

Minutes

Compliance Committee – Open Session

August 15, 2012 | 9:45 a.m. Eastern

Hilton Quebec
1100, Rene-Levesque Blvd East
Quebec, QC
Canada G1R 4P3
418-647-6500

Chair Bruce Scherr convened a duly noticed open meeting of the Compliance Committee (the Committee) of the North American Electric Reliability Corporation on August 15, 2012 at 9:45 a.m. local time, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were: All Committee members, being Bruce Scherr, Chair, Vicky Bailey, Ken Peterson, Roy Thilly, Jan Schori and John Q. Anderson; Board members, Tom Berry, Janice Case, Paul Barber, Fred Gorbet, and Dave Goulding; and NERC staff members Gerry Cauley, David Cook, Charlie Berardesco, Michael Moon, Ken Lotterhos, Rebecca Michael and Tina McClellan.

NERC Antitrust Compliance Guidelines

Mr. Scherr directed the participants' attention to the NERC Antitrust Compliance Guidelines.

Minutes

The Committee approved the May 8, 2012 meeting minutes.

Compliance Enforcement Initiative

Mr. Lotterhos, associate general counsel and director of enforcement, provided an update on the Compliance Enforcement Initiative (CEI). He noted that NERC continues to process violations through the streamlined Spreadsheet Notice of Penalty (SNOP) and the Find, Fix, Track and Report (FFT) informational filings with the Federal Energy Regulatory Commission (FERC). Since the last Committee meeting, NERC has made two additional filings for both SNOPs and FFTs, for an aggregate of 10 filings from September 2011 through July 2012. FERC has issued notices of no further review on the SNOP and NOP filings submitted through the end of June. Mr. Lotterhos reviewed the next stage of CEI development noting Compliance Enforcement Authority compliance monitoring staff (auditors and investigators) will make recommendations to enforcement staff concerning likely candidates for FFT treatment. Auditors and investigators will continue to make findings of potential non-compliance for which enforcement staff will evaluate and address as possible violations in a SNOP or NOP format or will dismiss them, as appropriate. NERC anticipates that expanding FFT identification will broaden the range of issues that will be afforded FFT treatment much earlier in the compliance monitoring and enforcement process.

Concluding his report, Mr. Lotterhos noted that in accordance with FERC's March 15 Order on the CEI, NERC is required to file a 12-month status report in March 2013. NERC is working with the Regional Entities and trade associations to collect the information required for the report.

Compliance Operations

Mr. Moon, director of compliance operations, provided an update on the Compliance Bulletin CIP-002 and the options for transitioning from CIP Version 3 to Version 4. Mr. Moon noted that entities should be determining which electric system assets currently meet the bright-line criteria so that the proper resources can be procured and scheduled to ensure that all the technical work is complete on or before the enforcement date of April 1, 2014. Mr. Moon highlighted four scenarios which the industry requested guidance. He also reported that NERC created a Compliance Bulletin to address implementing bright-line criteria into a Version 3 risk-based assessment methodology (RBAM), and which provides compliance information to responsible entities and Regional Entities regarding newly approved Version 4.

Mr. Moon provided an update on the Entity Impact Evaluation Template, noting that NERC and Regional Entities finalized the draft template, which was posted on the NERC website for industry comment with the customary 45-day comment period. Comments will be due in early September, and comments and next steps will be considered thereafter.

Mr. Moon reviewed the 2013 Annual Implementation Plan and Actively Monitored List (AML), highlighting most changes on the 2013 AML worksheet stem from reassigning tiers of CIP requirements so that each CIP requirement shares a common tier assignment with its own sub-requirements. The anticipated effect of this change is to make it easier for a registered entity to prepare for its audit.

Regional Entity Items

Ms. Linda Campbell, FRCC, reviewed the status of the Reliability Standards Audit Worksheet (RSAW) development and discussion ensued, addressing, among other things, scope, content and future revisions.

Quarterly Statistics

Chair Scherr referenced the materials provided in the Agenda package.

There being no further business, and upon motion duly made and seconded, the meeting was adjourned at approximately at 10:45 a.m. local time.

Submitted by,



Charles A. Berardesco
Secretary