Criteria for Annual Regional Entity Program Evaluation

CCC Monitoring Program – CCCPP- 010

September 2019
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Preface

Electricity is a key component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six 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.

Reliability | Resilience | Security
Because nearly 400 million citizens in North America are counting on us

The North American BPS is divided into six 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>
<tr>
<th>MRO</th>
<th>Midwest Reliability Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPCC</td>
<td>Northeast Power Coordinating Council</td>
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<td>RF</td>
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<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

Terms

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

¹https://www.nerc.com/comm/CCC/Pages/default.aspx
²http://www.nerc.com/files/Order_on_Comp_Filing_06.07.2007_CCC_VSL_Order.pdf
³Rule 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.

⁴As 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.”
Chapter 1: Scope

The criteria contained in this program document address the goals, tools and procedures of each RE’s CMEP. In general, EROMS has endeavored to align criteria for evaluating each RE with the oversight plan 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 on 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 information technology capabilities. Criteria associated with procedures may focus on steps REs have established to effectuate the goals of risk-based compliance monitoring.
Chapter 2: Use

The CCC’s objective in establishing evaluation criteria is to assist NERC in determining the effectiveness of each RE’s CMEP. 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, and 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.

REs CMEP goals, tools and procedures are evaluated to ensure consistency and fairness in accordance with ROP 402.1, and to support the ongoing development of criteria, EROMS 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.
Chapter 3: Criteria

For ease of reference and implementation, the criteria are organized based on key processes supporting risk-based compliance monitoring and enforcement activities.

Criteria A. Risk Elements
The RE considers ERO Enterprise and Regional Bulk Electric System (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 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. Inherent Risk Assessment (IRA)
The ERO Enterprise Guide for Compliance Monitoring outlines that the REs should facilitate a collaborative dialogue with the registered entity throughout the IRA process. The IRA process is one of many factors that guide the REs development of COPs and the identification of risks for a registered entity. Specific criteria for assessing effectiveness includes:

1. 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.
2. 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 evaluates internal controls to fulfill the ERO Enterprise’s obligation to establish risk profiles for registered entities that inform the REs development of COPs. 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, 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.

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2.4.1 “CEAs should facilitate a collaborative dialogue with the registered entity throughout the IRA process. As needed, CEAs should work with the registered entity to ensure the CEA has appropriate and sufficient information to conduct the IRA and ultimately develop a COP ...”
Chapter 3: Criteria

Criteria D. Compliance Oversight Plans (COPs)
The RE develops and maintains entity specific COPs, using IRA results, Risk Elements, internal controls, and additional considerations such as entity performance, prior compliance monitoring activities or mitigating activities.

Specific criteria for assessing COP 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.
3. The RE conducts 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 E. Enforcement (Internal Compliance Programs & Self-Logging)
Internal Compliance Programs (ICPs) not only facilitate reliable and secure operations, but an effective ICP can also be considered a mitigating factor in determining a penalty under the NERC Sanction Guidelines. Registered entities with demonstrated internal controls to self-monitor, detect, assess, and correct their own noncompliance may be eligible to participate in the Self-Logging Program. Under the Self-Logging Program, participating entities’ self-logged minimal risk noncompliance receives the presumption of Compliance Exception treatment when the log is submitted to the RE on a quarterly basis. Specific criteria for assessing ICP and self-logging effectiveness include:

1. The RE follows a documented process to evaluate registered entities’ internal compliance programs (ICPs) and the implementation of those ICPs. The RE performs the assessment and provides feedback to the registered entity on the ICP.
2. The RE includes justification in an enforcement action for the ICP’s being treated as a mitigating or neutral factor in determination of a penalty.
3. The RE distinguishes the documentation, and Evidence production requirements for self-logged matters and other types of noncompliance.

Criteria F. Coordinated Oversight Program for Multi-Region Registered Entities
The ERO Enterprise developed the Multi-Region Registered Entity (MRRE) Coordinated Oversight Program to increase efficiencies in resource allocation for registered entities while maintaining the reliability of the BPS. The Program is designed to eliminate unnecessary duplication of compliance monitoring and enforcement activities. 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.
## Chapter 4: Revision History

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<thead>
<tr>
<th>Date</th>
<th>Version</th>
<th>Comments</th>
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<td>July 13, 2009</td>
<td>1.0</td>
<td>Draft for CCC Approval</td>
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<td>July 24, 2009</td>
<td>1.0</td>
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<td>1.0</td>
<td>Approved by the Board</td>
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<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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<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>
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<td>May 7, 2015</td>
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<td>Approved by the Board</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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<td>September 2018</td>
<td>5.0</td>
<td>Updated criteria to reflect current ERO Enterprise guidance and processes.</td>
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<td>November 2018</td>
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<td>Approved by the Enterprise-wide Risk Committee</td>
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<tr>
<td>2019</td>
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<td>Revised criteria to reflect current ERO Enterprise guidance and processes.</td>
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