Introduction and Chairman’s Remarks

NERC Antitrust Guidelines

1. Overview of Meeting Objectives and Process
2. Consent Agenda — Approve
   a. Minutes
      i. May 11, 2010
   b. Future Meetings
3. NERC Staff Update
   a. Compliance Operations
      i. Compliance Application Notices — Recently posted and priority list by standard with issue identified
      ii. Multi-Region Registered Entity (MRRE) Program/Process
      iii. Risk-Based Criteria/Methodology for 2011 CMEP and Actively Monitored List
      iv. Top 10 Most Violated Standards and Analysis Papers
   b. Compliance Enforcement
      i. Trend on Non-Confirmed Violations Awaiting Submittal of Mitigation Plans
      ii. Streamlining Enforcement Process
      iii. Violations Processing Trends
4. Other Matters
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.
Chairman Paul Barber called to order a duly noticed open meeting of the Board of Trustees Compliance Committee of the North American Electric Reliability Corporation on May 11, 2010, at approximately 4:30 p.m., local time, and a quorum was declared present. The agenda and list of attendees are attached as Exhibits A and B, respectively.

**NERC Antitrust Guidelines**
Chairman Barber acknowledged NERC’s Antitrust Compliance Guidelines.

**Overview of Meeting Objectives and Process**
Chairman Barber reviewed the meeting’s objectives.

**Consent Agenda**
On motion of Jim Goodrich, the committee approved the meeting minutes of February 15, 2010 subject to revisions discussed regarding the attendee list.

**NPCC Key Performance Indicators (KPI) Development Project**
Stanley Kopman, Assistant Vice President of Compliance for Northeast Power Coordinating Council, Inc. (NPCC), provided a report on the development of Key Performance Indicators (KPIs) to track performance of its compliance and enforcement activities at NPCC.

**NERC Staff Update**
Michael Moon, director of compliance operations and Joel deJesus, director of compliance enforcement provided updates on the compliance operations and enforcement activities.

Mr. Moon reported on outreach efforts of the compliance operations group, which include publication of Lessons Learned, Best Practices, and Compliance Application Notices. Mr. Moon noted that NERC and the Regional Entity staffs collaborated on a single document analysis of a Top 10 Most Violated Standard, CIP-001. Mr. Moon further provided forecast of the next analysis to be conducted. NERC and Regional Entity staff will continue to collaborate and improve the process to publish these analyses more rapidly.
Mr. Moon also conducted a presentation for the committee on the Key Reliability Standard Spot Check Program. The program’s purpose is to determine consistency of application across the eight Regional Entities for key reliability standards, provide guidance if warranted to the Regional Entities, and provide a public compliance application notice to the industry for increased transparency. The pilot will involve PRC-005 and will occur in the 3rd quarter of 2011.

Mr. deJesus provided an overview on the draft Notice of Penalty Process document which provides an overall framework for streamlining and gaining efficiencies in its processing of Notices of Penalties. The process document is premised on NERC and Regional Entity enforcement staff categorizing cases based on the risks to the bulk power system and scaling record evidence, scope, and process requirements based on that categorization. The attached document was presented in draft to the committee and stakeholders for their review and comment. Mr. deJesus requested that feedback be sent to him directly.

Mr. deJesus also provided an update on Violation Processing Trends noting that new violations in March continued to be received at a rate within its rolling 6-month average of approximately 150 violations per month. Violations of CIP-002 through CIP-009 are an increasingly large portion of all new violations. Mr. deJesus also noted a steady increase in the number of cases NERC staff and the BOTCC have processed in the first quarter of 2010.

**Adjournment**

There being no further business, Chairman Barber adjourned the meeting at 5:07 p.m. EDT. Submitted by,

Joel deJesus
Committee Secretary
Meeting Agenda
Board of Trustees Compliance Committee

May 11, 2010 | 4:00-5:00 PM Eastern

Hyatt Regency Baltimore on the Inner Harbor
300 Light Street
Baltimore, MD 21202
(410) 528-1234

Welcome and Determination of Quorum

NERC Antitrust Guidelines

1. Overview of Meeting Objectives and Process
2. Consent Agenda: Action- Approve
   a. Minutes of February 15, 2010 Meeting (Item 2.a)
   b. Future Meetings (Item 2.b)
3. NPCC Key Performance Indicators (KPI) Development Project (Item 3)
4. NERC Staff Update (Item 4)
   a. Compliance Operations
      i. Outreach Efforts
      ii. 2009 Audit Observation Report Review
      iii. Status of Top 10 Violated Standards Analysis
      iv. Key Reliability Standard Spot Check Program
   b. Compliance Enforcement
      i. Streamlining Enforcement Actions
      ii. Violations Processing Trends
5. Other Matters
### Exhibit B

#### Attendee List for May 11, 2010

**NERC Board of Trustees Compliance Committee Meeting**

#### Compliance Committee Members

<table>
<thead>
<tr>
<th>Name</th>
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<tbody>
<tr>
<td>John Q. Anderson</td>
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<td>Paul F. Barber</td>
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#### Guests

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<td>Jennifer Budd Mattiello</td>
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<td>Dan Schoenecker</td>
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## Board of Trustees Compliance Committee

### 2010 Meeting Dates

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Compliance Operations

- Compliance Application Notices
- Multi-Region Registered Entity (MRRE) Program/Process
- Risk-Based Criteria/Methodology for 2011 CMEP and Actively Monitored List
- Top 10 Most Violated Standards and Analysis Papers
Compliance Application Notices (CANs)

- Purpose and Goals
- Functions of a CAN
- Relationship to FERC-approved Standards
- Process
- Priorities
Purpose:
- Provide guidance on compliance to improve consistency to support both regional and registered entity compliance programs.

Goals:
- Improve consistency
- Provide transparency
- Identify trends
- Educate and engender a culture of compliance
- Encourage effective self-policing and correction
Compliance Application Notices

The CAN will provide:

- Needed guidance for the purposes of compliance monitoring and oversight activities and improve RSAWs
- Compliance information to help support future standards development activities
- Resources to help bridge information gaps between compliance and standards
- A type of sunset clause/review period
- Updates to NERC, Regional Entity Auditors, and the Industry
- Provide updates to auditor training and processes
Compliance Application Notices

The CAN will **NOT:**

- Supersede standards
- Modify standards
Compliance Application Notices

Input:

- Industry Trade Associations and Forums
- NERC Stakeholder Committees (MRC, SC, CCC)
- Other NERC activities (workshops, email, etc.)
- Compliance issues from the Standards Department
- Informal Guidance Process
- Issues identified from the Regional Staffs
- Regional Entity Audit Reports
- Registered Entity Audit Reports
- Registered Entity Audit Feedback Forms
Compliance Application Notices

Process:
- NERC staff:
  - Standards
  - Compliance
  - CIP/Security
  - Ops and Engineering
  - Legal
- Regional Entity
- Industry
- FERC staff review
- Posting

Key Documents:
- Reliability Standard
- Order 693
- Approved interpretations
- Annual CMEP Implementation Plan
- Standards or Interpretations under development or before the NERC BOT or FERC for approval
Compliance Application Notices

- Currently five posted on the NERC website at: http://www.nerc.com/page.php?cid=3|22|354
- Approximately 60 items
  - List is increasing
  - Does not include possible:
    - Best Practices
    - Lessons Learned
- Tracking sheet
  - Provided to NERC CCC, Industry Trade Associations, and Forums
  - Tracking sheet will be posted on the NERC website
NERC Draft

- Sent for review and comment on June 30, 2010 to Trade Associations, CCC, Regional Entities and RE Workgroups
- Due date for comments – Friday, July 16, 2010
- Next step is completion of implementation plan
- Submit to ERO Executive Committee for approval fourth quarter 2010
Development of 2011:

- Annual CMEP Implementation Plan
- Actively Monitored List (AML)

OBJECTIVE:

Use a risk-based criteria/methodology to select those Reliability Standards that should be included in the Actively Monitored Reliability Standards list to be audited under the CMEP for 2011, except for those to be audited associated with CIP Reliability Standards.
Basic Objectives:

• Facilitate uniformity of compliance activities throughout North America

• Improve the compliance program by analyzing the compliance monitoring experience across North America and implementing necessary improvements

• Promote the reliability of the bulk power system through rigorous compliance monitoring and enforcement activities
Criteria for Selection of Standards Audited:

- FERC Mandated
- High Violation Risk Factor (VRF)
- Violation Risk Index (VRI)
- NERC top 10 list of allegedly violated reliability standards
- Identified in past events and major reliability issues
- Input from Regional Entities
Reliability Standards are reviewed to identify those that pose a high risk/high impact on the BES based on:

- The VRF assigned to each requirement
- The top 5 based on the VRI developed by the CCC Performance Measures Task Force
- Input from NERC staff and Regional Entities

Separate the list based on ability to audit from documentation off-site versus audit on-site by observation.

Capture the need for action plans to ensure regions receive documentation for standards to be audited off-site from documentation.

Review initial list of standards to be audited on-site and off-site with the regions.
Top 10 Rolling 12 Months
Submit dates: 7/1/2009 thru 6/30/2010

Data through July 1, 2010
Analysis Complete: PRC-005, CIP-004, FAC-008, FAC-009, CIP-001
Top 10 All Time Violated Standards
Active + Closed Violations thru 6/30/2010

PRC-005 (1) CIP-001 (2) CIP-004 (3) FAC-008 (4) CIP-007 (9) EOP-005 (5) TOP-002 (6) VAR-002 (7) FAC-009 (8) PER-002 (10)

Number of Violations

Data through July 1, 2010
Analysis Complete: PRC-005, CIP-004, FAC-008, FAC-009, CIP-001
## Top Ten Violated Standards Analysis

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<tr>
<td>5</td>
<td>CIP-002-1</td>
<td>R3.</td>
<td>Applicability</td>
<td>NERC Compliance received a request for clarification and consistent application across the regions regarding CIP-002-1 R3 regarding when a remote cyber asset becomes a Critical Cyber Asset.</td>
<td>Published CAN-0005</td>
</tr>
<tr>
<td>6</td>
<td>CIP-004-1</td>
<td>R4.2</td>
<td>Access Revocation</td>
<td>NERC Compliance received a request for clarification on CIP-004-2 R4.2 regarding the timing of revocation of access. SMEs recommend clarity regarding the penetration of revocation among Critical Cyber Assets and non-Critical Cyber Assets also.</td>
<td>Legal Reviewing</td>
</tr>
<tr>
<td>7</td>
<td>EOP-005-1</td>
<td>R7</td>
<td>Actual testing and Simulation</td>
<td>NERC Compliance received several requests for clarification regarding acceptable evidence and clarity on actual testing and simulation, if a table top was appropriate, if an entity did not have blackstart capabilities in its restoration plan, and other items.</td>
<td>Legal Reviewing</td>
</tr>
<tr>
<td>8</td>
<td>EOP-005-1</td>
<td>R7</td>
<td>Actual testing and Simulation</td>
<td>NERC Compliance received several requests for clarification regarding acceptable evidence and clarity on actual testing and simulation, if a table top was appropriate, if an entity did not have blackstart capabilities in its restoration plan, and other items.</td>
<td>Identified</td>
</tr>
<tr>
<td>9</td>
<td>FAC-003</td>
<td>R1</td>
<td>TMVP Changes</td>
<td>NERC received multiple requests for clarification on FAC-003-1 R1 regarding the allowable timeframe for implementation when an entity changes one TVMP plan based on normal trend to another TVMP plan based on clear cut. Once changed is the entity bound to implement immediately? Does the stnd provide for entities to have a transition period while changing TVMP plan?</td>
<td>Identified</td>
</tr>
<tr>
<td>10</td>
<td>PRC-005</td>
<td>R2</td>
<td>Timeframes</td>
<td>NERC Compliance received a request for clarification on PRC-005-1 R2 regarding the monitored timeframes for gathering evidence pre-June 2007 when determining compliance with an entity's maintenance and testing program. Compliance monitoring in the field indicates differences in practices. What is the validity of a regional auditor to ask for evidence pre June 2007 even though there was no obligation to retain records until at least March 16, 2007?</td>
<td>Identified</td>
</tr>
<tr>
<td>11</td>
<td>CIP-007-2</td>
<td>R5</td>
<td>NERC Compliance received a request for clarification on CIP-007-2 R5 regarding procedural versus technical control.</td>
<td>Identified</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>PRC-023 plus</td>
<td>Applicability</td>
<td>NERC Compliance received a request for clarification on the use of PC for PA and IC or IA in NERC Reliability Standards until a FERC Filing/Order is in Effect.</td>
<td>Identified</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>EOP-002-2, EOP-005-1, IRO-003-2, IRO-005-3, and IRO-006-4.</td>
<td>NERC Reliability Tools</td>
<td>NERC Compliance received a request for clarification on a suite of reliability standards that require the use of a NERC tool.</td>
<td>Identified</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>PER-002</td>
<td>R4</td>
<td>Training</td>
<td>NERC Compliance received a request for clarification on PER-002-0 R4 regarding how many training hours were equal to the required 5 days of training, 32, 35, 36?</td>
<td>Identified</td>
</tr>
<tr>
<td>15</td>
<td>CIP-005 R3 CIP-006 R6 CIP-007 R6</td>
<td>NERC Compliance received a request for clarification regarding self reporting and log access.</td>
<td>Identified</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>CIP-005</td>
<td>R4</td>
<td>Cyber Vulnerability Assessment</td>
<td>NERC Compliance received a request for clarification on whether or not it is appropriate to enforce this standard as requiring the entity to have performed a CVA prior to their Compliance Date.</td>
<td>Identified</td>
</tr>
<tr>
<td>17</td>
<td>CIP-004</td>
<td>R3.1 - R3.3</td>
<td>Timeframes</td>
<td>NERC Compliance received a request for clarity on the scope and documentation of date regarding background screening</td>
<td>Identified</td>
</tr>
<tr>
<td>18</td>
<td>CIP-007 R3</td>
<td>R3</td>
<td>TFE</td>
<td>NERC Compliance received a request for clarification for when and under what conditions a TFE is required</td>
<td>Identified</td>
</tr>
<tr>
<td>19</td>
<td>CIP-002</td>
<td>CCAs</td>
<td>NERC Compliance received a request for clarification regarding different approaches to compliance when either the standard is less stringent than the registered entity's procedure or the auditing approach goes above what the standard requires</td>
<td>Identified</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>CIP-002</td>
<td>R3.1</td>
<td>Data Diodes</td>
<td>NERC Compliance received a request for clarification regarding the use of data diode devices regarding Cyber Assets and their consideration as Critical Cyber Assets.</td>
<td>Identified</td>
</tr>
<tr>
<td>21</td>
<td>TOP-002-2a</td>
<td>R10</td>
<td>Applicability</td>
<td>NERC Compliance received a request for clarity regarding the BA and TOP applicability</td>
<td>Identified</td>
</tr>
<tr>
<td>22</td>
<td>TOP-003</td>
<td>R2</td>
<td>Applicability</td>
<td>NERC Compliance received a request for clarity regarding the BA and TOP applicability</td>
<td>Identified</td>
</tr>
<tr>
<td>23</td>
<td>TOP-001</td>
<td>R8</td>
<td>Applicability</td>
<td>NERC Compliance received a request for clarity regarding the BA and TOP applicability</td>
<td>Identified</td>
</tr>
<tr>
<td>24</td>
<td>EOP-001-1 and EOP-001-2</td>
<td>R2.2</td>
<td>Applicability</td>
<td>NERC Compliance received a request for clarity regarding the BA and TOP applicability</td>
<td>Identified</td>
</tr>
<tr>
<td>25</td>
<td>TOP-002-2a</td>
<td>R6</td>
<td>Applicability</td>
<td>NERC Compliance received a request for clarity regarding the BA and TOP applicability</td>
<td>Identified</td>
</tr>
<tr>
<td>26</td>
<td>TOP-001-1</td>
<td>R8</td>
<td>Applicability</td>
<td>NERC Compliance received a request for clarity regarding the BA and TOP applicability</td>
<td>Identified</td>
</tr>
<tr>
<td>27</td>
<td>TOP-006-2</td>
<td>Applicability</td>
<td>NERC Compliance received a request for clarity regarding the BA and TOP applicability</td>
<td>Identified</td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>EOP-003-1</td>
<td>R3 &amp; R5</td>
<td>Applicability</td>
<td>NERC Compliance received a request for clarity regarding the BA and TOP applicability</td>
<td>Identified</td>
</tr>
<tr>
<td>29</td>
<td>respective</td>
<td>Annually</td>
<td>NERC Compliance received a request for clarity regarding the application of annual in different standards</td>
<td>Identified</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>PRC-023</td>
<td>NERC Compliance received a request for clarity on &quot;load remote to system&quot;</td>
<td>Identified</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Line</td>
<td>R3 &amp; R3</td>
<td>Applicability</td>
<td>Clarity requested from a region on the RC, BA, and TOP applicability</td>
<td>Identified</td>
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<td>-------------------------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>31</td>
<td></td>
<td>R3 &amp; R3</td>
<td></td>
<td>NERC Compliance received a request for clarity and consistency for determining compliance when identifying elements from one standard addressing protection systems, for other standards as well, UFLS and SPS.</td>
<td>Identified</td>
</tr>
<tr>
<td>32</td>
<td></td>
<td>PRC-005</td>
<td>Evidence</td>
<td>NERC Compliance received a request for clarification on audit notifications and &quot;data requests&quot; for this standard</td>
<td>Identified</td>
</tr>
<tr>
<td>33</td>
<td></td>
<td>PRC-008</td>
<td>Evidence</td>
<td>NERC Compliance received a request for clarification regarding communication capability, access, and verification using, RCIS, WECCnet, and FRCC</td>
<td>Identified</td>
</tr>
<tr>
<td>34</td>
<td></td>
<td>EOPs</td>
<td>Evidence Consistency</td>
<td>NERC Compliance received a request for clarification regarding different approaches to compliance when either the standard is less stringent than the registered entity’s procedure or the auditing approach goes above what the standard requires</td>
<td>Identified</td>
</tr>
<tr>
<td>35</td>
<td></td>
<td>EOP-008</td>
<td>Back up Control Centers</td>
<td>NERC Compliance received a request for clarification regarding different approaches to compliance when either the standard is less stringent than the registered entity’s procedure or the auditing approach goes above what the standard requires</td>
<td>Identified</td>
</tr>
<tr>
<td>36</td>
<td></td>
<td>PER-003</td>
<td>Training Certification</td>
<td>NERC Compliance received a request for clarification regarding different approaches to compliance when either the standard is less stringent than the registered entity’s procedure or the auditing approach goes above what the standard requires</td>
<td>Identified</td>
</tr>
<tr>
<td>37</td>
<td></td>
<td>TOP-002</td>
<td>Evidence</td>
<td>NERC Compliance received a request for clarification regarding different approaches to compliance when either the standard is less stringent than the registered entity’s procedure or the auditing approach goes above what the standard requires</td>
<td>Identified</td>
</tr>
<tr>
<td>38</td>
<td></td>
<td>PRC-005-2</td>
<td>all</td>
<td>NERC Compliance received a request for clarification about a standard under development, one of the top 10 most violated, and its implementation plan. Not able to do a CAN, but will watch.</td>
<td>Identified</td>
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<tr>
<td>39</td>
<td></td>
<td>TOP-003-0</td>
<td>R1.2</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>40</td>
<td></td>
<td>TOP-005-1.1</td>
<td>R3</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
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<td>41</td>
<td></td>
<td>FAC-008</td>
<td>Submitted Example of Excellence</td>
<td>NERC Compliance received a request for an best practice example of how to approach facility ratings</td>
<td>Identified</td>
</tr>
<tr>
<td>42</td>
<td></td>
<td>FAC-003</td>
<td>Embedded References</td>
<td>NERC Compliance received a request for clarification about using IEEE standard by references in an enforceable standard when that IEEE standard has such stringent copyrights that can't be included in standard for auditors to audit to.</td>
<td>Identified</td>
</tr>
<tr>
<td>43</td>
<td></td>
<td>EOP-002-2.1</td>
<td>R7.2</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>44</td>
<td></td>
<td>EOP-002-2.1</td>
<td>R9</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
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<td></td>
<td>EOP-005-1</td>
<td>R11.3</td>
<td>NERC Compliance received a request for clarification regarding “working with” and the applicability</td>
<td>Identified</td>
</tr>
<tr>
<td>46</td>
<td></td>
<td>FAC-014-2</td>
<td>R2</td>
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<td>Identified</td>
</tr>
<tr>
<td>47</td>
<td></td>
<td>FAC-014-2</td>
<td>R4</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>48</td>
<td></td>
<td>TOP-001-1</td>
<td>R7.1</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>49</td>
<td></td>
<td>TOP-001-1</td>
<td>R8</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>50</td>
<td></td>
<td>BAL-002-0</td>
<td>R1.1</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>51</td>
<td></td>
<td>BAL-002-0</td>
<td>R3.1</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>52</td>
<td></td>
<td>BAL-002-0</td>
<td>R3.1</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>53</td>
<td></td>
<td>BAL-002-0</td>
<td>R4</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>54</td>
<td></td>
<td>BAL-002-0</td>
<td>R4.2</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>55</td>
<td></td>
<td>BAL-005-0.1b</td>
<td>R1</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>56</td>
<td></td>
<td>IRO-006-3</td>
<td>R3</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>57</td>
<td></td>
<td>COM-001-1</td>
<td>R6</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>58</td>
<td></td>
<td>TOP-005-1.1</td>
<td>R2</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
<tr>
<td>59</td>
<td></td>
<td>IRO-004-1</td>
<td>R3</td>
<td>inadvertent errors between stds and compliance data sheets and database</td>
<td>Identified</td>
</tr>
</tbody>
</table>
Multi-Regional Registered Entity (MRRE)

Process Manual

DRAFT

Rev. 0

June 30, 2010
# Table of Contents

Purpose........................................................................................................................................... 3
Terms and Definitions .................................................................................................................. 3
Applicability .................................................................................................................................. 3
Confidentiality............................................................................................................................... 4
Section I: Roles and Responsibilities......................................................................................... 5
  1. Introduction ......................................................................................................................... 5
  2. Data Retention ..................................................................................................................... 7
  3. References ........................................................................................................................... 7
  4. Scope of Compliance Monitoring and Enforcement for an MRRE ................................ 7
  5. Summary of Changes .......................................................................................................... 8
Section II: MRRE Application Processing and LRE Assignment ............................................ 9
  1. Introduction ......................................................................................................................... 9
  2. Process Steps ....................................................................................................................... 9
Section III: Process for Conducting MRRE Audits, Spot Checks, and LRE Compliance
  Violation Investigations (CVIs) ............................................................................................. 12
  1. Introduction .......................................................................................................................... 12
  2. Audit, Spot-Check, and LRE CVI Roles and Responsibilities ......................................... 12
  3. Process Requirements........................................................................................................ 13
Section IV: Process for Conducting all Other CMEP Monitoring Methods (self-certification, self-report, periodic data submittal, complaint, and exception reports) .......... 18
  1. Introduction .......................................................................................................................... 16
  2. Other CMEP Monitoring Methods Roles and Responsibilities ...................................... 16
Section V: MRRE Compliance Enforcement .......................................................................... 18
  1. Introduction .......................................................................................................................... 18
  2. Enforcement Roles and Responsibilities ............................................................................ 18
  3. MRRE Enforcement Process ............................................................................................ 19
  4. Mitigation Plans .................................................................................................................. 21
  5. Dispute Resolution ............................................................................................................ 21
Attachment 1 ............................................................................................................................... 24
Attachment 2 ............................................................................................................................... 25
Attachment 3 ............................................................................................................................... 26
Purpose

The purpose of this Multi-Regional Registered Entity (MRRE) manual is to describe the coordinated Compliance Monitoring and Enforcement (CMEP) processes that will be used by NERC and the Regional Entities for a subset of Registered Entities that meet certain aspects of the NERC Registration Criteria. This manual also describes the process for a registered entity to become an MRRE, the process for an Regional Entity to perform the CEA function for an MRRE, and the additional processes necessary for the selected Regional Entity to implement the Electric Reliability Organization CMEP for the MRRE. This coordinated process provides for increased efficiencies in compliance resource allocation for NERC, the Regional Entities, and registered entities while maintaining the reliability of the bulk power system (BPS).

Terms and Definitions

1. Multi-Regional Registered Entity (MRRE) – A NERC registered entity that is performing bulk power system (BPS) functions, in two or more Regional Entities.
2. Lead Regional Entity (LRE) – A Regional Entity that is designated to perform the CEA functions for a specific MRRE. The LRE will be the primary point of contact for all matters dealing with the implementation of the CMEP for the MRRE.
3. Associated Regional Entity (ARE) – A Regional Entity in addition to the LRE, in which the MRRE is registered for various NERC functional Entities.

Applicability

This process is applicable to:

- NERC
- All eight Regional Entities
- Registered entities registered for any of the following BPS functions:
  - Purchase Selling Entity (PSE)
  - Generator Owner (GO)
  - Generator Operator (GOP)
  - Transmission Operator (TOP)
  - Balancing Authority (BA)
  - Reliability Coordinator (RC)
The guidance described in the MRRE process manual will be used to determine whether an entity shall become an MRRE and provides the processes that the Regional Entities shall use to implement CMEP monitoring of the MRRE. The coordinated processes provide efficiencies for the Regional and registered entities. For Regional Entities the process will help manage workload by assigning compliance and enforcement responsibilities to one designated LRE. For those registered entities that become MRREs, the processes will allow for reporting to and working with one Regional Entity instead of multiple Regional Entities for the implementation of the CMEP monitoring process. Implementation of the MRRE processes will also reduce inconsistencies in implementing CMEP monitoring for registered entities that perform reliability functions in multiple Regional Entities.

The MRRE manual is applicable to NERC, Regional Entities, and registered entities that perform the Purchasing-Selling Entity, Generator Owner, Generator Operator, Transmission Operator, Balancing Authority, or Reliability Coordinator function. The MRRE manual may be applied to additional registered functions at a later date.

**Confidentiality**

NERC and the Regional Entities shall ensure the protection of all confidential information consistent with Confidentiality Provisions in Section 1500 of the NERC Rules of Procedure.
Section I: Roles and Responsibilities

1. Introduction

1.1. Registered Entity Considered for Designation as a MRRE

1.1.1. A registered entity operating in or owning assets in multiple Regional Entity areas under the same legal name with either different NERC Compliance Registry Identification numbers (NCR_ID), or with one NCR_ID, may be considered a candidate for MRRE designation. A registered entity which elects to become an MRRE shall consolidate its registration into one NCR_ID subject to Regional Entity and NERC concurrence.

1.1.2. To be considered for designation in the NERC compliance registry as a MRRE, a registered entity shall have an organization-wide NERC reliability compliance program applicable to all of its operating areas and facilities, and have a compliance reporting structure consistent with its organization-wide program.

1.1.3. The MRRE shall coordinate the collection of all required documentation and evidence from across all of its operating areas and facilities as requested by the LRE for implementation of the CEA function.

1.1.4. The MRRE must identify its Primary Compliance Contact (PCC) responsible for ensuring all information and data is submitted as required under the existing NERC Rules of Procedure.

1.1.5. The MRRE must identify its Primary Compliance Officer (PCO) responsible for its “registered entity-wide” NERC reliability compliance program.

1.1.6. Each MRRE shall coordinate with its LRE to establish a compliance enforcement protocol which addresses any unique reporting or monitoring requirements associated being selected as an MRRE.
1.2. **NERC and Regional Entities**

1.2.1. This MRRE process shall be administered by NERC and the Regional Entities. Documentation used to substantiate the determination of the MRRE designation must be retained by the LRE, for at least six (6) years.

1.2.2. MRRE and LRE designations shall be approved by the applicable LRE, NERC and ARE Management.

1.2.3. Any dispute with an existing MRRE or LRE designation shall be addressed in accordance with the applicable sections of the NERC Rules of Procedure.

1.2.4. NERC shall maintain, and post on its Web site, a listing of entities for which the MRRE designation has been approved.

1.3. **Registration Working Group (RWG)**

1.3.1. The RWG shall make initial recommendations regarding MRRE application requests and designations of a proposed LRE to the ERO Compliance & Enforcement Management Group (ECEMG).

1.3.2. The RWG shall coordinate and recommend to NERC consolidation of registrations for potential MRRE candidates.

1.4. **ERO Compliance & Enforcement Management Group (ECEMG)**

1.4.1. The ECEMG shall review all MRRE applications and associated LRE designations provided by the RWG.

1.4.2. The ECEMG shall provide all ECEMG approved MRRE and associated LRE proposals to the applicable regional executive managers for approval.

1.4.3. The ECEMG, following approval by the regional executive managers, shall send the approved MRRE application to NERC for final review and approval.

1.4.4. The ECEMG shall conduct periodic reviews and/or self-assessments of the MRRE process. ECEMG can designate this review to a sub-working group such as the RWG.
1.5. **Lead Regional Entity (LRE)**

1.5.1. The LRE shall follow the CMEP in conducting its CEA responsibilities for an entity designated as an MRRE.

1.5.2. Prior to accepting designation as an LRE for an MRRE, the prospective LRE shall ensure it has the resources and tools such as compliance auditors, enforcement personnel, and the compliance program computer application used for the defined monitoring methods and mitigation plan tracking needed to implement the CMEP for the designated MRRE.

1.5.3. The LRE shall verify the MRRE Primary Compliance Contact (PCC) and Primary Compliance Officer (PCO), and Senior Executive Officer responsible for ensuring all information and data is submitted as required by the LRE.

1.5.4. The LRE shall actively involve the applicable ARE in all MRRE compliance issues involving a “Regional” specific standard. This is to insure the SMEs from the ARE are involved in the process.

1.5.5. The NERC Compliance Operations department shall monitor the LRE’s implementation of the CMEP across the MRRE and all its operating areas.

1.6. **Associated Regional Entity (ARE)**

1.6.1. An ARE, as requested by the LRE, shall assist the LRE in all phases of implementation of the CMEP for the MRRE.

2. **Data Retention**

   Documentation used to substantiate an MRRE’s designation must be retained by the designated LRE’s for at least (6) six years.

3. **References**

   - NERC Rules of Procedure Section 500, Organization Registration and Certification, and Appendix 5A- Organization Registration and Certification Manual
   - NERC Statement of Compliance Registry Criteria (Revision 5.0)
   - NERC Multi-Regional Registered Entity (MRRE) Online Application

4. **Scope of Compliance Monitoring and Enforcement for an MRRE**

   4.1. The NERC and LRE Annual Implementation Plans will identify the regulatory approved (continent-wide) reliability standards to be monitored for the MRRE by the LRE. The MRRE is expected to follow the compliance monitoring schedule as designated by the LRE in order to eliminate unnecessary duplication of compliance monitoring efforts by multiple Regional Entities for registered entities designated as MRRE.
4.2. Regulatory approved “Regional” Reliability Standards shall be monitored and enforced by the LRE with assistance from the ARE in which the Regional Standard is applicable;

4.3. Regional criteria, Reliability Assessment data, and other related data collected and used by a specific Regional Entity shall continue to be submitted by the registered entity to the applicable Regional Entity as requested.

5. Summary of Changes

Revision 0 – This is a new process.
Section II: MRRE Application Processing and LRE Assignment

1. Introduction

1.1. This section of the MRRE process deals with registered entity application for designation as an MRRE and the appointment of an LRE that will perform the CEA function for the MRRE. Application for MRRE designation is voluntary for a registered entity.

2. Process Steps

2.1. The MRRE on-line application form can be accessed on the NERC Web site. The registered entity completes and submits the on-line application to NERC. NERC shall submit the MRRE on-line application and the MRRE applicant’s Compliance Reporting Analysis and Tracking System (CRATS) data (Attachment 1) to the RWG for processing.

2.2. The RWG shall contact the MRRE applicant directly for completion of the MRRE application. The MRRE application shall include as a minimum, the information requested in Attachment 2 and applicable addenda which consists of Functional Data sheets for the functions being performed by the MRRE. (Future process attachments to be developed – GO/GOP and PSE examples are attached). The completed Functional Data sheets shall be included as part of Attachment 2 in the MRRE application package.

2.3. The RWG shall insure all applicable Regional Entities identified in the MRRE application provide the data in Attachment 3.

2.4. The RWG shall review the MRRE applications to determine whether the registered entity meets the requirements for MRRE designation. The RWG shall assist NERC with the administration of the MRRE process described in Section I of this manual. The RWG shall review all related MRRE application documentation (e.g. completed application form and any other related information) and recommend whether to approve an applicant’s request for MRRE designation.

2.5. The RWG shall verify the following information prior to recommending the LRE for each approved MRRE.

2.5.1. The MRRE applicant is currently registered in the proposed LRE.

2.5.2. The proposed LRE has the resources (i.e., auditors, compliance and enforcement staff) to manage all CEA responsibilities.
2.6. The RWG shall ensure proposed LRE’s senior management has reviewed and accepted CEA responsibilities to implement the CMEP for the MRRE applicant. This includes all of the responsibilities that are described in this MRRE manual as well as all CMEP monitoring requirements.

2.7. The RWG shall notify each of the applicable Regional Entities of the MRRE application’s potential impacts, and provide the application documents for review to all applicable Regional Entities. Specific Regional Entity concerns regarding implementation of this MRRE application should be submitted to the RWG within 15 business days from the date the Regional Entity receives the MRRE application documents for review.

2.8. The RWG shall send all related MRRE documentation for each applicant to the ERO Compliance and Enforcement Management Group (ECEMG) for review and approval. The RWG chairman or its designee shall present the MRRE recommendation to the ECEMG. Acceptance must be unanimous by the regional executive managers in those regions where the MRRE operates.

2.9. If denied, the MRRE proposal is sent back to the RWG for review of the ECEMG. If the ECEMG rejects a request for MRRE designation, the MRRE application shall be sent back to the RWG to address the ECEMG’s concerns. Once the concerns are addressed by the RWG, the request shall be re-submitted to the ECEMG for approval.

2.10. If accepted and approved by the applicable regional executive managers, the ECEMG sends the endorsed MRRE applicant to NERC for final review and approval.

2.11. NERC shall respond to the registered entity, the LRE, all AREs, and to the ECEMG indicating its approval or explaining the reason for denial and any additional clarification required.

2.12. NERC shall provide written notification of approval to the Registered Entity, LRE, and ARE(s) within thirty (30) calendar days of NERC approval.

2.12.1. NERC’s written notice shall identify the effective date of the MRRE designation.

2.12.2. NERC shall post on the NERC Web site a list of all MRRE organizations that have been approved by NERC and the Regional Entities.

2.13. The LRE, an ARE, or the MRRE may request termination of its MRRE designation by submitting a letter to NERC requesting such termination.

2.13.1. The MRRE termination should take place within a reasonable timeframe as agreed upon by NERC, the LRE, all AREs and the Registered Entity. Information pertaining to the termination of an MRRE shall be submitted to the ECEMG. Any open or pending CMEP activity must be coordinated through NERC and the LRE.
Section III: Process for Conducting MRRE Audits, Spot Checks, and LRE Compliance Violation Investigations (CVIs)

1. Introduction

This section provides guidance and identifies criteria for the LRE in conducting compliance audits, spot checks, and LRE-led CVIs for any entity designated as an MRRE.

2. Audit, Spot-Check, and LRE CVI Roles and Responsibilities

2.1. NERC

2.1.1. NERC as requested, shall assist the LRE in implementation of the MRRE auditing, spot check, and LRE led CVIs covered by this process.

2.1.2. NERC shall post the public compliance audit reports for LRE conducted compliance audits on the NERC Web site in an “MRRE folder.”

2.2. LRE

2.2.1. The LRE shall coordinate and lead the MRRE compliance audits, spot checks, and LRE CVIs unless extenuating circumstances occur such as a NERC CVI or FERC investigation.

2.2.2. The LRE shall adhere to all CMEP requirements for conducting compliance audits, spot checks, and LRE CVIs.

2.2.3. The MRRE compliance audit, spot check, and LRE CVI shall be conducted using this process and applicable LRE processes and procedures for the conduct of audits, spot checks, and LRE CVIs as applicable.

2.2.4. Evidence from an MRRE compliance audit, spot check, or LRE CVI shall include all evidence from applicable registered entity assets located in all Regional Entities in which the MRRE operates.

2.2.5. Each ARE in which the MRRE is registered shall be afforded the opportunity to participate in the compliance audit, spot check, or LRE CVI team. While not required in most cases, the compliance audit, spot check, and LRE CVI team will be represented by at least one auditor from ARE (except for PSE-only compliance audits, spot checks, and LRE CVIs).

2.2.6. The scope of the MRRE compliance audit, spot check, or LRE CVI shall be developed by the LRE (using the NERC annual implementation plan as baseline) and should be mutually agreed upon by all applicable Regional Entities.
2.2.7. Questions and concerns raised by the MRRE for any particular compliance audit, spot check, or LRE CVI shall be directed to the applicable LRE.

2.2.8. The LRE shall create all necessary reports for any MRRE compliance audit, spot check, or LRE CVI. The report must identify and include all MRRE NCR_IDs covered by the compliance audit, spot check, or LRE.

2.3. MRRE

2.3.1. The MRRE PCC is responsible for ensuring all information and data requested as part of the audit, spot check, or LRE CVI is submitted in the required format and timeframe specified, as required by the existing NERC Rules of Procedure.

2.3.2. The MRRE shall send all LRE requested compliance audit, spot check, and LRE CVI data requests (including completed Questionnaire/Reliability Standard Audit Worksheets (Q/RSAWs)) to the applicable LRE. The LRE is responsible for sending copies of all related material to all of the ARE staff participating in the MRRE compliance audit, spot check, or LRE CVI.

2.3.3. The registered entity shall direct all questions and concerns on the MRRE compliance audit, spot check, or LRE CVI to the LRE.

3. Process Requirements

3.1. Scheduled MRRE compliance audits or spot checks shall occur in accordance with the schedule in the LREs annual plan.

3.2. Compliance audits, spot checks, and LRE CVIs shall be conducted by the LRE using the LRE compliance audit procedures.
3.3. The LRE team lead shall contact each ARE approximately 90 days before a scheduled compliance audit or spot check to:

3.3.1. Confirm the audit or spot check schedule

3.3.2. Identify the LRE contact person

3.3.3. Identify the ARE contact person

3.3.4. Determine if the AREs will be sending team members for the compliance audit or spot check

3.3.5. Request all confidentiality and conflict of interest documents

3.3.6. Discuss all mitigation plans to be reviewed

3.3.7. Determine regional standards to be reviewed as applicable

3.3.8. Determine if any other issues need to be addressed

3.4. The LRE audit team lead shall conduct a conference call/WebEx to inform the MRRE of:

3.4.1. The upcoming compliance audit, spot check, or LRE CVI schedule and dates

3.4.2. Identification of LRE

3.4.3. Identification of team members

3.4.4. Process and procedures to be followed

3.4.5. Any other items deemed necessary for completion of the compliance audit, spot check, or LRE CVI in accordance with the CMEP

3.5. Compliance audit reports are to be completed using the approved NERC Audit Report Template. The compliance audit report is to be clearly marked as an MRRE compliance audit report on the first page of the report. Applicable Regional Entities are to be identified as parties to the report in the Executive Summary and Audit Findings section of the report. All applicable NCR_IDs must be listed. The entire compliance audit team should be allowed time to review the draft and final reports.

3.6. Upon completion and distribution of the compliance audit reports, the LRE shall provide all AREs with copies of the public and non-public audit reports for their records. The LRE is to provide any compliance audit documentation requested by an ARE upon request or for completion of its records.
4. Audit, Spot Check, and LRE CVI Data Retention

4.1. All documentation submitted and used to substantiate a compliance audit, spot check, or LRE CVI and its findings shall be retained consistent with the existing Rules of Procedure and data retention procedures of the LRE. If requested, each applicable Regional Entity may receive copies of the public and non-public audit reports for its records.
Section IV: Process for Conducting all other CMEP Monitoring Methods (self-certification, self-report, periodic data submittal, complaint, and exception reports)

1. Introduction

Section IV delineates the MRRE compliance monitoring requirements for the other six compliance monitoring methods performed by the LRE as required by the CMEP.

2. Other CMEP Monitoring Methods Roles and Responsibilities

2.1. LRE

2.1.1. Self-certifications, self-reports, periodic data submittal, complaints, exception reporting, and compliance violation investigation discovery methods will be implemented by the MRRE according to the CMEP for the MRRE as specified in the designated LRE Annual Implementation Plan.

2.1.2. When requested, the LRE shall make available to all AREs copies of evidence of compliance for any of these other compliance discovery methods submitted by the MRRE.

2.2. ARE

2.2.1. Upon discovery by the ARE of a possible violation involving any applicable registered function of an MRRE, the discovering ARE shall notify the applicable LRE.

2.2.2. Under special circumstances, such as an incident occurring on the BPS in one specific ARE area, a ARE may be requested by the LRE to implement one of the compliance monitoring processes for an MRRE. The ARE shall coordinate this activity with the LRE prior to initiating the respective compliance monitoring process.

2.3. MRRE

2.3.1. The MRRE is responsible for assessing its compliance throughout its organization and within every Region in which the MRRE is registered (i.e., all plants, facilities, operations or loads for or of which the MRRE is the registered user, owner or operator), and upon discovery of any possible violation, determining whether the possible violation applies to any of its activities in any other Regions in which the MRRE is registered.
2.3.2. The MRRE shall notify its applicable LRE of a possible violation involving the MRRE, regardless of the source of discovery.

2.3.3. The MRRE shall provide information as requested by the LRE to determine the nature and scope of all possible violations.

2.3.4. The MRRE shall perform a formal self-certification for any identified possible violation for all other facilities or registered functions for which the identified possible violation might be applicable.

2.3.5. The MRRE shall follow the designated LRE Annual Implementation Plan compliance monitoring schedule and reporting criteria for the designated MRRE functions.

2.3.6. The MRRE shall utilize the LRE compliance portal for submitting all required CMEP information. AREs shall be provided access to MRRE data on the LRE Web site as necessary.
Section V: MRRE Compliance Enforcement

1. Introduction

This section describes the process for enforcement actions applicable to entities designated as MRREs, from discovery of a possible violation through one of the eight monitoring methods to filing of Notices of Penalty, collection of penalties and closure of the enforcement action. The primary tool to be used for implementing enforcement actions by the LRE is the NERC CMEP to ensure effective and efficient processing of enforcement actions and ensuring the reliability of the bulk power system. The process provides the overall framework for coordination of enforcement actions involving entities designated as MRRE and for violations by such entities that are either (1) “corporate” in nature (i.e., systematically impact or occur in the MRRE’s operations across its organization) or (2) occur in the MRRE’s activities in one or more of the Regions in which the MRRE is registered. The objective of the MRRE enforcement process is to provide an efficient, effective and coordinated enforcement action for, and the timely and complete mitigation of, all violations attributable to a designated MRRE.

2. Enforcement Roles and Responsibilities

2.1. NERC

2.1.1. NERC shall provide a unique compliance tracking designation for violations associated with MRRE entities indicating the LRE and the AREs where the violations have occurred.

2.1.2. NERC staff may participate as a member of the enforcement review team.

2.1.3. NERC may be designated as the LRE in its role as a Compliance Enforcement Authority for an entity designated as a MRRE.

2.2. LRE

2.2.1. For each possible violation, or group of possible violations involving an MRRE, the LRE shall coordinate and lead the enforcement process from discovery of the possible violation(s) through closure of the enforcement action with the assistance of AREs as requested by the LRE.

2.2.2. The LRE shall notify the designated enforcement contact for each ARE of its communications with the MRRE concerning enforcement actions.

2.2.3. The LRE shall provide periodic updates throughout the enforcement process to all AREs to ensure that all Regional Entities are aware of useful and perhaps critical information that may pertain to the reliable operation of the bulk electric system within their respective Regions.
2.2.4. The LRE is responsible for all recording, tracking, and reporting requirements of the CMEP for all MRRE violations.

2.2.5. Violation descriptions shall indicate that the entity is an MRRE and shall list all AREs in which the violation has occurred.

2.2.6. If distinct and separate instances of a possible violation have occurred solely within the assigned geographic boundary of an ARE, the applicable LRE may request additional assistance from the ARE in the applicable enforcement actions.

2.2.7. The LRE shall determine the appropriate penalty and sanction for all applicable MRRE violations according to the penalty and sanctions guidelines of the CMEP.

2.2.8. The LRE, with assistance as requested from the Affected Regional Entities, shall assemble the final record package for filing with NERC and the Commission.

2.2.9. The LRE shall prepare the Notice of Penalty or may coordinate its preparation with NERC, with assistance from the AREs as requested.

2.3. ARE

2.3.1. Assist the LRE in implementation of enforcement actions per the CMEP as requested by the LRE.

2.3.2. Designate and notify the LRE of its respective enforcement point of contact for each MRRE.

2.4. MRRE

2.4.1. The MRRE is responsible for completion of any mitigation plans arising from any enforcement actions resulting from identified violations across all of its operations in all Regions.

3. MRRE Enforcement Process
3.1. If an identified possible violation is unique to one of the MRRE AREs, or if the possible violation involves a Regional Reliability Standard or criteria, the LRE may request assistance from the affected ARE as necessary. Once the violation is identified and documented, the LRE shall notify all of the AREs of the possible violation(s) and shall perform the initial review of the possible violation with assistance from the AREs as requested.

3.2. In the event that a disagreement occurs between the LRE and an ARE over implementation of the CMEP for a given violation by an MRRE, the LRE shall determine the appropriate plan for disposition of the violation(s).

3.3. The LRE shall issue to the MRRE the relevant notices and requests for information required for enforcement actions, including instructions for responses to the requests and notices.

3.4. The LRE shall develop the proposed findings and penalties and sanctions for each MRRE alleged violation. Upon completion of the factual determination, findings and conclusions of the alleged violation(s), the LRE shall inform all AREs of the violation conclusions and associated penalties and sanctions, including any applicable allocation of penalty amounts among the AREs.

3.5. If the MRRE elects to pursue settlement, the LRE shall have the lead role in settlement negotiations but may request participation of the AREs during negotiations and resolution of the enforcement action.

3.6. Once a joint settlement agreement is determined to be appropriate between the LRE and the MRRE, the LRE shall coordinate the settlement discussions and execution of the settlement agreement.

3.7. MRRE Settlement Agreements shall be approved and signed by authorized individuals from all AREs before filing with NERC.

3.8. Enforcement actions shall be approved, if necessary, in accordance with the LRE’s established procedures before being submitted to NERC for review and approval.

3.9. The LRE shall be responsible for review and acceptance of the MRRE’s mitigation plans, submittal to NERC for approval, and verification of completion of the mitigation plans, with assistance from the AREs, as set forth in Part 4 – Mitigation Plans of this section.
3.10. The LRE shall be responsible for coordinating the issuance of each notice of penalty payment due and invoices according to allocation instructions in Section V of this document.

3.11. The LRE shall coordinate the completion of the enforcement action including any notice of confirmation of completion required under the Settlement Agreement or Notice of Penalty.

4. Mitigation Plans

4.1. The MRRE shall submit all mitigation plans associated with identified alleged violations to the LRE using the LRE’s established mitigation plan submittal process.

4.2. The MRRE shall be responsible for determining the complete scope of each alleged violation and shall ensure that its proposed mitigation plans address actions to correct the violation and restore compliance across the MRRE’s operations in all AREs. The MRRE’s mitigation plans shall each address specific actions and milestones applicable to each ARE.

4.3. The LRE shall be responsible for review and acceptance of the MRRE’s mitigation plans, submittal to NERC for approval, and verification of completion of the mitigation plans, with assistance from the AREs if requested.

5. Dispute Resolution

5.1. Any disputes or appeals filed by an MRRE with respect to CMEP implementation by the applicable LRE shall be resolved in accordance with the applicable LREs dispute resolution and hearing processes and procedures. In the event that the dispute or appeal cannot be resolved by the LRE, the NERC BOTCC shall act as the hearing body to resolve the dispute or appeal.
Attachment 1

NERC Multi-Regional Registered Entity (MRRE)
On-Line Application and NERC CRATS Data

1. **ON-LINE APPLICATION**
   1.1. Form Posted on NERC Web site
       1.1.1. Filled out by applicant
       1.1.2. Data
           1.1.2.1. Entity Legal Name
           1.1.2.2. Entity Corporate Address
           1.1.2.3. MRRE contact information for MRRE application
           1.1.2.4. List of all NERC IDs associated with the applying entity

**NOTE:** Completed form processed by NERC for Entity Application Data package preparation.

2. NERC will generate a report from the NERC CRATS database and provide to the Registration Working Group along with the on-line application data/form. The report will contain the following registration, enforcement, and mitigation plan data for each applicable MRRE NERC ID number. Additional RE Workgroups may assist the RWG in analyzing this data.

2.1. **Registration Data**
   2.1.1. NCR Number
   2.1.2. Entity Name
   2.1.3. Address
   2.1.4. Function Name
   2.1.5. Effective Registration Date
   2.1.6. Function Region Affiliations
   2.1.7. Jurisdiction
   2.1.8. Primary Compliance Contact (W/ Address, Phone, E-mail, etc…)
   2.1.9. Primary Compliance Officer (W/ Address, Phone, E-mail, etc…)
   2.1.10. Alternate Compliance Contact (W/ Address, Phone, E-mail, etc…)
   2.1.11. Contact Region Affiliation

2.2. **Enforcement Data**
   2.2.1. Region
   2.2.2. Registered Entity
   2.2.3. NERC Violation ID
   2.2.4. Regional Violation ID
   2.2.5. Standard
   2.2.6. Requirement
2.2.7. Discovery Method
2.2.8. VRF
2.2.9. VSL
2.2.10. Deem Date of Violation
2.2.11. Determination Date of Violation
2.2.12. Submit Date of Violation to NERC
2.2.13. Dismissal Date of Violation
2.2.14. Dismissal Reason
2.2.15. Violation Description
2.2.16. Violation Potential Impact
2.2.17. Process State at NERC (Active / Closed / Dismissed)
2.2.18. Settlement Request Date
2.2.19. Settlement Status (In Settlement / Settlement Agreement Received)
2.2.20. Settlement Agreement Date
2.2.21. Violation Closed Date
2.2.22. Registered Functions Violated

2.3. Mitigation Plan data
2.3.1. MP#
2.3.2. Version
2.3.3. RegionID
2.3.4. NCR_ID
2.3.5. RegisteredEntity
2.3.6. Std_ID
2.3.7. DateSubmitted2Region
2.3.8. DateReceived
2.3.9. DateRegionAccepted
2.3.10. TargetCompletionDate_Init
2.3.11. ActualCompletionDate
2.3.12. FileName
2.3.13. NERC_ApprovalDate
2.3.14. DateSubmitted2FERC
2.3.15. ReviewDisposition
**Attachment 2**

**NERC Multi-Regional Registered Entity (MRRE) Application Data**

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<td>Effective Date:</td>
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<tr>
<td>NERC Registered Entity (Legal Name):</td>
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<td>NERC MRRE ID Number:</td>
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<td>Regional Entities that the MRRE is registered in:</td>
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<th>MRRE Applicant Address</th>
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<td>Corporate Address:</td>
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<tr>
<td>City, State, Zip:</td>
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<tr>
<td>Plant Address: (GOs Only)</td>
<td>Commercial Date of Operation:</td>
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<td>Contact Address:</td>
<td>City, State, Zip:</td>
</tr>
<tr>
<td>Telephone:</td>
<td>Fax:</td>
</tr>
<tr>
<td>E-mail Address:</td>
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<tr>
<td>Signature:</td>
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<tr>
<th>NERC MRRE Primary Compliance Officer (PCO) Information:</th>
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<td>Name:</td>
<td>Title:</td>
</tr>
<tr>
<td>CO Address:</td>
<td>City, State, Zip:</td>
</tr>
<tr>
<td>Telephone:</td>
<td>Fax:</td>
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<tr>
<td>E-mail Address:</td>
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<tr>
<td>Signature:</td>
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<thead>
<tr>
<th>MRRE’s Chief Executive Officer (CEO) or General Manager (GM, for some entities) Information:</th>
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<tbody>
<tr>
<td>Name:</td>
<td>Title:</td>
</tr>
<tr>
<td>CEO/GM Address:</td>
<td>City, State, Zip:</td>
</tr>
<tr>
<td>Telephone:</td>
<td>Fax:</td>
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<tr>
<td>E-mail Address:</td>
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<tr>
<th>MRRE designation as: (Select applicable box/es)</th>
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<tr>
<td>☐ Purchasing-Selling Entity (PSE)</td>
<td>☐ Transmission Operator (TOP)</td>
</tr>
<tr>
<td>☐ Generator Operator (GOP)</td>
<td>☐ Reliability Coordinator (RC)</td>
</tr>
<tr>
<td>☐ Generator Owner (GO)</td>
<td></td>
</tr>
<tr>
<td>☐ Balancing Authority (BA)</td>
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# Attachment 2 – Addendum 1 of XX

MRRE Application NERC Function Data - GO/GOP and PSE Examples

<table>
<thead>
<tr>
<th><strong>GO-GOP Functional Entities</strong></th>
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<tbody>
<tr>
<td>Number of Generation Facilities for each GO or GOP NCR?</td>
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<tr>
<td>Generation Facility Name:</td>
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</tr>
<tr>
<td>Generation Facility Physical Address: <em>(Street, City, State, Zip code)</em></td>
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</tr>
<tr>
<td>NERC NCR_ID for GO:</td>
<td></td>
</tr>
<tr>
<td>GO Name:</td>
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</tr>
<tr>
<td>NERC NCR_ID for GOP:</td>
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<tr>
<td>GOP Name:</td>
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<tr>
<td>Who is the Regional Entity:</td>
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<tr>
<td>Who is the Reliability Coordinator (RC)?</td>
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<tr>
<td>Who is the Balancing Authority (BA)?</td>
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<tr>
<td>Who is the Transmission Operator (TOP)?</td>
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<tr>
<td>Generator unit Rating (MVA)</td>
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<tr>
<td>Substation name(s) the generation connects to</td>
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</tr>
<tr>
<td>Is the unit Black start Capable? <em>(Y or N)</em></td>
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</tr>
<tr>
<td>Is black start unit part of TOP restoration plan?</td>
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</tr>
<tr>
<td>What is the Generator Step up (GSU) Transformer High Side voltage? <em>(kV)</em></td>
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</tr>
<tr>
<td>Does the unit connect to a common bus shared with other units of the facility? <em>(Y or N)</em></td>
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<tr>
<td>Is there another transformer between the GSU and the Interconnected substation? <em>(Y or N)</em></td>
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</tr>
<tr>
<td>Interconnection Substation or Line Tap/Voltage <em>(kV)</em></td>
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</tr>
<tr>
<td>Is the Interconnection Substation a Bulk Power Substation *(&gt; 100 kV or region defined? <em>(Y or N)</em></td>
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<tr>
<td>Transmission Owner (TO) of entity?</td>
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<table>
<thead>
<tr>
<th><strong>PSE entities</strong></th>
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<tbody>
<tr>
<td>Do you perform any DC tie transaction?</td>
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<tr>
<td>List of Regions currently registered in, list all regions.</td>
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<tr>
<td>Who is the Balancing Authority (BA):</td>
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<tr>
<td>Who is the Transmission Operator(TOP):</td>
<td></td>
</tr>
<tr>
<td>Who is the Reliability Coordinator (RC):</td>
<td></td>
</tr>
<tr>
<td>Comments pertinent to this MRRE designation:</td>
<td></td>
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### Attachment 3

**MRRE Application – Associated Regional Entity (ARE) Data**

**THIS SECTION WILL BE FILLED OUT BY REGIONAL ENTITIES**

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<th>Regional Entity Section: Region</th>
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<td><em>(The following section will be filled out by the regional personnel – CONFIDENTIAL INFORMATION)</em></td>
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<table>
<thead>
<tr>
<th>Open Enforcement issues for this applicant</th>
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<tbody>
<tr>
<td>Existing penalties that this entity has occurred</td>
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<td>The other RE Working groups that review this applications</td>
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<td>List of audits that this entity has had since June 2007 and in what regions</td>
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<td>Recommendation for the Host Region</td>
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<td>Host Region approval by Senior Management</td>
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Trend on Non-Confirmed Violations Awaiting Submittal of Mitigation Plans

Action Required
None

Background
Attached is a report to the Board of Trustees Compliance Committee regarding the NERC staff’s analysis of an increasing number of active violations for which no mitigation plans have been submitted. Because mitigation of risks to the Bulk Power System is a significant aspect of enforcement of mandatory Reliability Standards, staff has attempted to identify the reasons for this trend as well as to provide guidance to registered entities regarding the importance of early mitigation.
Trend on Non-Confirmed Violations Awaiting Submittal of Mitigation Plans
Compliance Processing Statistics

Data as of July 1, 2010
Mitigation Status at Regions

Data as of July 1, 2010
Non-Confirmed Violations without Submitted MP -- by Regional Entity

Data as of July 1, 2010
Non-Confirmed Violations without Submitted MP -- by Settlement Status

Data as of July 1, 2010

Not in Settlement Violations include six (6)violations that are awaiting further processing at NERC and the Regions
Age of Non-Confirmed Violations without Submitted MP -- Not in Settlement Negotiations

Data as of July 1, 2010
Age of Non-Confirmed Violations without Submitted MP -- in Settlement Negotiations

Data as of July 1, 2010
Non-Confirmed Violations without Submitted MP -- by Discovery Method

Data as of July 1, 2010
Non-Confirmed Violations without Submitted MP -- by CIP / Non-CIP

- CIP Violations (283 Violations)
- Non CIP Violations (370 Violations)

Data as of July 1, 2010
Non-Confirmed Violations without Submitted MP -- by Region and Date of Discovery

Data as of July 1, 2010
Non-Confirmed Violations without Submitted MP -- by VRF and Date of Discovery

Data as of July 1, 2010
Conclusions

- No real unifying theory – every region is different
- Key Drivers
  - Processing issues related to reporting – No way to track mitigation plans that come in as drafts
  - Individual registered entities with multiple violations
    - Of the 651 violations awaiting MPs, 20 entities account for 57%
  - Uncertainties about CIP Standards and Complexity of CIP MPs
    - 43% deal with CIP-002 through CIP-009
  - CEA-identified violations take more time to address
    - 62% deal with audits and spot checks
    - *But* a significant portion are self-reports (16%)
    - Also a significant portion are >180 days (35%)

Data as of July 1, 2010
Benefits to Early Submission of MPs

- Faster resolution of risks to the BPS
- Mitigation of Risk = Mitigation of Penalties
  - Voluntary Corrective Action — ERO Sanctions Guidelines § 4.3.3
  - Presence and Quality of Compliance Program — ERO Sanctions Guidelines § 4.3.5
  - Duration of Violations — ERO Sanctions Guidelines § 3.21
  - Submission of an MP is not an admission — CMEP §5.1(vi)
- Early submission allows iterative improvements with REs which allows for better mitigation plans
- NERC’s vision depends on the industry “leaning in”
Streamlining Enforcement Process

Action Required
None

Background
At the open Board of Trustees Compliance Committee meeting on August 4, 2010, NERC staff will provide an update on efforts to streamline the compliance enforcement process. This is a follow-up to the presentation on streamlining enforcement processes that NERC staff provided to the Committee on May 10, 2010, and will provide information on current status of the project as well as a report on experience with new streamlined enforcement templates (Disposition Document, Abbreviated Notice of Penalty, and Deficiency Notice of Penalty).
Streamlining Enforcement Actions
Draft Notice of Penalty Process Paper

- Disposition document
  - Attachment to NOP or Settlement Agreement

- Tiers of cases
  - Full NOP
  - Abbreviated NOP
  - Deficiency NOP
Expected Efficiencies

- Drafting efficiency
- Scaled scope
- Scaled evidentiary requirements
- Reduced process
Current Status by Tier (Jan-July)

- 51 Abbreviated NOPs; 13 filed at FERC (165 violations)
- 7 Deficiency NOPs; 1 filed at FERC (8 violations)
- 2 Full NOPs; 1 filed at FERC (22 violations)
- 18 Omnibus II (59 violations) and 89 Traditional NOPs (338 violations)

In total, 36% of all NOPs presented to the BOTCC from January to July 2010 used streamlining format

- 31% - Abbreviated NOPs
- 4% - Deficiency NOPs
- 1% Full NOPs
Regional Entity Progress

- Regional Entity utilization of Disposition Document and NOP templates is needed to realize full efficiencies.
- NERC and Regional Entities agreed not to rewrite existing old-format settlements and NOCVs.
- To date, 17 cases submitted to NERC using new formats.
- All but 2 regions (plus NERC as CEA) have submitted cases in the new format.
Conclusions on Status

- Comments solicited at May BOTCC meeting, CCC, EEI and other trade associations. Generally positive feedback.

- The expectation is that the Regions’ implementation of the Disposition Document and Waiver Settlement Agreement will create greater efficiencies in the field.

- Process improvements:
  - Expedited internal process for Deficiency NOPs
  - Settlement and non-settlement options for Deficiency NOPs
  - Utilization of Disposition Document as Mitigation Plan
Violations Processing Trends

Action Required
None

Background
Attached is copy of the regular quarterly report to the Board of Trustees Compliance Committee regarding the NERC staff’s analysis of violations processing through the end of June 2010.
Violations Processing Trending
New Violations in June were received at a rate higher than the rolling 6 month average

- 6 Month Violation Receipt Average (Dec 2009 through June 2010) = 147 violations/Month
- 168 Violations Received in June 2010 compared to 109 Violations Received in May 2010
- In June 2010, 100 CIP were received compared to 68 Non-CIP violations
Active Violations continue to rise unabated, eclipsing Omnibus 1 level.
Graph Definitions

- **Active** – All Violations that have not been Closed or Dismissed
  - *Closed Violations have all the following characteristics:* Violation NOP approved by FERC, Verified Completion of Mitigation Plan, and Payment of any associated Penalties.

- **NERC Work** – Active Violations minus Violation Sub State I (NERC Issues NOP)

- **Unmitigated** – Violations where Mitigation Plans have not been received or not yet been closed minus completed Mitigation Plans that NERC is reviewing
  - *Closed Mitigation Plan:* Regional Entity has Verified Completion of all Mitigated Elements specified by Plan

- **Mitigated** – Active Violations minus Unmitigated

- **Deem Date** – Date of the violation which the Regional Entity is using for purposes of calculating penalties and / or sanctions
Violation In/Out Trend

Number of Violations

Month and Year

BOTCC Approves Omnibus Filing

Omnibus Filing Made at FERC

Violations Received
BOTCC Approved + Dismissed
Dismissed + Violations Closed

July 1, 2010
Settlement Negotiation Trend

Omnibus 1 documentation received

Month and Year

Number of Violations

Violations Into Settlement Negotiation
Violations Out of Settlement (Agreement Received or Dismissed)
Deem Dates from June 2010 Violations (168 Violations)

The Overwhelming majority of violations have been deemed back to 6/18/2007 due to a change from non-voluntary to mandatory adherence to Reliability Standards.
Deem Date Trend for Active and Closed Violations

1701 out of 3354 active and closed violations have been deemed back to the partial year of 2007. The most substantial portion of the 2007 violations were deemed back to June 2007 (1207 violations out of 1701 violations).
September 2009 was the peak month of Non-CIP violations during this timeframe (175 violations). 100 CIP violations filed by Regions in June 2010.
CIP Violation Discovery Method Trend

Number of CIP Violations

Month and Year Violation submitted to NERC

- June 2009
- July 2009
- August 2009
- September 2009
- October 2009
- November 2009
- December 2009
- January 2010
- February 2010
- March 2010
- April 2010
- May 2010
- June 2010

Legend:
- Self-Report
- Self-Certification
- Spot Check
- Compliance Audit

July 1, 2010
Violation Approval Trend of BOTCC

May 1, 2010

Number of Violations

Month and Year of BOTCC Approval

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Improving Efficiencies
Current Violations Processing Status

Total Violations: 2316

NERC Legal Processing: 365
- Approved by BOTCC need final cleanup and filing
- Scheduled for BOTCC Consideration
- In the Queue
- Returned to Region for rework
- Various states (have not seen)

NERC E&M Processing: 230
- Jul 57 (23)**
- Aug 62 (21)
- Sept 67 (20)
- 44 (16)

Regional Entity Processing: 1721
- 1 (1)
- 0

SA Negotiation: 729***
NOCV Prep: 12
INAV; possibly to NAVAPS: 979

* 62 of these violations were filed with FERC on July 6, 2010.
** Number in parenthesis = number of actions (SAs & NOCVs)
*** 86 violations have been submitted to NERC in unexecuted SAs; 45 have been approved by the BOTCC and 41 are with E&M for processing. For purposes of this chart, these violations have been moved from SA Negotiations to NERC Legal Processing and NERC E&M Processing, respectively.