

Principles of Compliance Monitoring and Enforcement Program Activities

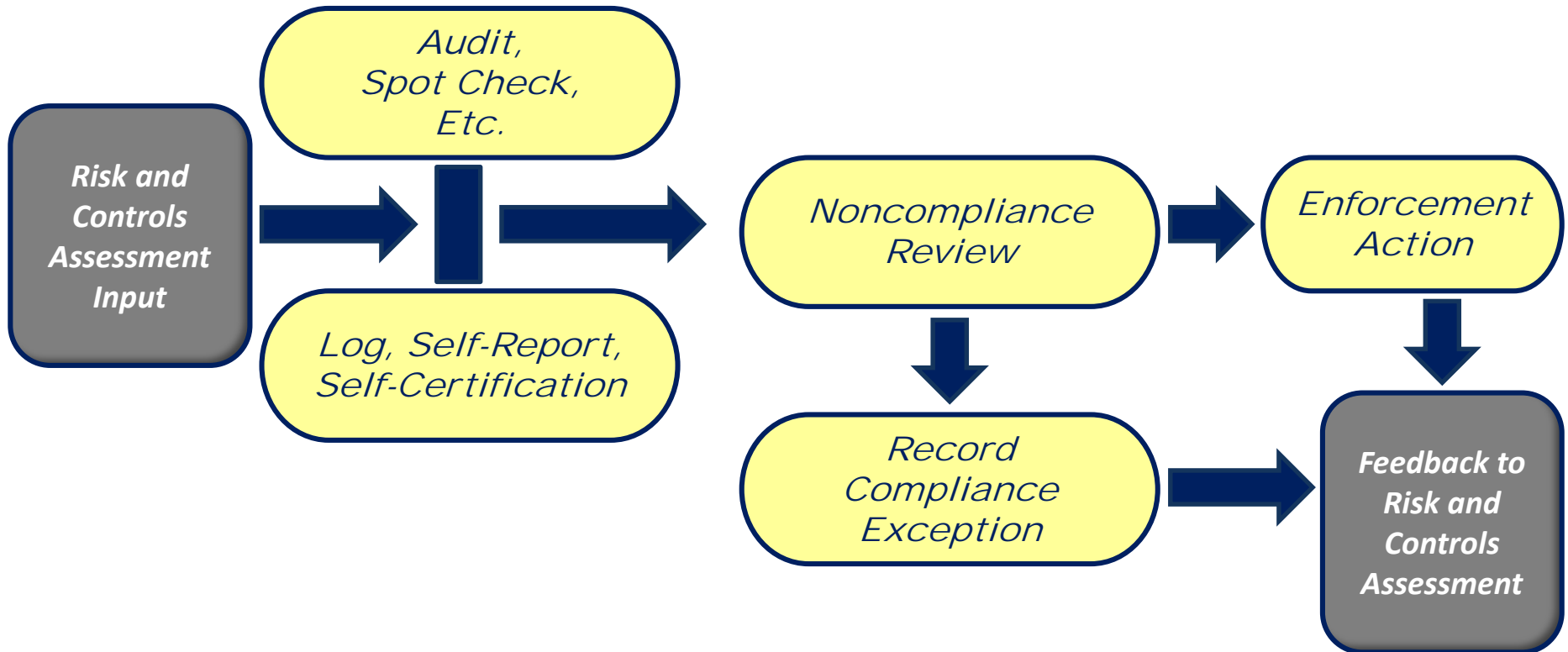
Ed Kichline, Senior Counsel and Director of Enforcement Oversight
Kristen Senk, ReliabilityFirst, Managing Enforcement Counsel
Compliance Committee Meeting
February 6, 2019

RELIABILITY | ACCOUNTABILITY



- The Compliance Monitoring and Enforcement Program (CMEP) promotes a culture of reliability and excellence through a risk-based approach.



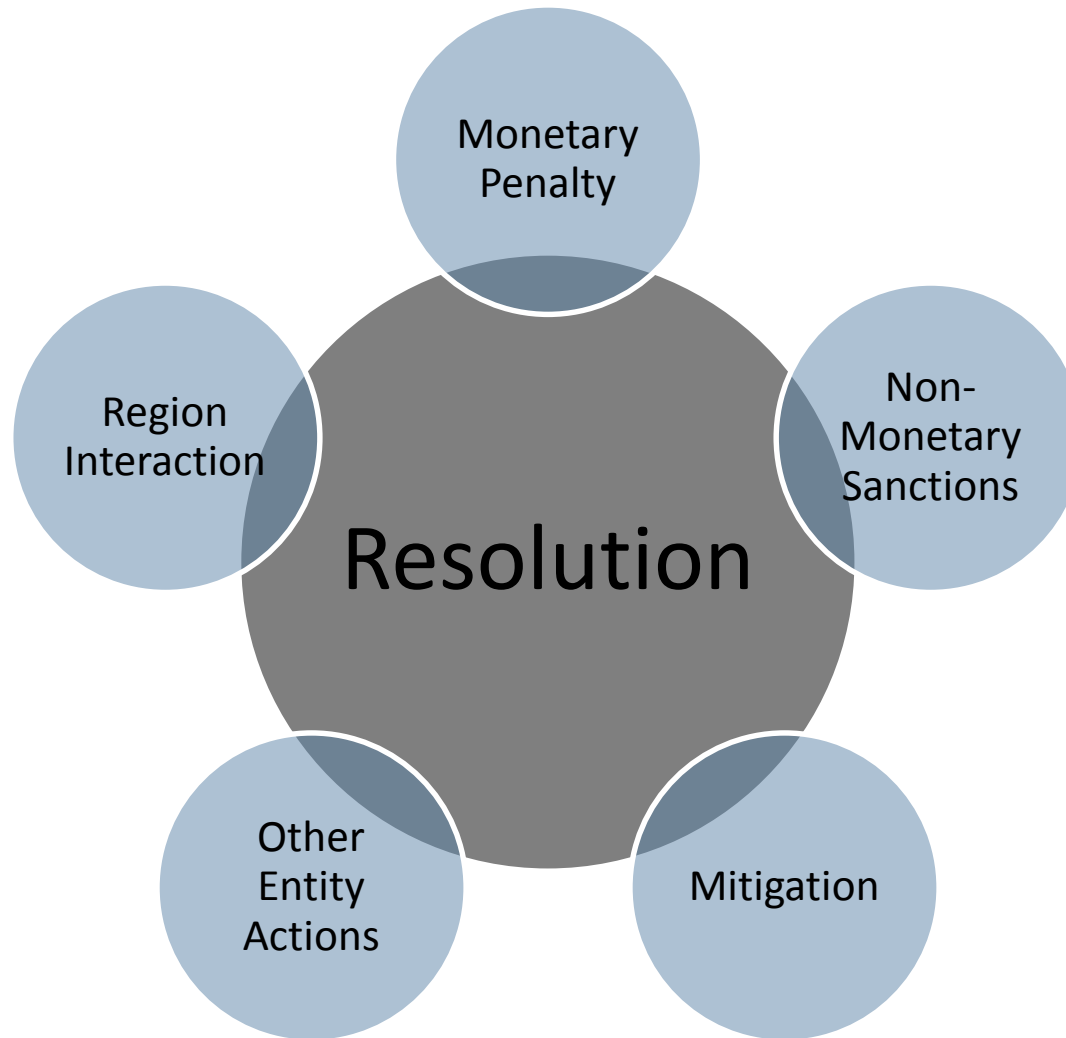


- Outcomes for noncompliance are based on risk
- Risk is based on specific facts and circumstances
- Continuous evaluation and communication of risks
 - Analysis and lessons learned shared publicly
 - Input to risk identification

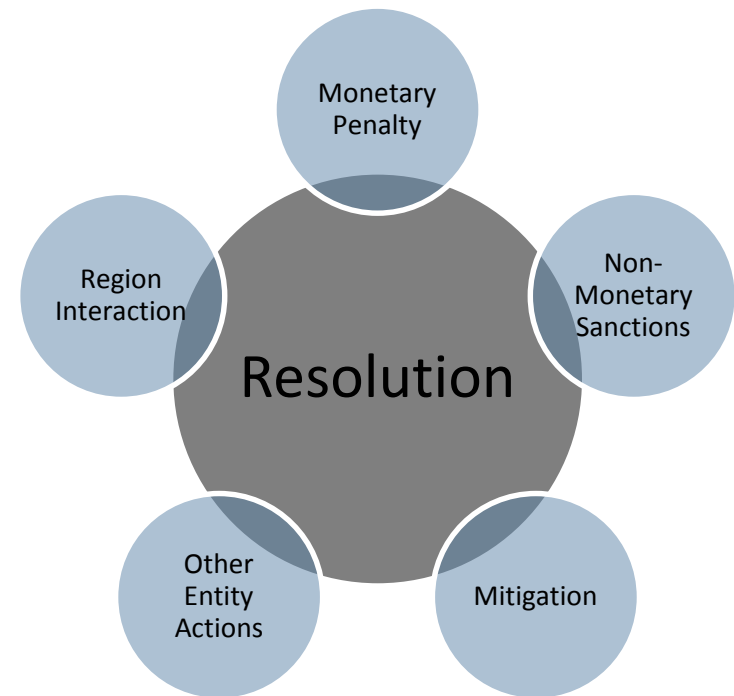
- Non-enforcement treatment for most minimal risk issues
 - Compliance Exceptions
 - Presumed for self-logged items
- Keeps minimal risk issues from escalating

- Spreadsheet Notices of Penalty (NOPs) and Full Notices of Penalty
 - Many Spreadsheet NOPs have no financial penalty
- Ensuring penalties are warranted and commensurate with risk
 - Significant penalties used to deter undesired behavior
 - Offset penalties to encourage valued behavior
- NERC's responsibility to promote alignment on enforcement activities, including penalties
 - Electric Reliability Organization Enterprise alignment activities
 - Communication with industry

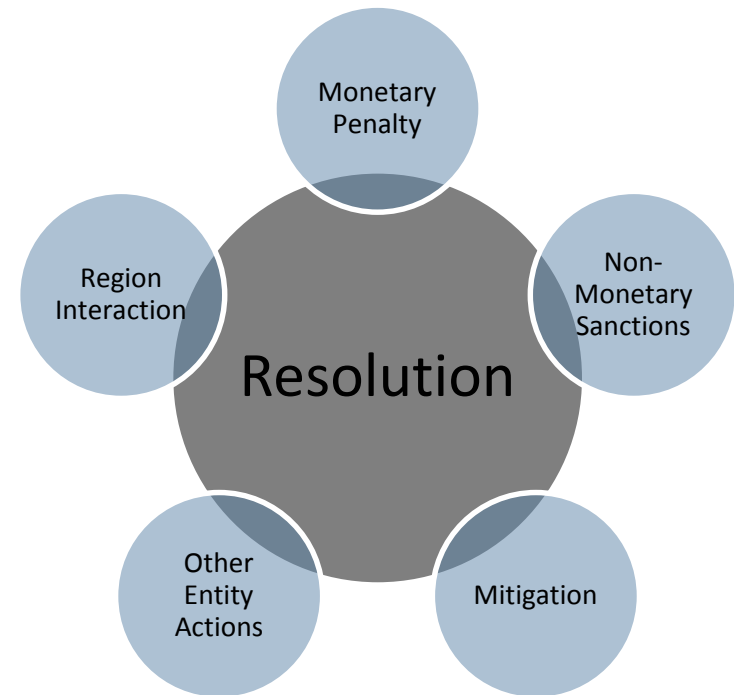
- Overarching goal of sustainable compliance
 - Focus on robust mitigation to reduce risks and likelihood of recurrence
 - Establishing cultures of continuous learning
 - Meaningful engagements and interactions between Regional Entities and registered entities throughout resolution of noncompliance



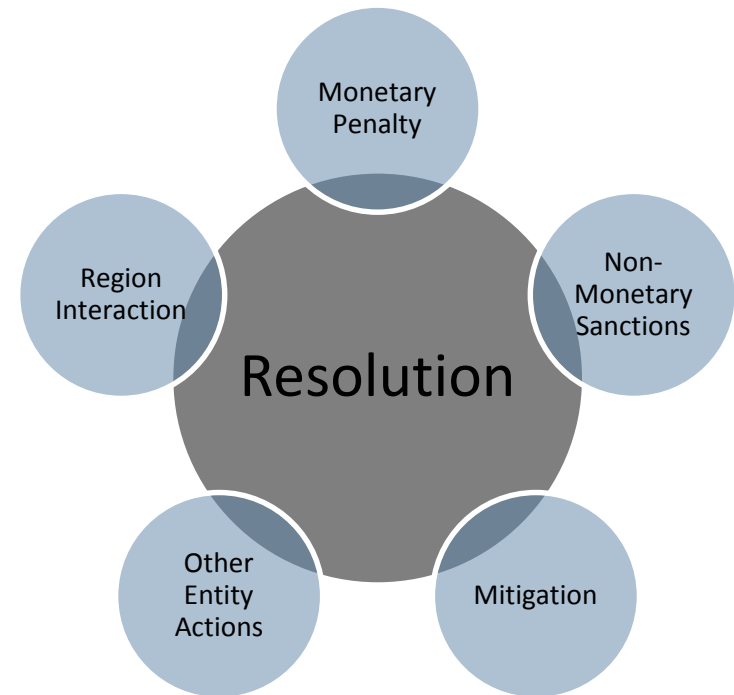
- Serious Critical Infrastructure Protection (CIP) case
 - Inadequate Tools and Organizational Silos ([CIP Themes Report](#))
- Early regional interaction
- Comprehensive, forward-looking mitigation
- Significant credit for above and beyond activities
 - Tools, people, and programs
- Increased monitoring



- Serious CIP case
 - Disassociation of Security and Compliance and Lack of Awareness
- Significant regional interaction
 - Regional leadership
 - Subject matter experts
- Holistic mitigation evaluating and improving entire CIP program
 - Increased focus on security and compliance
- Increased monitoring



- Comprehensive mitigation across affiliated entities
- Regional interaction shifts the entity's compliance approach





Questions and Answers

Compliance Monitoring and Enforcement Program Annual Report

Ed Kichline, Senior Counsel and Director of Enforcement Oversight

Steven Noess, Director, Compliance Assurance and Program Oversight Compliance

Assurance and Program Oversight

Compliance Committee Meeting

February 6, 2019

RELIABILITY | ACCOUNTABILITY



- Compliance Monitoring and Enforcement Program (CMEP) Technology Project
- Southwest Power Pool Regional Entity (SPP RE) Transition
- Program Alignment
- Implementation Plan

- Electric Reliability Organization (ERO) Enterprise-wide project
- Completed over 50 percent business process harmonization
- Release 1
 - Construction in progress
 - Includes functionality for Self-Reports, Self-Logs, Enforcement, and Mitigation
 - Testing in Spring 2019, production slated for Q3 2019
- Two additional releases in 2020

- NERC Board of Trustees approved dissolution on February 8, 2018
- Federal Energy Regulatory Commission (FERC) approved dissolution on May 4, 2018
- Successfully completed the transition
 - 122 registered entities from SPP RE footprint to MRO or SERC
- Effective and efficient communication for seamless transfer
 - Frequent communication with stakeholders
 - Weekly FAQs, RE workshop presentations, SPP RE registered entity webinars

- Program Alignment items
 - Seven received in 2018
 - Seven completed in 2018
 - Four in progress
- Continued outreach in collaboration with Compliance and Certification Committee (CCC) Alignment Working Group at Regional workshops
- MRC Policy Input

- Track/communicate CMEP Practice Guide development

	Issue Number	Status	Short Description	
3				
	17 Practice Guide	In Progress	CMEP Practice Guide on: Considerations for Inverter- Based Resources under Current Reliability Standards	Following the work Enterprise related resource performance Reliability Guidelines Planning Committee proactively maintain guidance to CMEP considerations for current NERC Relia
23				
24				

- Restored Program Alignment link access from NERC home page

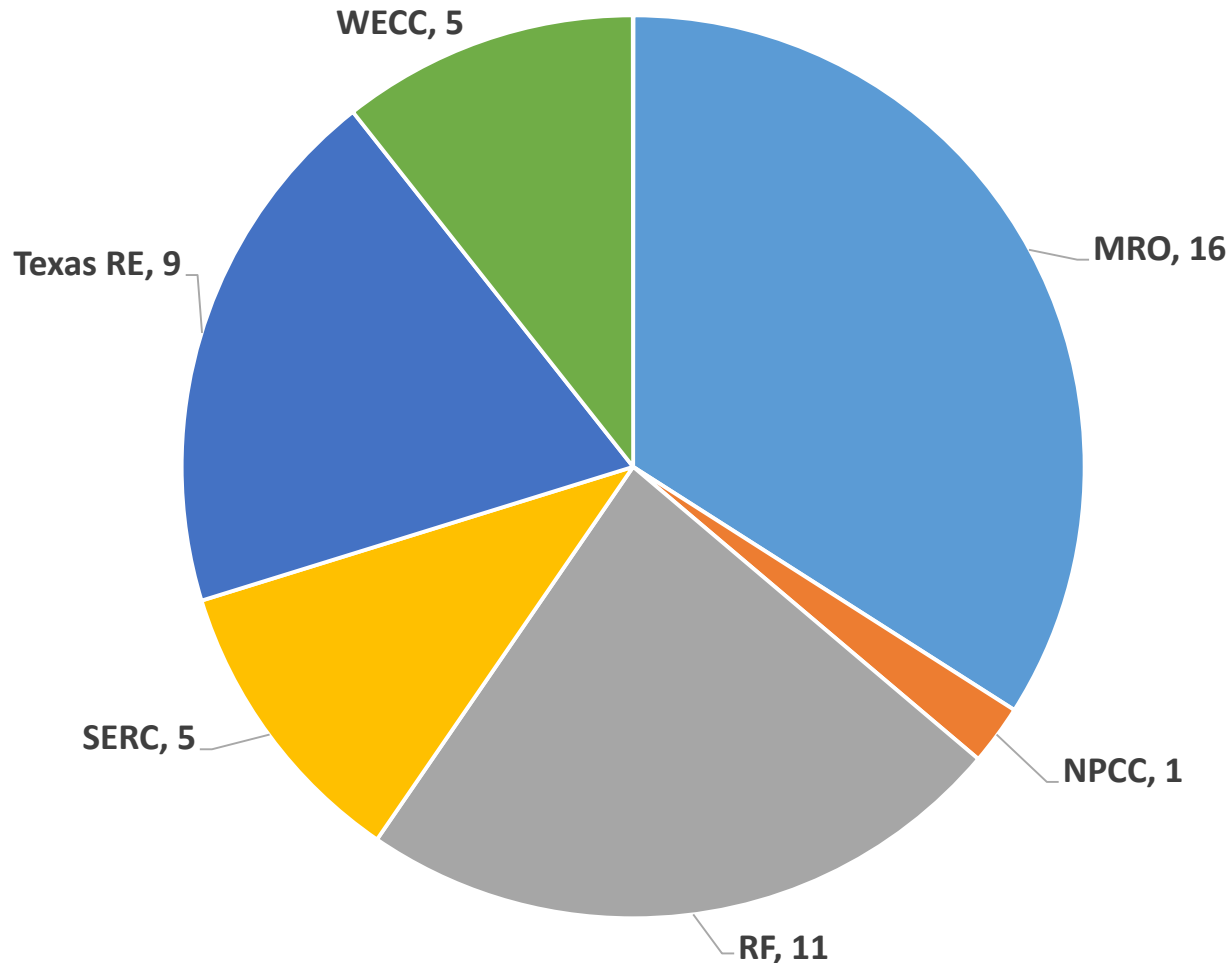


- Clarified how to ask questions

Program Alignment - Issues and Recommendations Tracking	
<p>For more information about Program Alignment <i>or</i> questions concerning a recommendation resolution to an issue, please email consistency@nerc.net.</p>	
Recommendations Resolutions	
<p>NERC RSAWs website. Most of standard (PRC-005- se it includes a ith individual</p>	<p>1. No content differences (e.g. to the evidence requested or compliance approach) were identified in the RE's RSAW. The RE's RSAWs included minor formatting differences as well as the compliance implementation timetable at the beginning of one RSAW. The RE has since removed the compliance implementation timetable from the RSAW. NERC and the regions are updating legacy versions of RSAWs to ensure all RSAWs are on the current template to address formatting</p>

- Enhanced for 2019
 - Reflects maturing risk-based program
 - Risk elements better articulated as discrete issues
 - Clearer focus in the plan to specific Reliability Standard requirements
- Highlights of ongoing CMEP activities
 - Program Alignment
 - Compliance Guidance
 - Coordinated Oversight
- Highlights of activities done to support the successful SPP RE transition

- NERC filed Interim Supply Chain Risk Report with FERC
 - Assessed cyber supply chain risks
 - Identified three categories of recommendations
 - Further analysis and investigation into how cyber security risks could affect the reliability of the Bulk Electric System
- Posted revised Self-Report and Mitigation Guide
 - Incorporates principles for how registered entities provide information to REs
 - Clarifies expectations about self-reporting and design of mitigation activities to prevent recurrence
- Posted Self-Logging Program User Guide
 - Tool to guide use of program and encourage participation



Distribution of MRREs under Coordinated Oversight by Lead RE

- 2018 Implementation Guidance (IG)
 - Five proposed IG received
 - Seven IG endorsed
 - Six IG were not endorsed
 - Two IG under review carried into 2019
- The CCC approved one Pre-qualified Organization application in 2018.

Peak Reliability Transition:

- NERC and WECC will coordinate to transition the Reliability Coordinator (RC) function in the Western Interconnection.
- Transition to the new RCs will be complete by December 2019.

FRCC Dissolution:

- NERC and SERC are working closely to manage the transition.
- The transition will occur on July 1, 2019.

Percentage of Noncompliance by Discovery Method - 2018

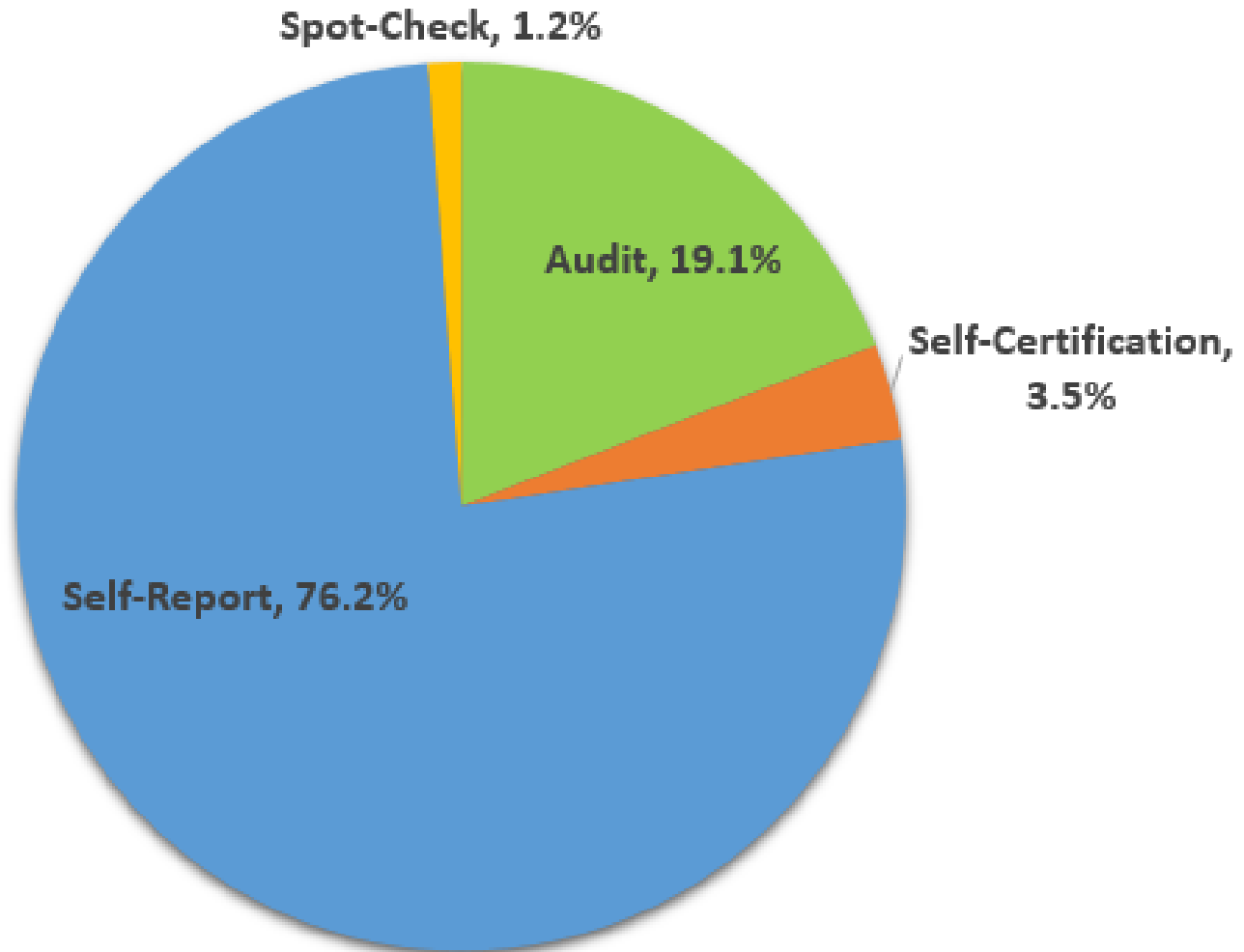
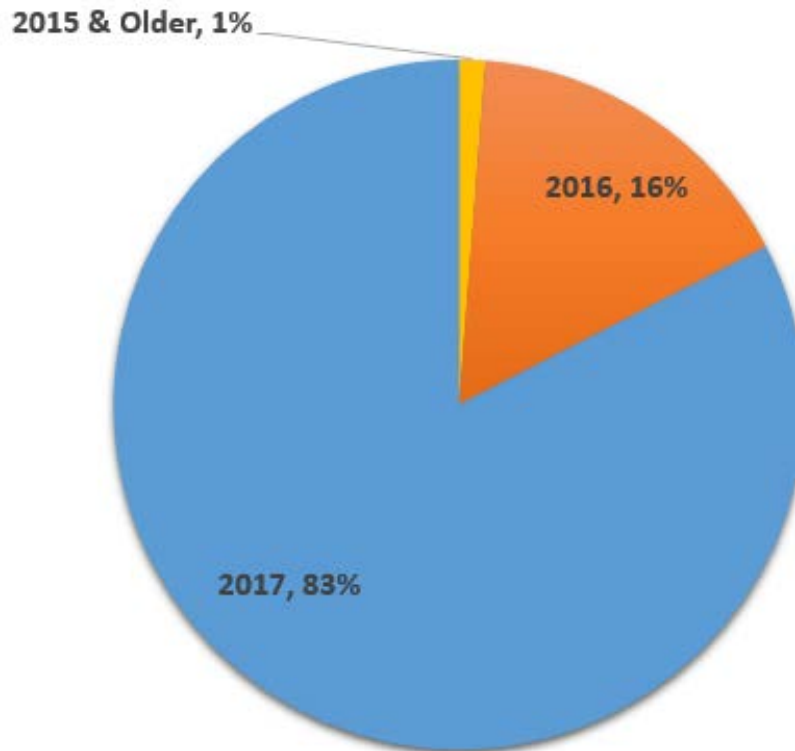


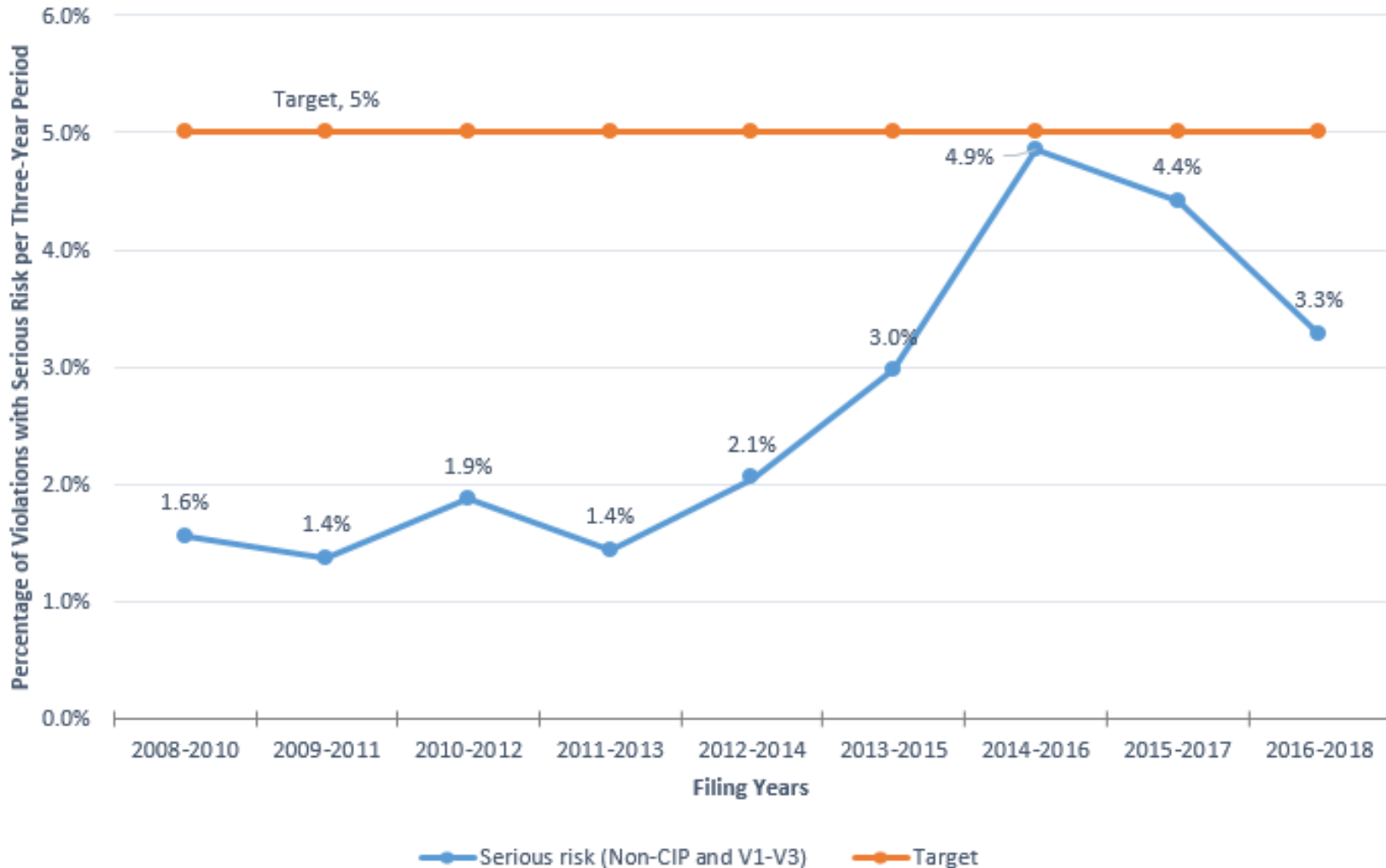
Table A.1: Mitigation Completion Status

Time Frame	Required Mitigation	On-going	Progress Toward Goal	Threshold	Target	Progress Since Last Quarter
2015 and Older	10,211	6	99.94%	99%	100%	0.02%
2016	1,142	93	91.86%	85%	90%	1.95%
2017	1,996	471	76.40%	70%	75%	12.85%

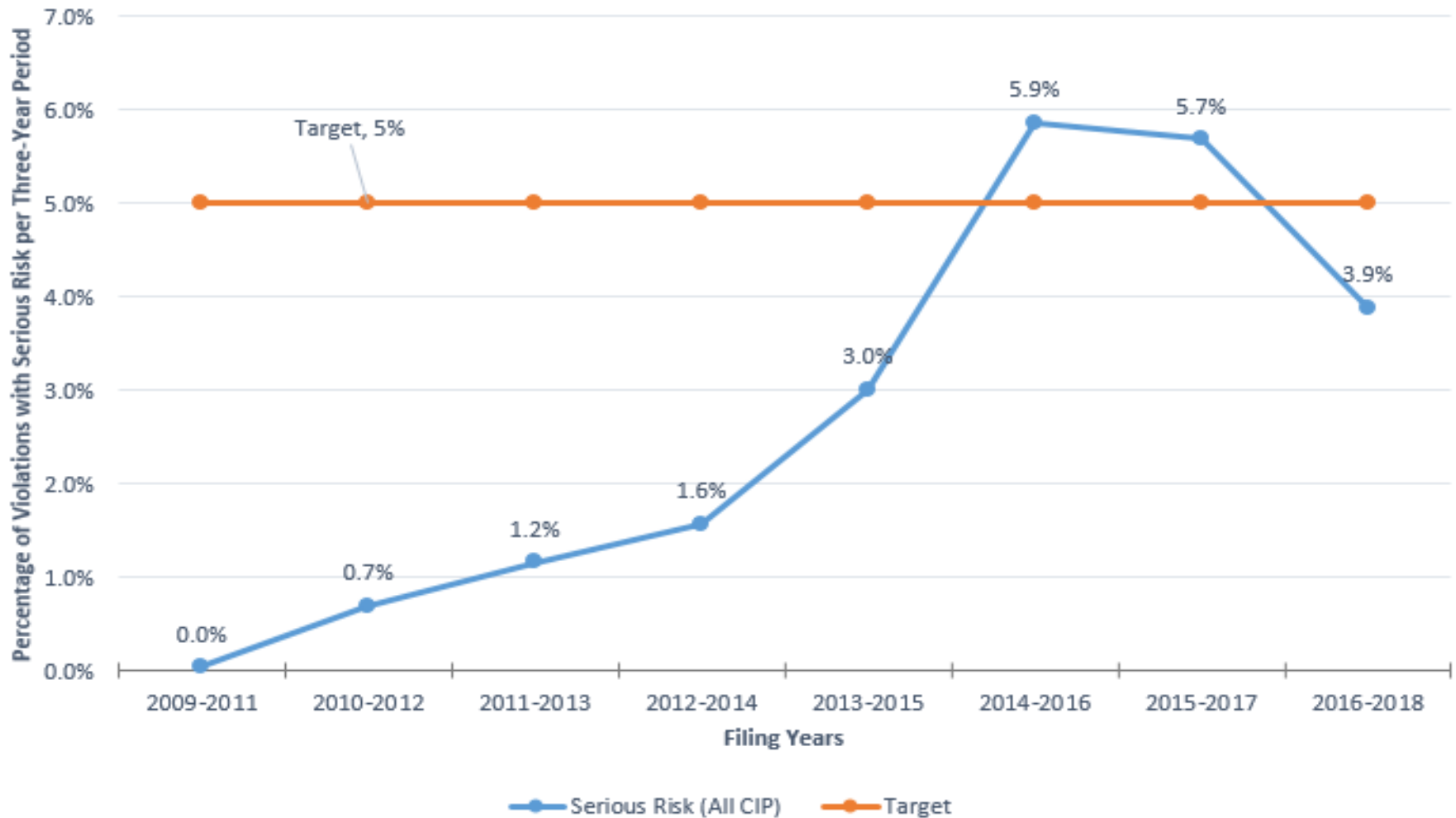
Ongoing Mitigation by Discovery Year



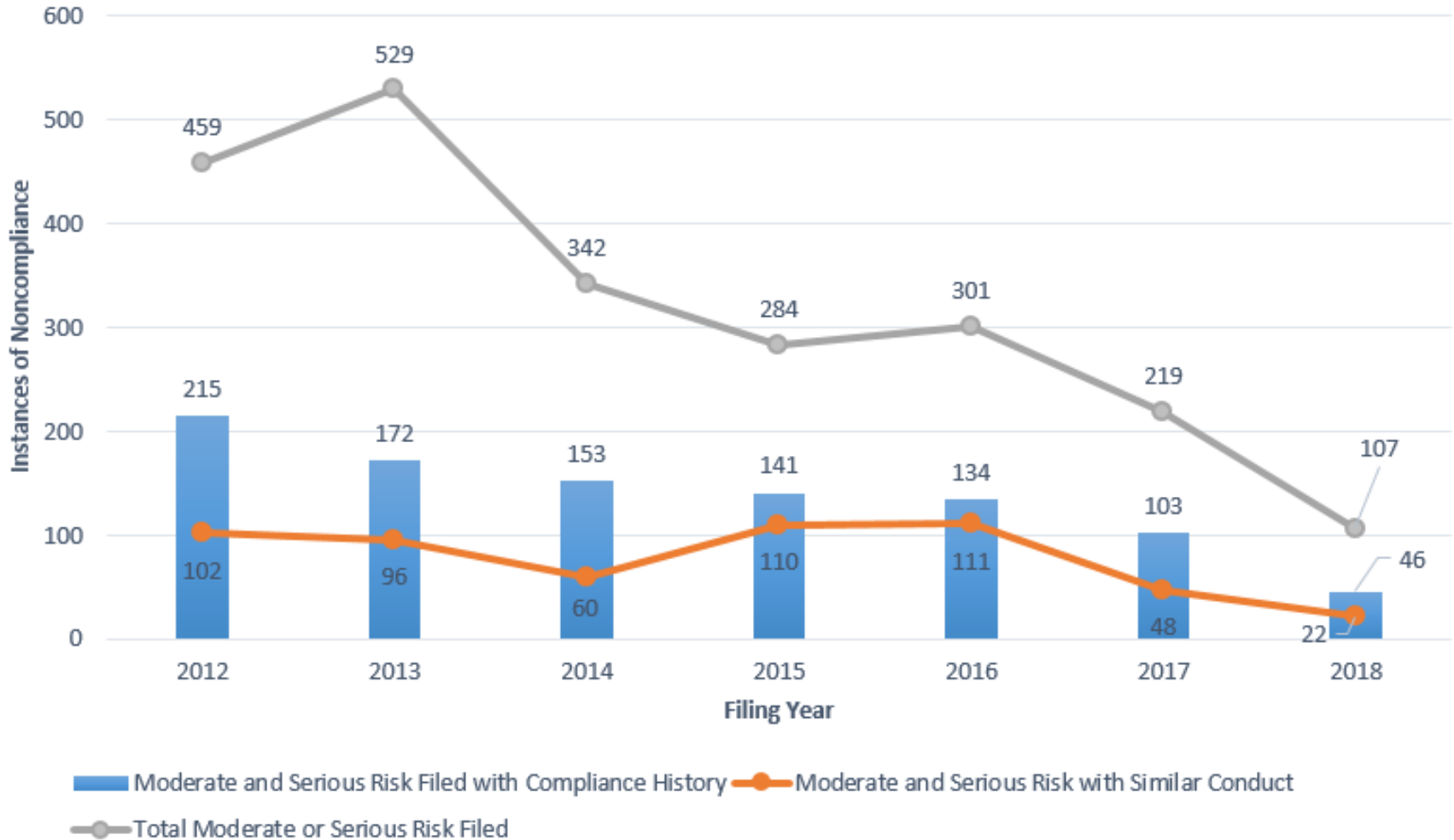
Non-CIP and V1-V3 Serious Risk Violations 3-Year Rolling Average



CIP Only Serious Risk Violations 3-Year Rolling Average



Compliance History for Moderate and Serious Risk Noncompliance



- Continued focus on ERO Enterprise Program Alignment Process and Coordinated Oversight of Multi-Region Registered Entities
- Complete registration and certification of Western RCs and dissolution of Peak Reliability
- Continue work on CMEP Technology Project and complete CORES tool
- Transition of FRCC to SERC, pending approvals
- Review Compliance Guidance program
- Integrate Internal Control reviews into audits and spot checks



Questions and Answers