

## Minutes

# Compliance Committee

February 8, 2017 | 9:15–10:45 a.m. Pacific

Westin San Diego  
400 West Broadway  
San Diego, CA 92101

Janice B. Case, Chair, called to order the duly noticed meeting of the Board of Trustees Compliance Committee (the “Committee”) of the North American Electric Reliability Corporation (“NERC”) on February 8, 2017, at approximately 9:15 a.m. Pacific, and a quorum was declared present.

Present at the meeting were:

### Committee Members

Janice B. Case, Chair  
Frederick W. Gorbet  
David Goulding  
Jan Schori  
Roy Thilly

### Board of Trustees Members

Gerry W. Cauley, President and Chief Executive Officer  
Paul F. Barber  
Robert G. Clarke  
Kenneth W. DeFontes, Jr.  
George S. Hawkins  
Kenneth G. Peterson

### NERC Staff

Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary  
Tina Buzzard, Associate Director to Office of the CEO  
Andrea Koch, Senior Director of Reliability Assurance  
Ken McIntyre, Vice President of Standards and Compliance  
Sonia Mendonca, Vice President, Deputy General Counsel, and Director of Enforcement

### NERC Antitrust Compliance Guidelines

Ms. Case directed the participants’ attention to the NERC Antitrust Compliance Guidelines.

### Minutes

Upon motion duly made and seconded, the Committee approved the November 1, 2016 meeting minutes as presented at the meeting.

### Introduction and Chair’s Remarks

Ms. Case highlighted the major accomplishments discussed in the 2016 Compliance Monitoring and Enforcement Program (CMEP) Annual Report, noting the serious risk issues addressed in Full Notices of Penalty.

She also summarized the Closed meeting discussion regarding regional consistency in the continuing implementation of the risk-based CMEP, explaining that action plans would be developed to address material inconsistencies.

### **Compliance Monitoring and Enforcement Program Annual Report**

Ms. Mendonca discussed enforcement highlights from the 2016 CMEP Annual Report, including the continued positive rates of self-identification and mitigation completion. She noted the development of metrics for 2017 addressing repeat conduct.

She also summarized the preliminary results of the Self-Logging Program process review conducted by NERC, indicating sustained progress and enhancement opportunities.

Ms. Koch reported on the progress of Inherent Risk Assessment (IRA) completion, noting that Regional Entities completed IRAs for 62 percent of all registered entities and that IRAs are complete for all Reliability Coordinators and nearly all of the Transmission Operators and Balancing Authorities. Ms. Koch also updated the Committee on the status of Compliance Guidance documents, including Implementation Guidance and CMEP Practice Guides.

### **Implementation of Critical Infrastructure Protection Version 5 (CIP V5) Reliability Standards**

Ms. Koch provided an update on the implementation of CIP V5 Reliability Standards, noting that a high percentage of CIP V5 noncompliance was self-identified.

Mr. Cauley noted that NERC is working with the National Association of Regulatory Utility Commissioners (NARUC) on updating NARUC criteria related to cybersecurity protections.

### **Coordinated Oversight Program**

Mr. McIntyre discussed NERC's 2016 activities and 2017 priorities to enhance the coordinated oversight of Multi-Region Registered Entities (MRREs). He summarized the results of a 2016 MRRE participant survey, as well as discussions with a few MRREs, noting improvements in coordination and communication.

He also described enhancement opportunities, including establishing the expectations of the roles of the Lead Regional Entity and the Affected Regional Entity(s) based on the varying needs of regions and the characteristics of the MRREs.

### **Internal Controls Evaluation (ICE)**

Mr. McIntyre explained the revisions made to the Internal Controls Guide, indicating that the changes reflect the ERO Enterprise's review of internal controls not only during an ICE, but also during compliance monitoring activities to better understand a registered entity's approach to compliance with Reliability Standards, which is consistent with auditing standards.

Mr. Cauley stated that the ERO Enterprise is focused on reliability risks on a prospective basis to reduce the likelihood of a significant event. Evaluating internal controls while monitoring for compliance helps to assess the sustainability of the registered entity's compliance efforts.

**Compliance Committee Self-Assessment Results**

Ms. Case summarized the results of the Committee's self-assessment, provided as part of the agenda package, noting that overall the Committee is meeting or exceeding expectations.

The Committee questioned whether additional auditor training and accreditation requirements could address some of the issues with consistency.

**Reference Materials**

Ms. Case referred the Committee to the reference material.

**Adjournment**

There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,



Charles A. Berardesco  
Corporate Secretary

# Agenda

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400 West Broadway  
San Diego, CA 92101

Room Name: Emerald Ballroom (2nd floor)

### **Introduction and Chair's Remarks**

### **NERC Antitrust Compliance Guidelines**

### **Agenda Items**

- 1. Minutes\* – Approve**
  - a. November 1, 2016 Meeting
- 2. Follow-up Regarding Action Items from Prior Meeting – Discussion**
- 3. Compliance Monitoring and Enforcement Program Annual Report\* – Update**
  - a. Implementation of Critical Infrastructure Protection Version 5 Reliability Standards
- 4. Coordinated Oversight Program\* – Update**
- 5. Internal Controls Evaluation\* – Update**
- 6. Compliance Committee Self-Assessment Results\* – Review**
- 7. Reference Materials\* – Information**
  - a. Regional Consistency Reporting Tool
- 8. Adjournment**

\*Background materials included.