

# Violation Risk Factor and Violation Severity Level Justifications

## FAC-014-3 Establish and Communicate System Operating Limits

This document provides the standard drafting team's (SDT's) justification for assignment of violation risk factors (VRFs) and violation severity levels (VSLs) for each requirement in Reliability Standard FAC-014-3 Establish and Communicate System Operating Limits (SOLs). Each requirement is assigned a VRF and a VSL. These elements support the determination of an initial value range for the Base Penalty Amount regarding violations of requirements in FERC-approved Reliability Standards, as defined in the Electric Reliability Organizations Sanction Guidelines. The SDT applied the following NERC criteria and FERC Guidelines when developing the VRFs and VSLs for the requirements.

### **NERC Criteria for Violation Risk Factors**

#### **High Risk Requirement**

A requirement that, if violated, could directly cause or contribute to Bulk Electric System instability, separation, or a cascading sequence of failures, or could place the Bulk Electric System at an unacceptable risk of instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to Bulk Electric System instability, separation, or a cascading sequence of failures, or could place the Bulk Electric System at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.

#### **Medium Risk Requirement**

A requirement that, if violated, could directly affect the electrical state or the capability of the Bulk Electric System, or the ability to effectively monitor and control the Bulk Electric System. However, violation of a medium risk requirement is unlikely to lead to Bulk Electric System instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly and adversely affect the electrical state or capability of the Bulk Electric System, or the ability to effectively monitor, control, or restore the Bulk Electric System. However, violation of a medium risk requirement is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to Bulk Electric System instability, separation, or cascading failures, nor to hinder restoration to a normal condition.

### Lower Risk Requirement

A requirement that is administrative in nature and a requirement that, if violated, would not be expected to adversely affect the electrical state or capability of the Bulk Electric System, or the ability to effectively monitor and control the Bulk Electric System; or, a requirement that is administrative in nature and a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to adversely affect the electrical state or capability of the Bulk Electric System, or the ability to effectively monitor, control, or restore the Bulk Electric System.

## FERC Guidelines for Violation Risk Factors

### Guideline (1) – Consistency with the Conclusions of the Final Blackout Report

FERC seeks to ensure that VRFs assigned to Requirements of Reliability Standards in these identified areas appropriately reflect their historical critical impact on the reliability of the Bulk-Power System. In the VSL Order, FERC listed critical areas (from the Final Blackout Report) where violations could severely affect the reliability of the Bulk-Power System:

- Emergency operations
- Vegetation management
- Operator personnel training
- Protection systems and their coordination
- Operating tools and backup facilities
- Reactive power and voltage control
- System modeling and data exchange
- Communication protocol and facilities
- Requirements to determine equipment ratings
- Synchronized data recorders
- Clearer criteria for operationally critical facilities
- Appropriate use of transmission loading relief.

**Guideline (2) – Consistency within a Reliability Standard**

FERC expects a rational connection between the sub-Requirement VRF assignments and the main Requirement VRF assignment.

**Guideline (3) – Consistency among Reliability Standards**

FERC expects the assignment of VRFs corresponding to Requirements that address similar reliability goals in different Reliability Standards would be treated comparably.

**Guideline (4) – Consistency with NERC’s Definition of the Violation Risk Factor Level**

Guideline (4) was developed to evaluate whether the assignment of a particular VRF level conforms to NERC’s definition of that risk level.

**Guideline (5) – Treatment of Requirements that Co-mingle More Than One Obligation**

Where a single Requirement co-mingles a higher risk reliability objective and a lesser risk reliability objective, the VRF assignment for such Requirements must not be watered down to reflect the lower risk level associated with the less important objective of the Reliability Standard.

## NERC Criteria for Violation Severity Levels

VSLs define the degree to which compliance with a requirement was not achieved. Each requirement must have at least one VSL. While it is preferable to have four VSLs for each requirement, some requirements do not have multiple “degrees” of noncompliant performance and may have only one, two, or three VSLs.

VSLs should be based on NERC’s overarching criteria shown in the table below:

Lower VSL	Moderate VSL	High VSL	Severe VSL
The performance or product measured almost meets the full intent of the requirement.	The performance or product measured meets the majority of the intent of the requirement.	The performance or product measured does not meet the majority of the intent of the requirement, but does meet some of the intent.	The performance or product measured does not substantively meet the intent of the requirement.

## FERC Order of Violation Severity Levels

The FERC VSL guidelines are presented below, followed by an analysis of whether the VSLs proposed for each requirement in the standard meet the FERC Guidelines for assessing VSLs:

### Guideline (1) – Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance

Compare the VSLs to any prior levels of non-compliance and avoid significant changes that may encourage a lower level of compliance than was required when levels of non-compliance were used.

### Guideline (2) – Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties

A violation of a “binary” type requirement must be a “Severe” VSL.

Do not use ambiguous terms such as “minor” and “significant” to describe noncompliant performance.

### Guideline (3) – Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement

VSLs should not expand on what is required in the requirement.

**Guideline (4) – Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations**

Unless otherwise stated in the requirement, each instance of non-compliance with a requirement is a separate violation. Section 4 of the Sanction Guidelines states that assessing penalties on a per violation per day basis is the “default” for penalty calculations.

VRF Justifications for FAC-014-3 Requirement R1	
Proposed VRF	High
<b>FERC VRF G1 Discussion</b> Guideline 1- Consistency with Blackout Report	The VRF is consistent with the conclusions of the final Blackout Report.
<b>FERC VRF G2 Discussion</b> Guideline 2- Consistency within a Reliability Standard	The requirement has no sub-requirements so a single VRF was assigned.
<b>FERC VRF G3 Discussion</b> Guideline 3- Consistency among Reliability Standards	A VRF of high for this requirement is consistent with approved Reliability Standard TPL-001-4 which requires development of operating conditions through the use of system models.
<b>FERC VRF G4 Discussion</b> Guideline 4- Consistency with NERC Definitions of VRFs	Failing to correctly identify an IROL could directly cause or contribute to Bulk Electric System (BES) instability, separation, or a cascading sequence of failures, or could place the BES at an unacceptable risk of instability, separation, or cascading failures.
<b>FERC VRF G5 Discussion</b> Guideline 5- Treatment of Requirements that Co-mingle More than One Obligation	The requirement contains one objective, therefore a single VRF is assigned.

VSLs for FAC-014-3, Requirement R1

Lower	Moderate	High	Severe
N/A	N/A	N/A	<p>The Reliability Coordinator <u>failed</u> <del>to</del><u>did not</u> establish Interconnection Reliability Operating Limits (IROLs) for its Reliability Coordinator Area in accordance with its System Operating Limit Methodology (“SOL Methodology”) as established in FAC-011-4.</p>

**VSL Justifications for FAC-014-3, Requirement R1**

<p><b>FERC VSL G1</b> Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>The requirement does not have elements or quantities to evaluate degrees of compliance. The requirement is binary and therefore a VSL of Severe is assigned for non-compliance.</p>
<p><b>FERC VSL G2</b> Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties  <u>Guideline 2a</u>: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent  <u>Guideline 2b</u>: Violation Severity Level Assignments that Contain Ambiguous Language</p>	<p>The requirement does not have elements or quantities to evaluate degrees of compliance. The requirement is binary and therefore a VSL of Severe is assigned for non-compliance.</p> <p>The requirement is clear and does not contain any ambiguous language.</p>
<p><b>FERC VSL G3</b> Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>The proposed VSL is worded consistently with the corresponding requirement.</p>

<p><b>FERC VSL G4</b></p> <p>Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations</p>	<p>The proposed VSL is not based on a cumulative number of violations.</p>
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## VRF Justifications for FAC-014-3 Requirement R2

Proposed VRF

Medium

This reliability objective of Requirement R2 from approved Reliability Standard FAC-014-2 is now Requirement R2 of proposed Reliability Standard FAC-014-3. Therefore, the existing VRF of medium was maintained for consistency.

VSLs for FAC-014-3, Requirement R2

Lower	Moderate	High	Severe
N/A	N/A	N/A	The Transmission Operator <del>failed to</del> <sup>did not</sup> establish SOLs for its portion of the Reliability Coordinator Area in accordance with its Reliability Coordinator’s SOL Methodology.

VSL Justifications for FAC-014-3, Requirement R2

<p><b>FERC VSL G1</b> Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>The requirement does not have elements or quantities to evaluate degrees of compliance. The requirement is binary and therefore a VSL of Severe is assigned for non-compliance.</p>
<p><b>FERC VSL G2</b> Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties  <u>Guideline 2a</u>: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent  <u>Guideline 2b</u>: Violation Severity Level Assignments that Contain Ambiguous Language</p>	<p>The requirement does not have elements or quantities to evaluate degrees of compliance. The requirement is binary and therefore a VSL of Severe is assigned for non-compliance.</p> <p>The requirement is clear and does not contain any ambiguous language.</p>
<p><b>FERC VSL G3</b> Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>The proposed VSL is worded consistently with the corresponding requirement.</p>

<p><b>FERC VSL G4</b></p> <p>Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations</p>	<p>The proposed VSL is not based on a cumulative number of violations.</p>
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## VRF Justifications for FAC-014-3 Requirement R3

Proposed VRF

Medium

This reliability objective of Requirement R5, R5.2 from approved Reliability Standard FAC-014-2 is now Requirement R3 of proposed Reliability Standard FAC-014-3. Therefore, the existing VRF of medium was maintained for consistency.

VSLs for FAC-014-3, Requirement R3

Lower	Moderate	High	Severe
N/A	N/A	The Transmission Operator provided its SOLs to its Reliability Coordinator, but <del>failed to</del> provide its SOLs at the periodicity at which the RC needs such information to perform its reliability functions.	The Transmission Operator <del>failed to</del> provide its SOLs to its Reliability Coordinator.

VSL Justifications for FAC-014-3, Requirement R3

<p><b>FERC VSL G1</b> Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>The requirement maps to the previously approved Requirement R5, R5.2 of FAC-014-2. Therefore, the proposed VSLs do not have the unintended consequence of lowering compliance.</p>
<p><b>FERC VSL G2</b> Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties  <u>Guideline 2a</u>: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent  <u>Guideline 2b</u>: Violation Severity Level Assignments that Contain Ambiguous Language</p>	<p>The proposed VSLs are not binary and do not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations.</p>
<p><b>FERC VSL G3</b> Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>The proposed VSL is worded consistently with the corresponding requirement.</p>

<p><b>FERC VSL G4</b> Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations</p>	<p>The proposed VSL is not based on a cumulative number of violations.</p>
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VRF Justifications for FAC-014-3 Requirement R4

Proposed VRF	High
<p><b>FERC VRF G1 Discussion</b> Guideline 1- Consistency with Blackout Report</p>	<p>The VRF is consistent with the conclusions of the final Blackout Report.</p>
<p><b>FERC VRF G2 Discussion</b> Guideline 2- Consistency within a Reliability Standard</p>	<p>The requirement has no sub-requirements so a single VRF was assigned.</p>
<p><b>FERC VRF G3 Discussion</b> Guideline 3- Consistency among Reliability Standards</p>	<p>A VRF of high for this requirement is consistent with approved Reliability Standard TPL-001-4 which requires development of operating conditions through the use of system models.</p>
<p><b>FERC VRF G4 Discussion</b> Guideline 4- Consistency with NERC Definitions of VRFs</p>	<p>The establishment of incorrect stability limits could directly cause or contribute to BES instability, separation, or a cascading sequence of failures, or could place the BES at an unacceptable risk of instability, separation, or cascading failures.</p>
<p><b>FERC VRF G5 Discussion</b> Guideline 5- Treatment of Requirements that Co-mingle More than One Obligation</p>	<p>The requirement contains one objective, therefore a single VRF is assigned.</p>

VSLs for FAC-014-3, Requirement R4

Lower	Moderate	High	Severe
N/A	N/A	N/A	The Reliability Coordinator <u>failed to</u> <del>did not</del> determine stability limits to be used in operations when the limit impacts more than one Transmission Operator in its Reliability Coordinator Area in accordance with its SOL Methodology.

VSL Justifications for FAC-014-3, Requirement R4

<p><b>FERC VSL G1</b> Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>The requirement does not have elements or quantities to evaluate degrees of compliance. The requirement is binary and therefore a VSL of Severe is assigned for non-compliance.</p>
<p><b>FERC VSL G2</b> Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties  <u>Guideline 2a</u>: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent  <u>Guideline 2b</u>: Violation Severity Level Assignments that Contain Ambiguous Language</p>	<p>The requirement does not have elements or quantities to evaluate degrees of compliance. The requirement is binary and therefore a VSL of Severe is assigned for non-compliance.</p> <p>The requirement is clear and does not contain any ambiguous language.</p>
<p><b>FERC VSL G3</b> Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>The proposed VSL is worded consistently with the corresponding requirement.</p>

<p><b>FERC VSL G4</b></p> <p>Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations</p>	<p>The proposed VSL is not based on a cumulative number of violations.</p>
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## VRF Justifications for FAC-014-3 Requirement R5

Proposed VRF

High

This reliability objective of Requirement R5 and Requirement R5, R5.1 from approved Reliability Standard FAC-014-2 is now Requirement R5 of proposed Reliability Standard FAC-014-3. Therefore, the existing VRF of high was maintained for consistency.

VSLs for FAC-014-3, Requirement R5

Lower	Moderate	High	Severe
The Reliability Coordinator did not provide one of the items listed in Requirement R5 Parts 5.1 through 5.65.	The Reliability Coordinator did not provide two of the items listed in Requirement R5 Parts 5.1 through 5.65.	The Reliability Coordinator did not provide three of the items listed in Requirement R5 Parts 5.1 through 5.65.	The Reliability Coordinator did not provide four or more of the items listed in Parts 5.1 through 5.65.

**VSL Justifications for FAC-014-3, Requirement R5**

<p><b>FERC VSL G1</b> Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>The requirement maps to the previously approved Requirement R5, sub-requirement R5.1. Therefore, the proposed VSLs do not have the unintended consequence of lowering compliance.</p>
<p><b>FERC VSL G2</b> Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties  <u>Guideline 2a:</u> The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent  <u>Guideline 2b:</u> Violation Severity Level Assignments that Contain Ambiguous Language</p>	<p>The proposed VSLs are not binary and do not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations.</p>
<p><b>FERC VSL G3</b> Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>The proposed VSL is worded consistently with the corresponding requirement.</p>

<p><b>FERC VSL G4</b> Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations</p>	<p>The proposed VSL is not based on a cumulative number of violations.</p>
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**VRF Justifications for FAC-014-3 Requirement R6****Proposed VRF****High**

~~This reliability objective of Requirement R5, R5.1 from approved Reliability Standard FAC-014-2 is now Requirement R6 of proposed Reliability Standard FAC-014-3. Therefore, the existing VRF of high was maintained for consistency.~~

VSLs for FAC-014-3, Requirement R6

Lower	Moderate	High	Severe
N/A	N/A	N/A	The Reliability Coordinator with an established IROL, or the Reliability Coordinator impacted by a neighboring Reliability Coordinator IROL, did not provide Transmission Owners or Generation Owners within its Reliability Coordinator Area a list of Facilities owned by that entity that are critical to the derivation of the IROL.

VSL Justifications for FAC-014-3, Requirement R6

<p><b>FERC-VSL-G1</b> Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>The requirement does not have elements or quantities to evaluate degrees of compliance. The requirement is binary and therefore a VSL of Severe is assigned for non-compliance.</p>
<p><b>FERC-VSL-G2</b> Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties  <u>Guideline 2a:</u> The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent  <u>Guideline 2b:</u> Violation Severity Level Assignments that Contain Ambiguous Language</p>	<p>The requirement does not have elements or quantities to evaluate degrees of compliance. The requirement is binary and therefore a VSL of Severe is assigned for non-compliance.</p> <p>The requirement is clear and does not contain any ambiguous language.</p>
<p><b>FERC-VSL-G3</b> Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>The proposed VSL is worded consistently with the corresponding requirement.</p>

<p><b>FERC VSL G4</b></p> <p><del>Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations</del></p>	<p><del>The proposed VSL is not based on a cumulative number of violations.</del></p>
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VRF Justifications for FAC-014-3 Requirement R6

<u>Proposed VRF</u>	<u>High</u>
<u>FERC VRF G1 Discussion</u> <u>Guideline 1- Consistency with Blackout Report</u>	<u>The VRF is consistent with the conclusions of the final Blackout Report.</u>
<u>FERC VRF G2 Discussion</u> <u>Guideline 2- Consistency within a Reliability Standard</u>	<u>The requirement has no sub-requirements so a single VRF was assigned.</u>
<u>FERC VRF G3 Discussion</u> <u>Guideline 3- Consistency among Reliability Standards</u>	<u>A VRF of high for this requirement is consistent with approved Reliability Standard FAC-011-2 Requirement R2 which requires a minimum level of performance.</u>
<u>FERC VRF G4 Discussion</u> <u>Guideline 4- Consistency with NERC Definitions of VRFs</u>	<u>Failing to use Bulk Electric System performance criteria in its OPAs, RTAs, and Real-time monitoring could directly cause or contribute to Bulk Electric System (BES) instability, separation, or a cascading sequence of failures, or could place the BES at an unacceptable risk of instability, separation, or cascading failures.</u>
<u>FERC VRF G5 Discussion</u> <u>Guideline 5- Treatment of Requirements that Co-mingle More than One Obligation</u>	<u>The requirement contains one objective, therefore a single VRF is assigned.</u>

VSLs for FAC-014-3, Requirement R6

<u>Lower</u>	<u>Moderate</u>	<u>High</u>	<u>Severe</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>A Transmission Operator or Reliability Coordinator failed to use the Bulk Electric System performance criteria specified in the Reliability Coordinator’s SOL Methodology.</u>

**VSL Justifications for FAC-014-3, Requirement R6**

<p><b><u>FERC VSL G1</u></b>  <u>Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</u></p>	<p><u>The requirement does not have elements or quantities to evaluate degrees of compliance. The requirement is binary and therefore a VSL of Severe is assigned for non-compliance.</u></p>
<p><b><u>FERC VSL G2</u></b>  <u>Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties</u>   <u>Guideline 2a: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent</u>   <u>Guideline 2b: Violation Severity Level Assignments that Contain Ambiguous Language</u></p>	<p><u>The requirement does not have elements or quantities to evaluate degrees of compliance. The requirement is binary and therefore a VSL of Severe is assigned for non-compliance.</u></p> <p><u>The requirement is clear and does not contain any ambiguous language.</u></p>
<p><b><u>FERC VSL G3</u></b>  <u>Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</u></p>	<p><u>The proposed VSL is worded consistently with the corresponding requirement.</u></p>

**FERC VSL G4**

Violation Severity Level  
Assignment Should Be Based  
on A Single Violation, Not on  
A Cumulative Number of  
Violations

The proposed VSL is not based on a cumulative number of violations.