting
- NERC Central Repository

**Triage**
Classify, Analyze, & Prioritize

- NERC Initial Screening
- Regional Input and CCC Alignment Working Group Engagement
- Materiality and Priority
- Responses and Recommendations

**Transparent**
Post & Report

- Program Alignment – Issues and Recommendations Tracking
- Quarterly Reporting
- Regional Program Information
• Outreach and collaboration with AWG effective
• Transition in 2018 to more stakeholder-identified submissions
• Spectrum of issues with varied specificity
  ▪ NERC-identified program-based (e.g., self-certification processes, compliance oversight plans, etc.)
  ▪ Specific compliance or enforcement submissions
• Supportive discussion and feedback
• BOT remains interested in program progress and effectiveness
• Good suggestion to use program alignment to track CMEP Practice Guide development
  ▪ ERO Enterprise implementing going forward
## Issues by Source

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<td>6</td>
<td>15</td>
<td>3</td>
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</tbody>
</table>

*As of September 12
• AWG Coordination
  ▪ Providing feedback on TOP-001’s “diverse and redundant routing”

• Stakeholder submission
  ▪ One-time attestations

• NERC-identified
  ▪ Implementation of Compliance Oversight Plans (COPs) in risk-based Compliance Monitoring and Enforcement Program (CMEP)
• Issue (#15RT):
  - Anonymous submission on TOP-001’s “diverse and redundant routing”
  - Concern over possible disparate RE expectations for implementation and compliance

• Activity/Coordination:
  - NERC asked AWG for help in understanding extent of concern
  - AWG coordinated with stakeholders to gather thorough examples

• Result
  - Identified outreach activities where messaging on compliance expectations differed
  - ERO Enterprise aligned approach and developed CMEP Practice Guide
  - Coordination with OC task force to support possible industry-developed Implementation Guide
• Issue (#10 Stakeholder):
  ▪ Reported instances of registered entity being required to re-attest to non-applicable requirements
  ▪ Risk-based Registration initiative contemplated ability to attest on a one-time basis

• Activity/Coordination:
  ▪ NERC worked with each RE to understand processes
  ▪ Discovered inconsistent approaches that did not fulfill one-time attestation expectations

• Result
  ▪ REs updated practices as necessary, including IRA
  ▪ CMEP staff reinforcement to not include such requirements in monitoring
  ▪ Included messaging to stakeholders during regional workshops
• **Issue (#5 NERC):**
  - Compliance Oversight Plan (COP) Transparency

• **Activity/Coordination:**
  - Different Approaches existed to developing and sharing registered entity COPs

• **Result**
  - Enhanced COP Guidance and developed base component requirements (2016)
  - COP focused oversight activities (2017)
  - Template development (finalizing in Q4 2018; rollout in 2019)
ERO Enterprise CM EP Technology Project Update
The CMEP Technology Project will:

- Better align the business processes of NERC and the Regional Entities
- Improve documentation, sharing, and analysis of compliance work activities
- Make CMEP activities more efficient and effective across the ERO Enterprise
- Provide deep and broad views of reliability across the ERO Enterprise, leading to new insights into data-informed reliability risk management

*These benefits are essential to the achievement of our reliability mission.*
How does this benefit you?

Moving to a common platform will provide:

- Alignment of common CMEP business processes, ensuring consistent practices and data gathering
- A standardized interface for registered entities to interact with the ERO Enterprise
- Real-time access to information, eliminating delays and manual communications
- Enhanced quality assurance and oversight, enabling consistent application of the CMEP
Full implementation scheduled for 2020
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<tr>
<td>2</td>
<td>Enforcement Processing (PNC, CE/FFT, Disposition and Settlement)</td>
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<td>3</td>
<td>Mitigation Plan Creation and Tracking</td>
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<td>4</td>
<td>Self-Certifications; Periodic Data Submittals; TFE</td>
<td>In Progress</td>
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<td>5</td>
<td>Compliance Audit &amp; Spot Check; Compliance Investigations; Complaints</td>
<td>Not Started</td>
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<td>6</td>
<td>Compliance Planning (Risk, IP, IRA, ICE, COP)</td>
<td>Research</td>
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How do I stay informed?

www.nerc.com
How do I stay informed?

www.nerc.com
Questions and Answers
Criteria for Annual Regional Entity Program Evaluation

CCC Monitoring Program – CCCPP-010-4

September 2018
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<td>1.0</td>
<td>Approved by CCC</td>
</tr>
<tr>
<td>November 4, 2009</td>
<td>1.0</td>
<td>Approved by the Board</td>
</tr>
<tr>
<td>June 23, 2011</td>
<td>2.0</td>
<td>Revised to reflect prior NERC assessments conducted in accordance with Agreed-Upon Principles and changes to NERC ROP</td>
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<td>April 13, 2015</td>
<td>3.0</td>
<td>Rewritten to reflect Risk-Based Compliance Monitoring Principles and approved by the CCC.</td>
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<td>May 7, 2015</td>
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<td>October 2016</td>
<td>4.0</td>
<td>Revised criteria to incorporate lessons learned from implementation of risk-based compliance monitoring and enforcement</td>
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<tr>
<td>September 2018</td>
<td>5.0</td>
<td>Updated criteria to reflect current ERO Enterprise guidance and processes.</td>
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Preface

The vision for the Electric Reliability Organization (ERO) Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the seven Regional Entities (REs), is a highly reliable and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

The North American BPS is divided into seven RE boundaries as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one Region while associated Transmission Owners/Operators participate in another.

<table>
<thead>
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<th>Abbreviation</th>
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<tr>
<td>FRCC</td>
<td>Florida Reliability Coordinating Council</td>
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<td>MRO</td>
<td>Midwest Reliability Organization</td>
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<td>NPCC</td>
<td>Northeast Power Coordinating Council</td>
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<td>ReliabilityFirst</td>
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<td>Texas RE</td>
<td>Texas Reliability Entity</td>
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<tr>
<td>WECC</td>
<td>Western Electricity Coordinating Council</td>
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Executive Summary

The Compliance and Certification Committee (CCC) is a NERC Board of Trustees (Board)-appointed stakeholder committee serving and reporting directly to the Board and is responsible for engaging with, supporting, and advising the Board and NERC regarding all facets of the NERC Compliance Monitoring and Enforcement Program (CMEP), Organization Registration Program (Registration program), and Organization Certification Program (Certification program). In accordance with Section 402.1.2 of the NERC Rules of Procedure (ROP), the CCC is responsible for establishing criteria for NERC to use to annually evaluate the goals, tools, and procedures of each RE CMEP to determine the effectiveness of each RE CMEP. For ease of reference and implementation, the Criteria is organized along the lines of Risk-Based CMEP activities: Risk Elements, Inherent Risk Assessment (IRA), Internal Control Evaluation (ICE), Compliance Oversight Plan, Enforcement, and Coordinated Oversight Program for Multi-Regional Registered Entities (MRREs). It is expected that NERC will present the results of the evaluation to the CCC as an input in the annual review, and if appropriate, update of these criteria.
Introduction

In the capacity of a NERC board-appointed stakeholder committee serving and reporting directly to the Board under a NERC board-approved charter,1 and as approved by FERC,2 and as set forth in the ROP, the CCC will engage with, support, and advise the Board and NERC Board of Trustees Compliance Committee (BOTCC) regarding all facets of the NERC CMEP, Registration program, and Certification program.

The CCC is commissioned with creating a set of criteria for use by NERC in measuring the effectiveness and adherence of the REs to the CMEP. In accordance with Section 402.1.2 of the NERC ROP, the CCC presents the following criteria for use by NERC in evaluating the “goals, tools, and procedures” employed by the compliance programs of each RE.3

The purpose of the criteria is to update the document in recognition of NERC and the REs completing the Reliability Assurance Initiative and adopting polices, practices, and tools to promote risk-based compliance monitoring.

As noted in the NERC board-approved CCC Charter, monitoring by the CCC is ongoing and does not preclude, interfere with, or replace, in whole or in part, the Board’s responsibility to conduct and provide such reviews of these programs as required by FERC Order No. 672: “The Electric Reliability Organization shall submit an assessment of its performance three years from the date of certification by the Commission, and every five years thereafter.”

Terms
Unless otherwise defined herein, Capitalized terms have the meaning as prescribed in the ROP.

1https://www.nerc.com/comm/CCC/Pages/default.aspx
2 http://www.nerc.com/files/Order_on_Comp_Filing_06.07.2007_CCC_VSL_Order.pdf
3 Rule of Procedure 402.1.2 Regional Entity Program Evaluation — NERC shall annually evaluate the goals, tools, and procedures of each RE compliance enforcement program to determine the effectiveness of each RE program, using criteria developed by the NERC Compliance and Certification Committee.
The criteria contained in this program document address the goals, tools and procedures of each RE’s CMEP. In general, CPPS has endeavored to align criteria for evaluating the goals, tools and procedures for each RE with the factors for success designed by NERC management for evaluating the CMEP implementation year for risk-based compliance monitoring and will consult with NERC Management.

Criteria associated with Goals may focus on whether RE goals for respective CMEPs are aligned with the goals established by NERC, communicated widely, and are properly integrated with management and staff performance. Criteria associated with Tools may focus issues pertaining to the use of information systems supporting handling of RE data, regular compliance activities such as self-certifications, analytical tools used to evaluate data submittals, and overall IT capabilities. Criteria associated with Procedures may focus on steps REs have established to effectuate the goals of risk-based compliance monitoring.
Use

The CCC’s objective in establishing evaluation criteria is to assist NERC in determining the effectiveness of each RE’s compliance enforcement program. NERC need not conduct audits of the REs to administer this program. In addition, REs responses should not necessarily be considered “right” or “wrong”, but rather descriptive of goals, tools, procedures currently employed by each RE. The criteria contained in this document are for use in NERC’s annual assessment of each RE. NERC will decide the exact form and usage of questions to assess the RE’s implementation of CMEP under each criteria.

In order to support that goals, tools and procedures are evaluated in accordance with ROP 402.1.2, and to support the ongoing development of criteria, CPPS will schedule at least one meeting a year with NERC to receive a report on the implementation of the criteria, how NERC posed questions to evaluate REs per the criteria, and to receive recommendations on how to update, modify, or delete criteria.
Criteria

For ease of reference and implementation, the Criteria is organized based on key processes supporting Risk-Based Compliance Monitoring and Enforcement activities.

Criteria A. Risk Elements
The RE considers ERO Enterprise and Regional BES risks to inform and prioritize compliance monitoring activities. Specific criteria for assessing effectiveness include:

1. The RE defines and accounts for ERO Enterprise and Regional BES risks in its CMEP Implementation Plan (IP).
2. The RE uses a documented process and provides a justified basis for considering Regional risks and modification of NERC Risk Elements and/or inclusion of Regional Risk Elements when developing the RE CMEP IP.
3. The RE has processes in place to consider ERO Enterprise and Regional Risk Elements during compliance monitoring activities, such as Inherent Risk Assessment (IRA) and Compliance Oversight Plan (COP) development.

Criteria B. IRA
IRAs tailor the approaches to monitoring compliance for similarly registered functional entities, based on differing profiles and operating characteristics. For example, does the RE monitor all Transmission Owners (TOs) within its footprint the same, or does the use of IRA criteria result in distinct monitoring plans? Specific criteria for assessing effectiveness includes:

1. The RE’s IRA process uses the ERO Enterprise common risk factors to assess registered entities inherent risks as outlined in the ERO Enterprise Guide for Compliance Monitoring.
2. The RE maintains sufficient and appropriate documentation to justify IRA decisions. During IRA development and revisions, the RE uses already available IRA information about the registered entity, includes discussion with the registered entity in the event of the need to clarify or correct information, and incorporates registered entity feedback to the RE such that the registered entity understands the IRA process and the results of the IRA.
3. The RE conducts IRA activities (e.g., initial IRAs and revisions) in a timely manner in order to help ensure the IRA can inform compliance monitoring determinations and allow for registered entity feedback and appropriate adjustments to COPs.

Criteria C. Internal Controls
The RE conducts ICE activity or evaluates internal controls during compliance monitoring activities to fulfil the ERO Enterprise obligation to assure a highly reliable and secure BPS and processes. Specific criteria for assessing effectiveness includes:

1. The RE maintains and implements a documented process to assess internal controls for registered entities that aligns with ERO Enterprise Guide for Internal Controls.
2. The RE performs the assessment and provides feedback to the registered entity on internal controls and how RE determinations impact the registered entities’ compliance monitoring.
3. The RE documents decisions around the effectiveness of internal controls, whether during an ICE activity or a compliance monitoring activity (e.g., an Audit or Spot Check). RE documentation is sufficient and appropriate to support:
   a. Determinations around design and implementation of internal controls.
   b. Decisions impacting compliance monitoring activities and the registered entity’s COPs.

Criteria D. Compliance Oversight Plans (COPs)
The RE develops and maintains entity specific COPs, using Risk Elements, information obtained during IRAs and internal control evaluations, as well as additional considerations, such as entity performance, prior compliance monitoring activities and mitigating activities.

Specific criteria for assessing effectiveness includes:

1. The RE maintains a documented process, which aligns with ERO Enterprise Guide for Compliance Monitoring, for developing and maintaining COPs for registered entities within its regional footprint.
2. The RE maintains sufficient and appropriate documentation to support decisions related to COPs, including how the RE made decision around considerations that impact COPs.

Criteria E. Enforcement (Internal Compliance Programs & Self-Logging)
Specific criteria for assessing effectiveness includes:

1. The RE follows a documented process to evaluate registered entities’ internal compliance programs (ICPs) and the implementation of those ICPs. The RE follows a documented process to determine whether to provide mitigating credit for that ICP in an enforcement action.
2. The RE has a documented process for distinguishing between the documentation and evidence production requirements for self-logged matters and other types of non-compliance.

Criteria F. Coordinated Oversight Program for Multi-Region Registered Entities
Specific criteria for assessing effectiveness includes:

1. Lead Regional Entities (LREs) and Affected Regional Entities (AREs) perform CMEP activities according to the existing ERO Enterprise guidance on the Coordinated Oversight Program for MRREs, which outlines each RE’s specific roles and responsibilities.4
2. REs follow documented processes that allow for consistent and collaborative implementation of the Coordinated Oversight Program.
   a. LREs coordinate with AREs in all aspects of CMEP-activities.
   b. REs use tools and templates that facilitate the process in conducting CMEP activities.

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Criteria for Annual Regional Entity Program Evaluation

CCC Monitoring Program – CCCPP-010-4

September 2018
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## Revision History

**NERC Compliance and Certification Committee**

**Title:** Criteria for Annual RE Program Evaluation

**Version:** 5  |  **Revision Date:** MM/NN/2018  |  **Effective Date:**

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<td>June 23, 2011</td>
<td>2.0</td>
<td>Revised to reflect prior NERC assessments conducted in accordance with Agreed-Upon Principles and changes to NERC ROP</td>
</tr>
<tr>
<td>April 13, 2015</td>
<td>3.0</td>
<td>Rewritten to reflect Risk-Based Compliance Monitoring Principles and approved by the CCC.</td>
</tr>
<tr>
<td>May 7, 2015</td>
<td>3.0</td>
<td>Approved by the Board</td>
</tr>
<tr>
<td>October 2016</td>
<td>4.0</td>
<td>Revised criteria to incorporate lessons learned from implementation of risk-based compliance monitoring and enforcement</td>
</tr>
<tr>
<td>September 2018</td>
<td>5.0</td>
<td>Updated criteria to reflect current ERO Enterprise guidance and processes.</td>
</tr>
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</table>
Preface

The North American Electric Reliability Corporation (NERC) is a not-for-profit international regulatory authority whose mission is to assure the reliability of the bulk power system (BPS) in North America. NERC develops and enforces Reliability Standards; annually assesses seasonal and long-term reliability; monitors the BPS through system awareness; and educates, trains, and certifies industry personnel. NERC’s area of responsibility spans the continental United States, Canada, and the northern portion of Baja California, Mexico. NERC is the electric reliability organization (ERO) for North America, subject to oversight by the Federal Energy Regulatory Commission (FERC) and governmental authorities in Canada. NERC’s jurisdiction includes users, owners, and operators of the BPS, which serves more than 334 million people.

The North American BPS is divided into eight Regional Entity (RE) boundaries as shown in the map and corresponding table below.

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRCC</td>
<td>Florida Reliability Coordinating Council</td>
</tr>
<tr>
<td>MRO</td>
<td>Midwest Reliability Organization</td>
</tr>
<tr>
<td>NPCC</td>
<td>Northeast Power Coordinating Council</td>
</tr>
<tr>
<td>RF</td>
<td>ReliabilityFirst</td>
</tr>
<tr>
<td>SERC</td>
<td>SERC Reliability Corporation</td>
</tr>
<tr>
<td>SPP RE</td>
<td>Southwest Power Pool Regional Entity</td>
</tr>
<tr>
<td>Texas RE</td>
<td>Texas Reliability Entity</td>
</tr>
<tr>
<td>WECC</td>
<td>Western Electricity Coordinating Council</td>
</tr>
</tbody>
</table>
Executive Summary

The Compliance and Certification Committee (CCC) is a NERC Board of Trustees (Board)-appointed stakeholder committee serving and reporting directly to the Board and is responsible for engaging with, supporting, and advising the Board and NERC regarding all facets of the NERC Compliance Monitoring and Enforcement Program (CMEP), Organization Registration Program (Registration program), and Organization Certification Program (Certification program). In accordance with Section 402.1.2 of the NERC Rules of Procedure (ROP), the CCC is responsible for establishing criteria for NERC to use to annually evaluate the goals, tools, and procedures of each RE CMEP to determine the effectiveness of each RE CMEP. For ease of reference and implementation, the Criteria is organized along the lines of Risk-Based CMEP activities: Risk Elements, Inherent Risk Assessment (IRA), Internal Control Evaluation (ICE), Compliance Oversight Plan, Enforcement, and Coordinated Oversight Program for Multi-Regional Registered Entities (MRREs). It is expected that NERC will present the results of the evaluation to the CCC as an input in the annual review, and if appropriate, update of these criteria.
Introduction

Background
In the capacity of a NERC board-appointed stakeholder committee serving and reporting directly to the Board under a NERC board-approved charter,1 and as approved by FERC,2 and as set forth in the ROP, the CCC will engage with, support, and advise the Board and NERC Board of Trustees Compliance Committee (BOTCC) regarding all facets of the NERC CMEP, Registration program, and Certification program.

The CCC is commissioned with creating a set of criteria for use by NERC in measuring the effectiveness and adherence of the REs to the CMEP. In accordance with Section 402.1.2 of the NERC ROP, the CCC presents the following criteria for use by NERC in evaluating the "goals, tools, and procedures" employed by the compliance programs of each RE.3

The purpose of the criteria is to update the document in recognition of NERC and the REs completing the Reliability Assurance Initiative and adopting polices, practices and tools to promote risk-based compliance monitoring.

As noted in the NERC board-approved CCC Charter, monitoring by the CCC is ongoing and does not preclude, interfere with, or replace, in whole or in part, the Board’s responsibility to conduct and provide such reviews of these programs as required by FERC Order No. 672: “The Electric Reliability Organization shall submit an assessment of its performance three years from the date of certification by the Commission, and every five years thereafter.”

Terms
Unless otherwise defined herein, Capitalized terms have the meaning as prescribed in the ROP.

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1 https://www.nerc.com/comm/CCC/Pages/default.aspx
2 http://www.nerc.com/files/Order_on_Comp_Filing_06.07.2007_CCC_VSL_Order.pdf
3 Rule of Procedure 402.1.2 Regional Entity Program Evaluation — NERC shall annually evaluate the goals, tools, and procedures of each RE compliance enforcement program to determine the effectiveness of each RE program, using criteria developed by the NERC Compliance and Certification Committee.
Scope

The criteria contained in this program document address the goals, tools and procedures of each RE’s CMEP. In general, CPPS has endeavored to align criteria for evaluating the goals, tools and procedures for each RE with the factors for success designed by NERC management for evaluating the CMEP implementation year for risk-based compliance monitoring and will consult with NERC Management.

Criteria associated with Goals may focus on whether RE goals for respective CMEPs are aligned with the goals established by NERC, communicated widely, and are properly integrated with management and staff performance. Criteria associated with Tools may focus issues pertaining to the use of information systems supporting handling of RE data, regular compliance activities such as self-certifications, analytical tools used to evaluate data submittals, and overall IT capabilities. Criteria associated with Procedures may focus on steps REs have established to effectuate the goals of risk-based compliance monitoring.
Use

The CCC’s objective in establishing evaluation criteria is to assist NERC in determining the effectiveness of each RE’s compliance enforcement program. NERC need not conduct audits of the REs to administer this program. In addition, REs responses should not necessarily be considered “right” or “wrong”, but rather descriptive of goals, tools, procedures currently employed by each RE. The criteria contained in this document are for use in NERC’s annual assessment of each RE. NERC will decide the exact form and usage of questions to assess the RE’s implementation of CMEP under each criterion.

In order to support that goals, tools and procedures are evaluated in accordance with ROP 402.1.2, and to support the ongoing development of criteria, CPPS will schedule at least one meeting a year with NERC to receive a report on the implementation of the criteria, how NERC posed questions to evaluate REs per the criteria, and to receive recommendations on how to update, modify or delete criteria.
b. REs use tools and templates that facilitate the process in conducting CMEP activities.
Criteria

For ease of reference and implementation, the Criteria is organized based on key processes supporting Risk-Based Compliance Monitoring and Enforcement activities.

**Criteria A. Risk Elements**
The RE considers ERO Enterprise and Regional BES risks to inform and prioritize compliance monitoring activities. Specific criteria for assessing effectiveness include:

1. The RE defines and accounts for ERO Enterprise and Regional BES risks in its CMEP Implementation Plan (IP).
2. The RE uses a documented process and provided a justified basis for considering Regional risks and modification of NERC Risk Elements and/or inclusion of Regional Risk Elements when developing the RE CMEP IP.
3. The RE has processes in place to consider ERO Enterprise and Regional Risk Elements during compliance monitoring activities, such as Inherent Risk Assessment (IRA) and Compliance Oversight Plan (COP) development.

**Criteria B. IRA**
IRAs tailor the approaches to monitoring compliance for similarly registered functional entities, based on differing profiles and operating characteristics. For example, does the RE monitor all Transmission Owners (TOs) within its footprint the same, or does the use of IRA criteria result in distinct monitoring plans? Specific criteria for assessing effectiveness includes:

1. The RE’s IRA process uses the ERO Enterprise common risk factors to assess a registered entities inherent risks as outlined in the ERO Enterprise Guide for Compliance Monitoring.
2. The RE maintains sufficient and appropriate documentation to justify IRA decisions. During IRA development and revisions, the RE uses already available IRA information about the registered entity, includes discussion with the registered entity in the event of the need to clarify or correct information, and incorporates registered entity feedback to the RE such that the registered entity understands the IRA process and the results of the IRA.
3. The RE conducts IRA activities (e.g., initial IRAs and revisions) in a timely manner in order to help ensure the IRA can inform compliance monitoring determinations and allow for registered entity feedback and appropriate adjustments to COPs.

**Criteria C. Internal Controls**
The RE conducts ICE activity or evaluates internal controls during compliance monitoring activities to fulfill the ERO Enterprise obligation to assure a highly reliable and secure BPS and processes. Specific criteria for assessing effectiveness includes:

1. The RE maintains and implements a documented process to assess internal controls for registered entities, and such processes that aligns with ERO Enterprise Guide for Internal Controls.
2. The RE performs the assessment and provides feedback to the registered entity on internal controls and how RE determinations impact the registered entities’ compliance monitoring.
2.3. The RE documents decisions around the effectiveness of internal controls, whether during an ICE activity or a compliance monitoring activity (e.g., an Audit or Spot Check), like a Compliance Audit. RE documentation is sufficient and appropriate to support:

a. Determinations around design and implementation of internal controls.

b. Decisions impacting compliance monitoring activities and the registered entity’s COPs.

The RE assesses internal controls in a manner that informs future compliance monitoring activities and provides feedback to the registered entity on internal controls and how RE determinations impact the registered entities’ compliance monitoring.

Criteria D. Compliance Oversight Plans (COPs)
The RE develops and maintains entity specific COPs, using Risk Elements, information obtained during IRAs, and internal control evaluations, as well as additional considerations, such as Risk Elements, entity performance, prior compliance monitoring activities and internal controls and mitigating activities.

Specific criteria for assessing effectiveness includes:

1. The RE maintains a documented process, which aligns with the ERO Enterprise Guide for Compliance Monitoring, for developing and maintaining COPs for registered entities within its regional footprint.

2. The RE maintains sufficient and appropriate documentation to support decisions related to COPs, including how the RE made decisions including Risk Elements and entity performance considerations that impact COPs.

Criteria E. Enforcement (Internal Compliance Programs & Self-Logging)
Specific criteria for assessing effectiveness includes:

1. The RE follows a documented process to evaluate registered entities’ internal compliance programs (ICPs) and the implementation of those Internal Compliance Programs (ICPs). The RE follows a documented process to determine whether to provide mitigating credit for that ICP in an enforcement action.

2. The RE has a documented process for distinguishing between the documentation and evidence production requirements for self-logged matters and other types of non-compliance.

Criteria F. Coordinated Oversight Program for Multi-Region Registered Entities
Specific criteria for assessing effectiveness includes:

1. Lead Regional Entities (LREs) and Affected Regional Entities (AREs) perform CMEP activities according to the existing ERO Enterprise guidance on the Coordinated Oversight Program for MRREs, which outlines each RE’s specific roles and responsibilities.4

2. REs follow documented processes that allow for consistent and collaborative implementation of the Coordinated Oversight Program.

a. LREs coordinate with AREs in all aspects of CMEP-activities.

• Purpose of the IP
  ▪ Annual operating plan for NERC and Regional Entities
  ▪ Implementation of risk-based approach for CMEP activities

• NERC posts on or about September 1 of preceding year
  ▪ Regional Entities submit Regional IPs on or about October 1
  ▪ NERC reviews and posts revised IP in November to include Regional IPs

• Updates may occur throughout year
• Program Alignment
• Compliance Guidance
• Coordinated Oversight of MRREs
• Revised Risk Elements
• Risk-based Compliance Monitoring and Enforcement
Eight ERO Enterprise risk elements are intended to focus and prioritize compliance monitoring efforts

- Not a comprehensive list of all risks to the reliability of the bulk power system (BPS)
- Inherent Risk Assessments (IRAs) consider multiple factors, beyond ERO Enterprise and Regional risk elements, to focus monitoring

The 2019 risk elements reflect a maturation of the risk-based approach to compliance monitoring.

- Risk elements more focused on discrete issues.
- Risk elements with increased focus provide more guidance to industry and regions.
## 2019 Risk Elements

### Comparison of 2016-2018 Risk Elements and 2019 Risk Elements

<table>
<thead>
<tr>
<th>2016-2018 Risk Elements</th>
<th>2019 Risk Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical Infrastructure Protection</td>
<td>Improper Management of Employee and Insider Access</td>
</tr>
<tr>
<td>Extreme Physical Events</td>
<td>Insufficient Long-Term Planning Due to Inadequate Models</td>
</tr>
<tr>
<td>Maintenance and Management of BPS Assets</td>
<td>Insufficient Operational Planning Due to Inadequate Models</td>
</tr>
<tr>
<td>Monitoring and Situational Awareness</td>
<td>Spare Equipment with Extended Lead Time</td>
</tr>
<tr>
<td>Protection System Failures</td>
<td>Inadequate Real-time Analysis During Tool and Data Outages</td>
</tr>
<tr>
<td>Event Response/Recovery</td>
<td>Improper Determination of Misoperations</td>
</tr>
<tr>
<td>Planning and System Analysis</td>
<td>Inhibited Ability to Ride Through Events</td>
</tr>
<tr>
<td>Human Performance</td>
<td>Gaps in Program Execution</td>
</tr>
</tbody>
</table>
• Identify risks specific to their Region and footprint that could potentially impact the reliability of the BPS
• Identify associated Reliability Standards and Requirements for IRAs
• Identify risks specific to their Region and footprint that could potentially impact the reliability of the BPS
• Identify associated Reliability Standards and Requirements for IRAs
• Identify risks specific to their Region and footprint that could potentially impact the reliability of the BPS
• Identify associated Reliability Standards and Requirements for IRAs
Looking Ahead to 2019

• Send questions or comments to: ComplianceOpsHelp@nerc.net or Enforcement@nerc.net
Questions and Answers
Operations and Planning Violations

Ed Kichline, Senior Counsel and Director of Enforcement Oversight, NERC Compliance and Certification Committee
September 18-19, 2018
Observations in Operations and Planning Violations

- Vegetation Management (FAC-003)
- Facility Ratings (FAC-008-3/FAC-009-1)
- Protection System Maintenance and Testing (PRC-005)
All Vegetation Contacts and Encroachments (FAC-003 and non-FAC-003)

Vegetation Contacts and Encroachments

<table>
<thead>
<tr>
<th>Year</th>
<th>Cat 1</th>
<th>Cat 1B</th>
<th>Cat 3</th>
<th>Cat 4B</th>
<th>Contacts without Sustained Outages</th>
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<td>16</td>
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<td></td>
<td>11</td>
<td>2</td>
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</table>
• Three Full Notices of Penalty filed in Q2 2018 dealt with FAC-003 issues.

• Shared similarities related to control failures:
  ▪ One failed to address changing field and weather conditions resulting in increased vegetation growth (NP18-11-000);
  ▪ The second missed an aerial inspection and a foot inspection assumed the danger vegetation was already noted (NP18-12-000); and
  ▪ The final registered entity failed to specify observation criteria to be reported following vegetation inspections (NP18-13-000).
Trends in FAC-008-3/FAC-009

- 2012: Minimal - 35, Moderate - 5, Serious - 0
- 2013: Minimal - 25, Moderate - 10, Serious - 0
- 2014: Minimal - 30, Moderate - 15, Serious - 0
- 2015: Minimal - 10, Moderate - 10, Serious - 0
- 2016: Minimal - 15, Moderate - 10, Serious - 0
- 2017: Minimal - 5, Moderate - 5, Serious - 0
- 2018: Minimal - 10, Moderate - 5, Serious - 0
Trends in PRC-005 R2

- Minimal
- Moderate
- Serious

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimal</th>
<th>Moderate</th>
<th>Serious</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
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<tr>
<td>2013</td>
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<tr>
<td>2017</td>
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<td></td>
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<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• Moderate and serious risk FAC-008 and PRC-005 violations
• Accuracy of equipment inventory
• Change management
Risk-based Compliance Monitoring

- Compliance Monitoring and Enforcement Program Implementation Plan
  - Risk Elements
  - Risk Focus Areas
- Inherent Risk Assessments
  - Entity-specific
  - Performance history
- Evaluation of controls during CMEP activities
  - Reliable operations supported by sustainable practices
- Regional perspectives
• Sharing controls and best practices
  ▪ Trade groups
  ▪ Regional colleagues
• Self-assessment
Questions and Answers