

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Compliance Monitoring and Enforcement Program

Ken McIntyre, Vice President of Standards and Compliance

Sonia Mendonça, Vice President of Enforcement, Deputy General Counsel

Compliance Committee Meeting

November 1, 2016

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- **Average Age of Noncompliance**
 - Decrease in the average age of noncompliance (under nine months)
- **Mitigation Completion**
 - Mitigation of noncompliance discovered in 2014 and before is over 99% complete
- **Internal and External Discovery**
 - Over 90% of the noncompliance discovered in the third quarter of 2016 was self-identified by registered entities

- Compliance Exception Analysis
 - Analysis of 630 Compliance Exceptions posted in 2014/2015
 - Four themes discovered:
 - Minor mistakes when implementing programs rather than widespread failures;
 - Discovered through internal review processes;
 - Repeat noncompliance did not result from failures in prior mitigation; and
 - Training and procedures were largely adequate.
- Annual Report on Find, Fix, Track, and Report and Compliance Exceptions Filing

- **New Noncompliance Discovered**
 - Increase in new noncompliance discovered in the third quarter of 2016 due to new standards in effect
 - CIP V5 / MOD-025-2 / PRC-019-2 / PRC-024-2
- **Vegetation Management**
 - No Category 1B outages (grow-ins) in 2016
 - 17 Category 3 outages (fall-ins from outside of the right-of-way) in 2016
 - 16 involved severe weather conditions
 - 14 involved healthy trees

- 2017 Electric Reliability Organization (ERO) Enterprise Compliance Monitoring and Enforcement Program (CMEP) Implementation Plan
- Inherent Risk Assessment (IRA) completion update
- ERO Enterprise IRA guide review completed

- Collaborative self-assessment activity
 - Participation by NERC and all eight Regional Entities
 - Reviewed IRA process for consistency and alignment opportunities
 - Focus on Entity specific approach
- Developed 18 common risk factors
 - Measurable based on Entity's characteristics
 - All risk factors are associated with Reliability Standards
- Renamed “ERO Enterprise Guide for Compliance Monitoring”
 - Implementation of updated process in 2017

- Entity performance data
- Compliance history
- Professional judgment and knowledge of the entity
- Consideration of entity's Internal Controls

- Current activities
 - ERO Enterprise guide updates
 - Templates and tools
 - NERC oversight
 - Industry feedback (e.g. Regional Consistency Reporting Tool)
- Looking ahead 2017
 - Focus on Compliance Oversight Plans



Questions and Answers

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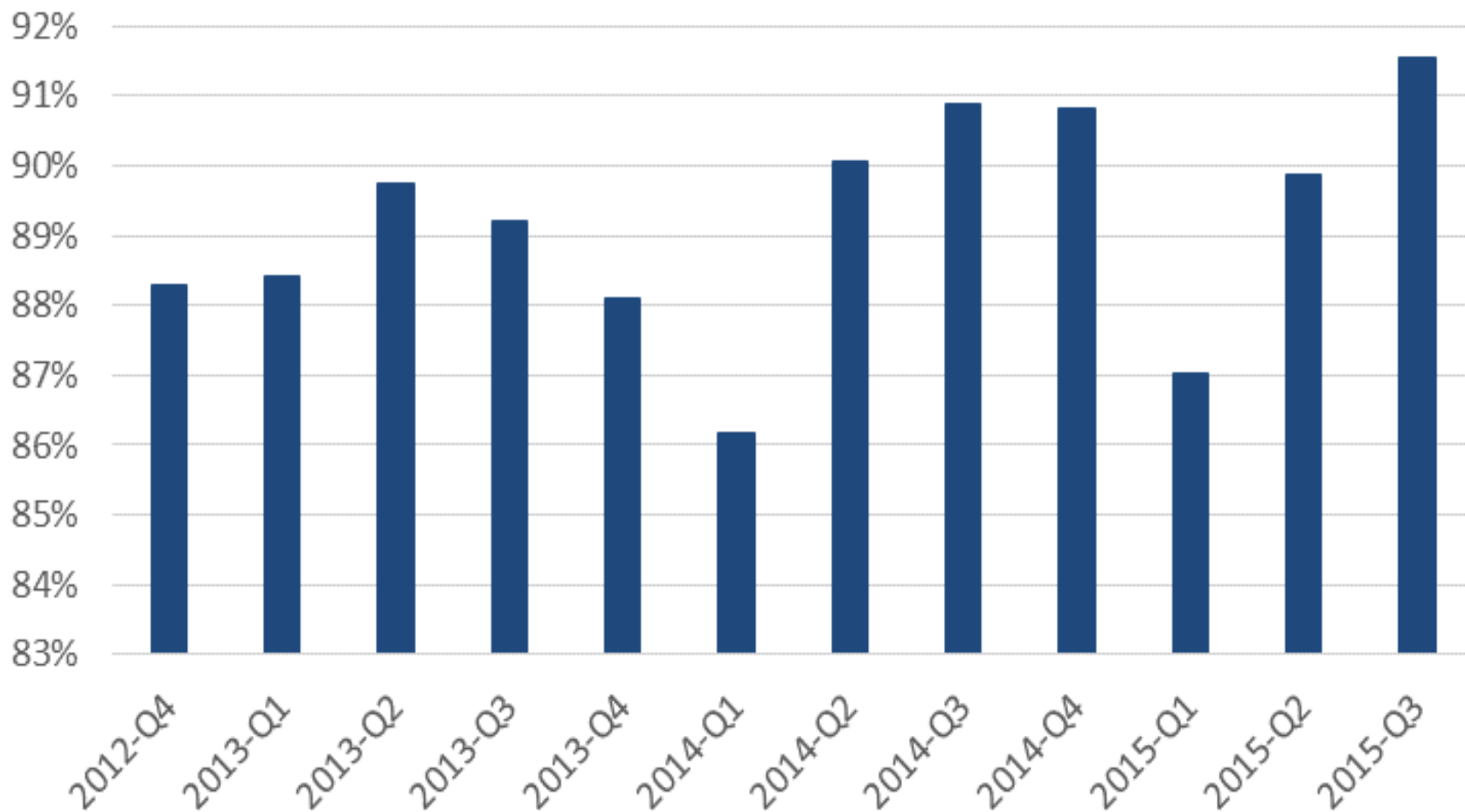
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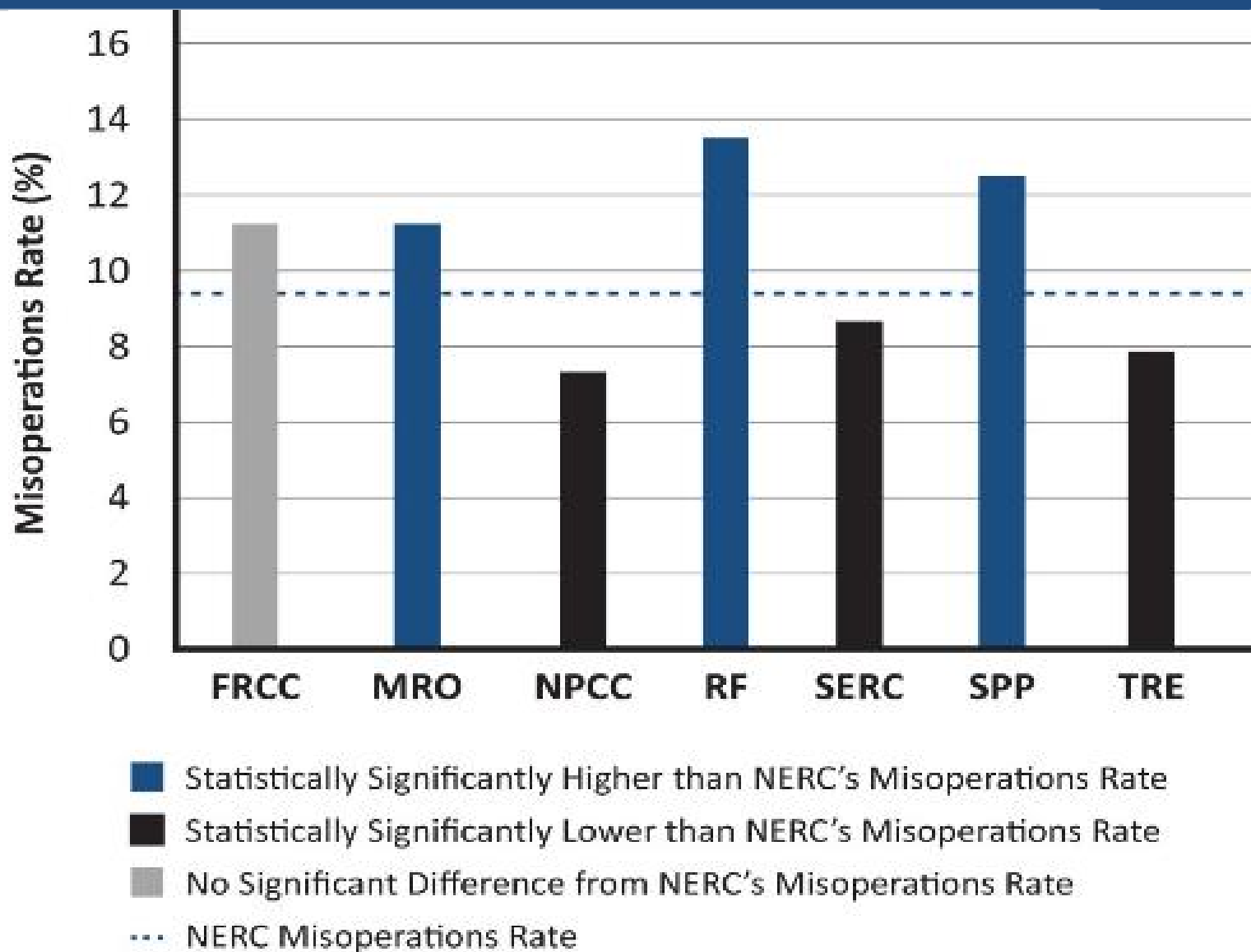
Misoperations Update

James Merlo, Vice President, Reliability Risk Management
Compliance Committee Meeting
November 1, 2016

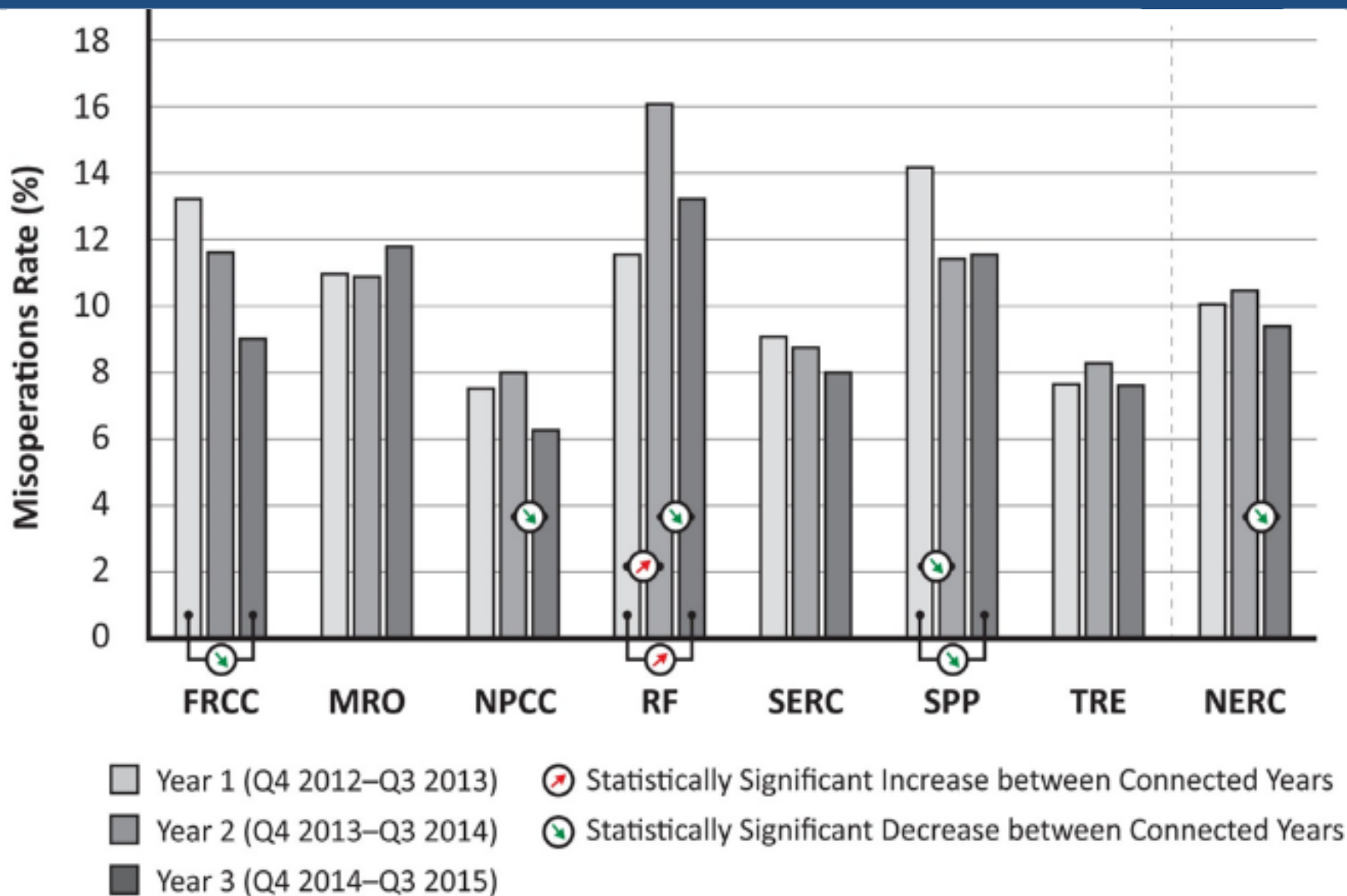
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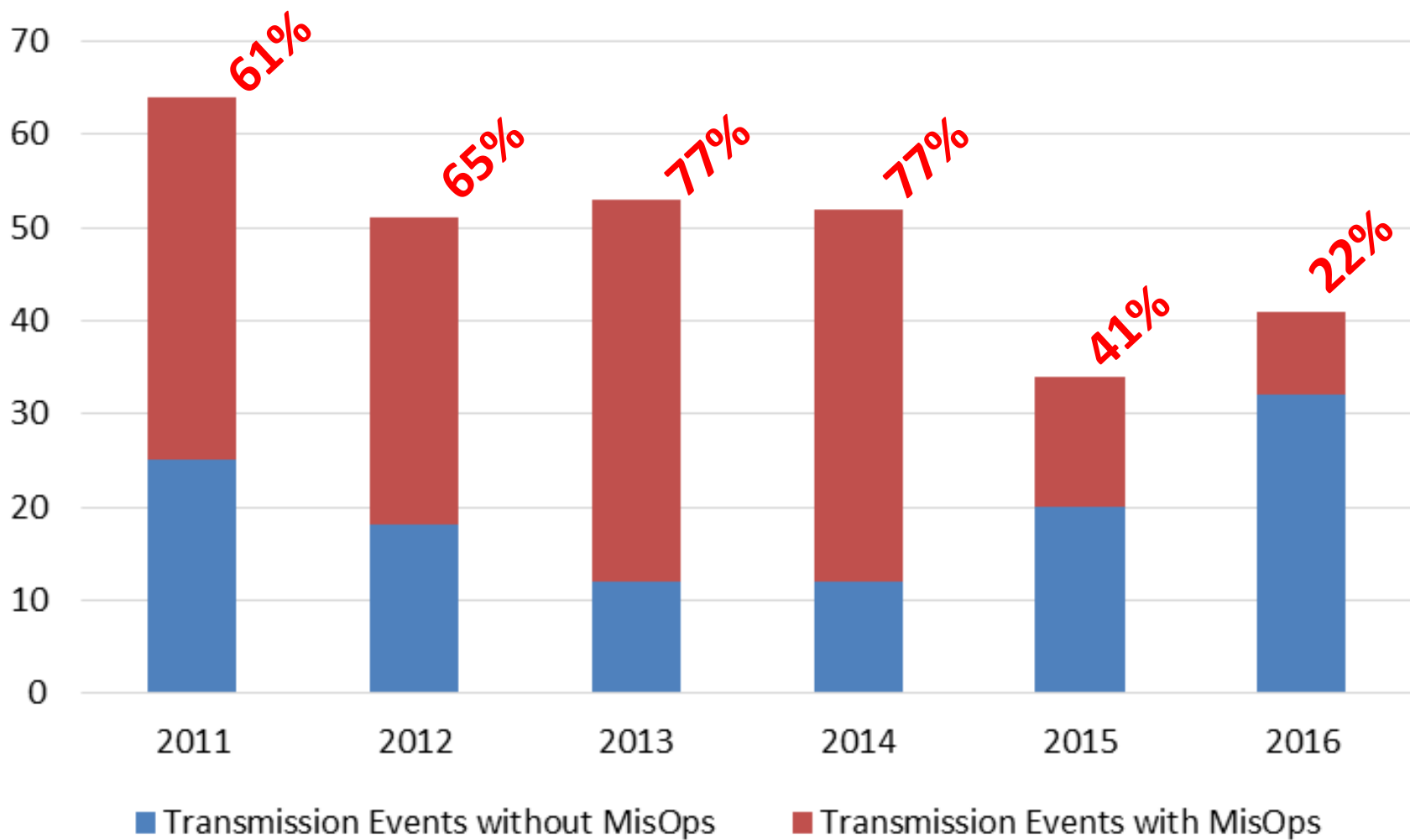


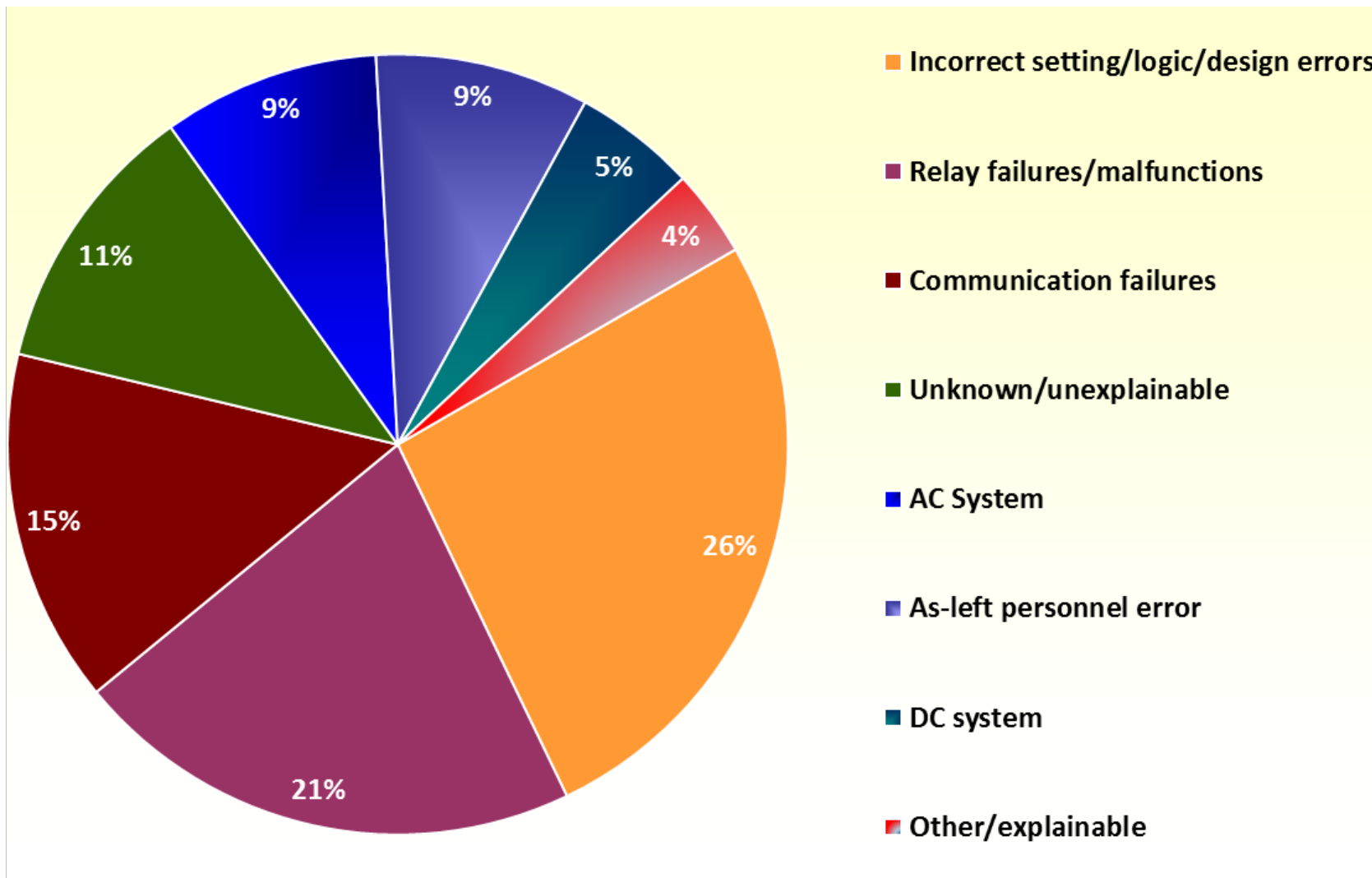




Misoperations Rates are Lowering







- Misoperations merit continued focus
- Standardized collection process
- Regional outreach and collaboration
- Lessons Learned are providing stakeholder value



Questions and Answers

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Compliance Guidance Update

Ken McIntyre, Vice President of Standards and Compliance
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- Background
- Compliance Guidance
- Website
- Next Steps

- Compliance Guidance Policy approved by Board of Trustees November 2015
 - Implementation Guidance, which provides examples for implementing a standard; and
 - Compliance Monitoring Enforcement Program (CMEP) Practice Guides, which provide direction to Electric Reliability Organization (ERO) Enterprise CMEP staff on approaches to carry out compliance monitoring and enforcement activities.
- Created Compliance Guidance website in March 2016
- Developed ERO Enterprise process for endorsement of proposed Implementation Guidance in March 2016

- Implementation Guidance Update
 - 23 submitted
 - 10 received endorsement in May 2016
 - 13 pending endorsement
- CMEP Practice Guide Update
 - ERO Enterprise CMEP Practice Guide: Deference for Implementation Guidance (posted May 2016)

- Compliance Guidance Policy
- Pre-qualified Organization List
- How to Become a Pre-qualified Organization
 - Reference CCCPP-011-1
- Directions for submitting proposed Implementation Guidance
- Pre-qualified organization application
- U.S. Standards One-stop-shop
- ‘Inactive Reliability Standards’ added to website

- Continue ERO Enterprise review of submittals
- Develop guidelines for drafting future Implementation Guidance
- Outreach on how to develop and submit Implementation Guidance



Questions and Answers