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NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Policy Input Regarding ERO Enterprise CMEP Program Alignment Efforts

Ken McIntyre, Vice President and Director of Standards and Compliance
Compliance Committee Meeting
November 8, 2017

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- The Electric Reliability Organization (ERO) Enterprise developed the Program Alignment process to address reported Compliance Monitoring Enforcement Program (CMEP) inconsistencies
- This process emphasizes:
 - Central reporting and tracking of issues by NERC
 - Triage of issues with the ability to leverage input from stakeholders
 - Providing transparency on the issues and recommendations
- The process went live in August 2017

- As structured, will the process be effective in capturing and resolving alignment issues in CMEP?
- Will the process provide the appropriate level of transparency to stakeholders?

- Strong support for the Program Alignment design
- Requests to evaluate effectiveness at mid- and end-year 2018
 - Continue with quarterly updates to NERC Board of Trustees
- Compliments other efforts such as the Standards Efficiency Review and Technical Rationale
- Continue outreach to industry and transparency efforts
 - NERC webinar October 31
 - Topics included at Regional Entity workshops in Q3 and Q4
 - Look for increased opportunities to engage stakeholders through the Compliance and Certification Committee or other means for input



Questions and Answers

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Critical Infrastructure Protection Activities

Tobias Whitney, Principal, Critical Infrastructure and Technology
Compliance Committee Meeting
November 8, 2017

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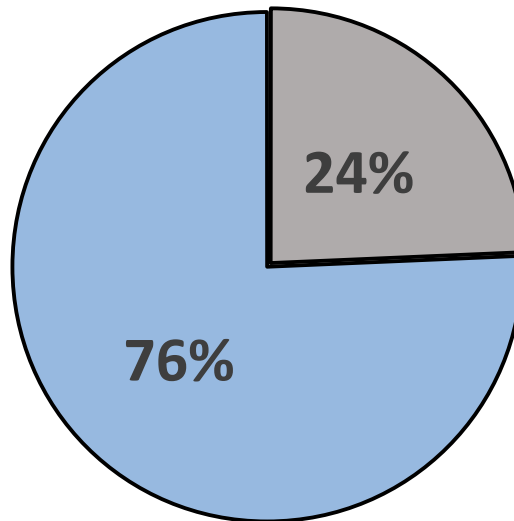
- Remote Access Filing
- CIP-014 High Impact Filing
- Technical Feasibility Exceptions Filing

- Filed with the Federal Energy Regulatory Commission (FERC) on June 30, 2017, in response to Order No. 822
- Published by FERC on October 13, 2017, mostly non-redacted
- Areas of Continued Focus identified with corresponding action items:
 - **Effective Mitigating Practices** – positive observations to be leveraged across industry
 - **Areas for Further Analysis** – perform research, guidance, or standards modifications
 - **Enhancement Opportunities** – encouraging the use of best practices to comply with the Critical Infrastructure Protection (CIP) standards
 - **Training and Awareness** – general training and outreach

- System-to-system security
- Security of remote user devices
- Use of managed security providers
- Continued focus on compliance performance

- Filed with FERC on October 2, 2017, in response to Order No. 822
- Addressed whether all High Impact Control Centers should apply CIP-014-2 physical security controls
- NERC, through its stakeholder process, will seek to further identify those High Impact Control Centers:
 - Have operational control of Bulk Electric System (BES) assets, and
 - If damaged, rendered inoperable, or seized as a result of a physical attack, could result in instability, uncontrolled separation, or Cascading in an Interconnection

Percentage of Control Centers Afforded Protection by CIP-014



- Primary "High Impact" Control Centers afforded protection by CIP-014
- All other "High Impact" Control Centers not afforded Protection by CIP-014

- Filed with FERC on September 28, 2017
- Assess the status and effectiveness of the Technical Feasibility Exception (TFE) program
- CIP Version 5 Standards reduce the need for TFEs
 - TFEs reduced from 4,323 in 2015 to 400 in 2017
- Next steps



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Compliance Monitoring and Enforcement Program Quarterly Report

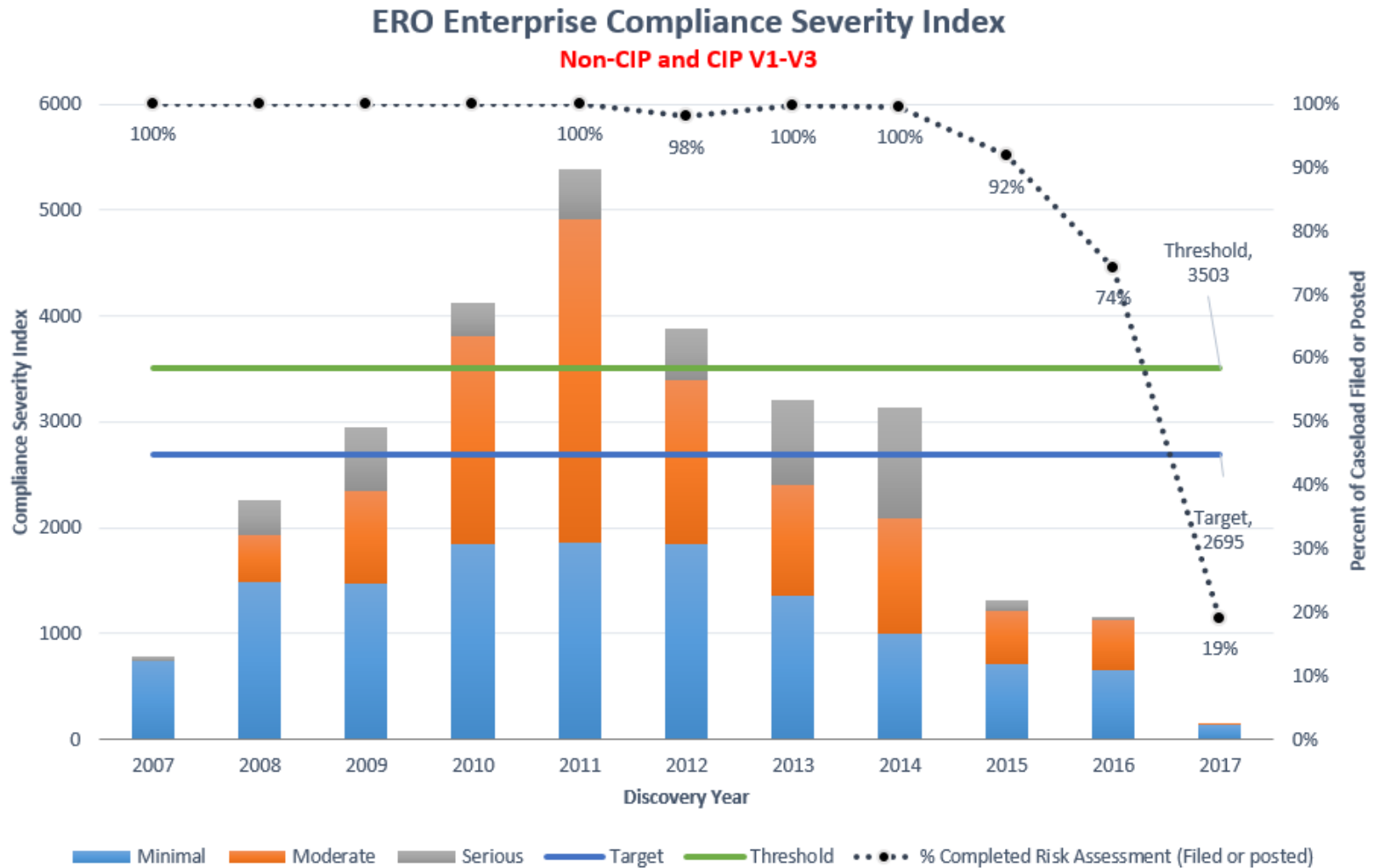
Q3 2017

Sonia Mendonça, Vice President, Deputy General Counsel, and Director of Enforcement
Andrea Koch, Senior Director of Reliability Assurance
Compliance Committee Meeting
November 8, 2017

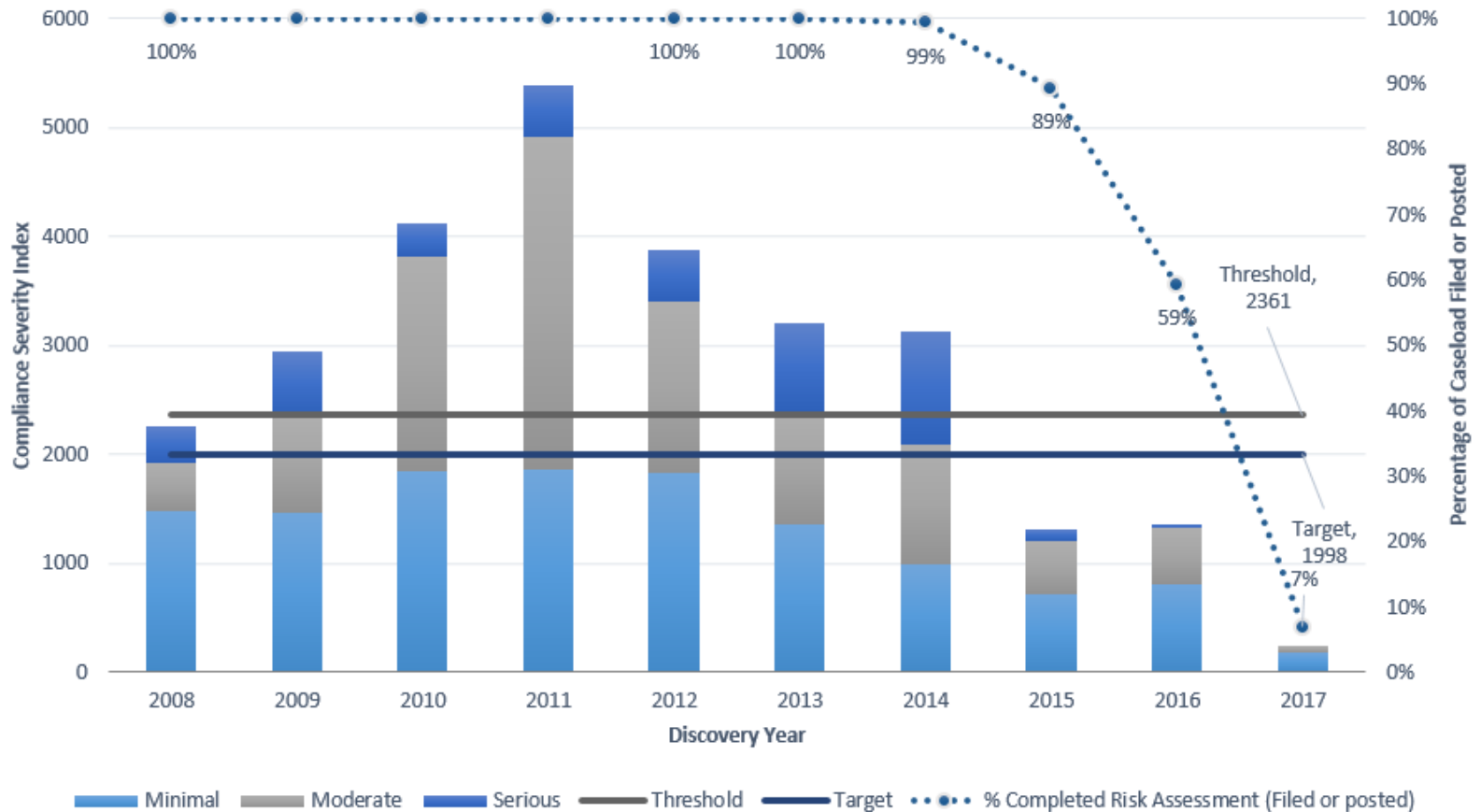
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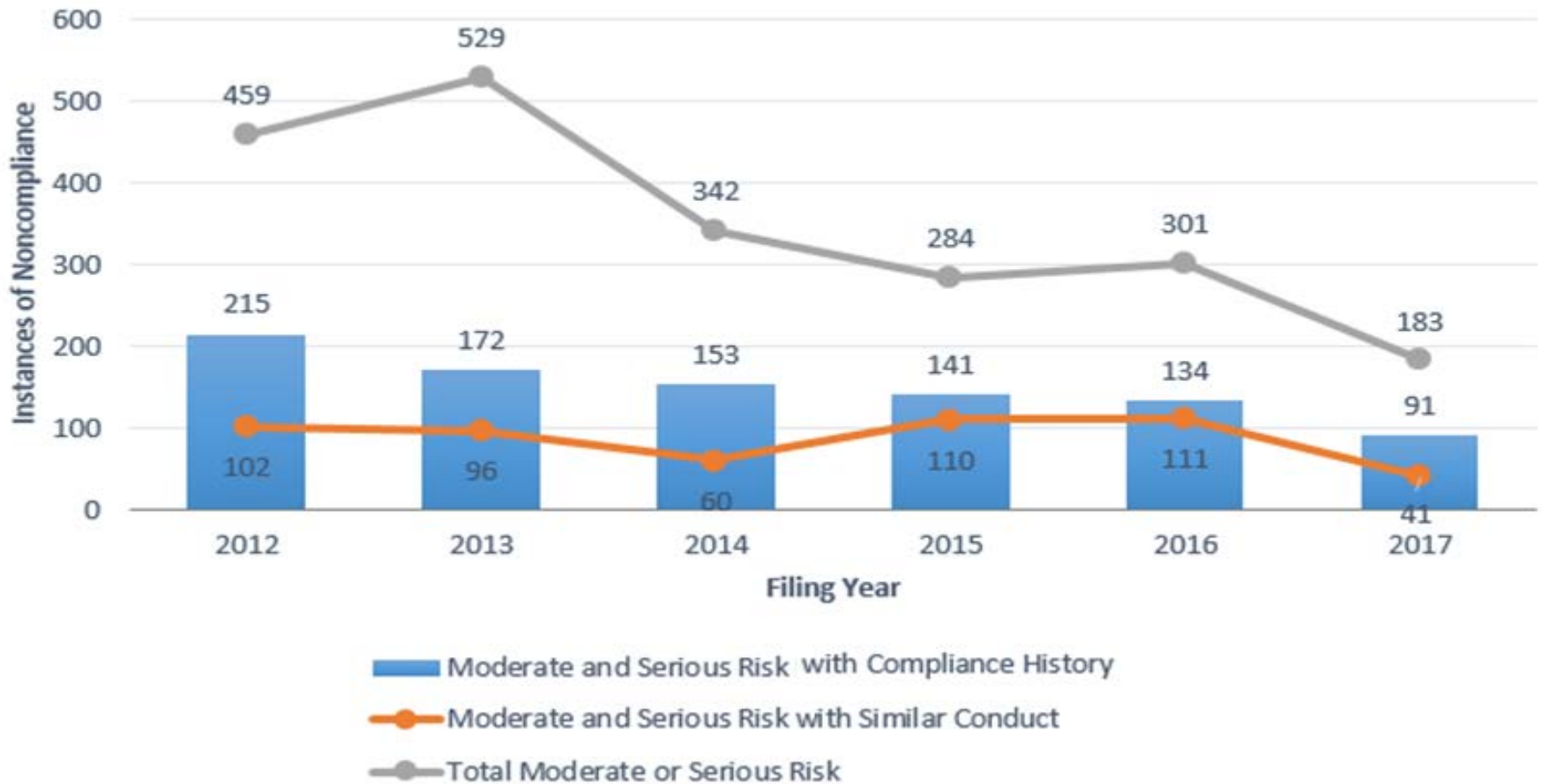
- CMEP Mitigation Process Review
 - CMEP Alignment Activity
 - Assessing the effectiveness of mitigation practices
 - Cause identification
 - Prevention of recurrence
 - Regional Entities (REs) submitted evidence documents in Q3 2017
 - Initial review completion expected in Q4 2017
- Consolidated Hearing Procedure update
 - Revised to include the appointment of an additional panel member
 - NERC awaiting further FERC feedback before posting publicly for comment



ERO Enterprise Compliance Severity Index
CIP Only (All Versions)



Compliance History for Moderate and Serious Risk Noncompliance



- Inherent Risk Assessment (IRA)
 - REs completed IRAs for 73 percent of all registered entities
 - IRAs are complete for all Reliability Coordinators, Balancing Authorities, and Transmission Operators
- Internal Controls
 - Enhanced Internal Controls Guide
 - Standardized approach for documenting reviews
 - Outreach

- 2018 CMEP Implementation Plan (IP)
 - Eight risk elements
 - Industry webinar conducted and CMEP IP posted in September
 - Regional IPs posted in November
- Coordinated Oversight
 - Multi-Region Registered Entity (MRRE) Participant Surveys
 - ERO Enterprise procedure for MRREs in Coordinated Oversight

- Implementation Guidance
 - 19 Endorsed, 8 Non-endorsed, 1 Retired, and 7 Open
- Pre-qualified Organizations training
- Legacy guidance documents



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