

## **Violation Risk Factor and Violation Severity Level Assignments**

This document provides the drafting team's justification for assignment of violation risk factors (VRFs) and violation severity levels (VSLs) for each requirement in COM-002-3 — Communications and Coordination.

Each primary requirement is assigned a VRF and a set of one or more VSLs. 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 ERO Sanction Guidelines.

### **Justification for Assignment of Violation Risk Factors in COM-002-3:**

The SDT applied the following NERC criteria when proposing VRFs for the requirements in COM-001-2:

#### ***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. A planning requirement that is administrative in nature.

The SDT also considered consistency with the FERC Violation Risk Factor Guidelines for setting VRFs:<sup>1</sup>

**Guideline (1) — Consistency with the Conclusions of the Final Blackout Report**

The Commission seeks to ensure that Violation Risk Factors 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:<sup>2</sup>

- 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**

The Commission expects a rational connection between the sub-Requirement Violation Risk Factor assignments and the main Requirement Violation Risk Factor assignment.

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

The Commission expects the assignment of Violation Risk Factors 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**

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<sup>1</sup> North American Electric Reliability Corp., 119 FERC ¶ 61,145, order on reh’g and compliance filing, 120 FERC ¶ 61,145 (2007) (“VRF Rehearing Order”).

<sup>2</sup> Id. at footnote 15.

Guideline (4) was developed to evaluate whether the assignment of a particular Violation Risk Factor 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.

The following discussion addresses how the SDT considered FERC's VRF Guidelines 2 through 5. The team did not address Guideline 1 directly because of an apparent conflict between Guidelines 1 and 4. Whereas Guideline 1 identifies a list of topics that encompass nearly all topics within NERC's Reliability Standards and implies that these requirements should be assigned a "High" VRF, Guideline 4 directs assignment of VRFs based on the impact of a specific requirement to the reliability of the system. The SDT believes that Guideline 4 is reflective of the intent of VRFs in the first instance and therefore concentrated its approach on the reliability impact of the requirements.

There are three requirements in COM-002-3 and all a "High" VRF.

**VRF for COM-002-3, Requirement R1:**

- FERC's Guideline 2 — Consistency within a Reliability Standard. The requirement has no sub-requirements so only one VRF was assigned. Therefore, there is no conflict.
- FERC's Guideline 3 — Consistency among Reliability Standards. The requirements (R1-R3) of COM-002-3 replace the existing COM-002-2, R2 which states:

Each Reliability Coordinator, Transmission Operator, and Balancing Authority shall issue directives in a clear, concise, and definitive manner; shall ensure the recipient of the directive repeats the information back correctly; and shall acknowledge the response as correct or repeat the original statement to resolve any misunderstandings.

As the proposed requirements address Emergency conditions only, there is a need for the communication to address the urgency of the situation. The approved COM-002-2, R2 VRF is Medium. Therefore it is appropriate that R1 be assigned a High VRF.

- FERC's Guideline 4 — Consistency with NERC's Definition of a VRF. This is a communication requirement whereby the Reliability Coordinator announces that the actions to follow are Reliability Directive and action is expected by the recipient to an emergency. If the Reliability coordinator does not identify the action as a Reliability Directive, then the recipient may not understand the urgency of the situation a fail to act appropriately. This could lead to bulk power system instability, separation, or cascading. Therefore, this requirement is assigned a High VRF.

- FERC’s Guideline 5 — Treatment of Requirements that Co-mingle More Than One Objective. COM-002-3, Requirement R1 contains only one objective, therefore only one VRF was assigned.

**VRF for COM-002-3, Requirement R2:**

- FERC’s Guideline 2 — Consistency within a Reliability Standard. The requirement has no sub-requirements; only one VRF was assigned so there is no conflict.
- FERC’s Guideline 3 — Consistency among Reliability Standards. The requirements (R1-R3) of COM-002-3 replace the existing COM-002-2, R2 which states:

Each Reliability Coordinator, Transmission Operator, and Balancing Authority shall issue directives in a clear, concise, and definitive manner; shall ensure the recipient of the directive repeats the information back correctly; and shall acknowledge the response as correct or repeat the original statement to resolve any misunderstandings.

As the proposed requirements address Emergency conditions only, there is a need for the communication to address the urgency of the situation. The approved COM-002-2, R2 VRF is Medium. Therefore it is appropriate that R1 be assigned a High VRF.

- FERC’s Guideline 4 — Consistency with NERC’s Definition of a VRF. This is a communication requirement whereby the recipient of a Reliability Directive must repeat the intent of the Reliability Directive and the actions expected by the recipient to address an emergency. If the recipient does not repeat the intent of the Reliability Directive, then the actions to address the Emergency may not be what the Reliability Coordinator expects and requires. This could lead to bulk power system instability, separation, or cascading. Therefore, this requirement is assigned a High VRF.
- FERC’s Guideline 5 — Treatment of Requirements that Co-mingle More Than One Objective. COM-002-3, Requirement R2 contains only one objective, therefore only one VRF was assigned.

**VRF for COM-002-3, Requirement R3:**

- FERC’s Guideline 2 — Consistency within a Reliability Standard. The requirement has no sub-requirements; only one VRF was assigned so there is no conflict.
- FERC’s Guideline 3 — Consistency among Reliability Standards. The requirements (R1-R3) of COM-002-3 replace the existing COM-002-2, R2 which states:

Each Reliability Coordinator, Transmission Operator, and Balancing Authority shall issue directives in a clear, concise, and definitive manner; shall ensure the recipient of the directive repeats the information back correctly; and shall acknowledge the response as correct or repeat the original statement to resolve any misunderstandings.

As the proposed requirements address Emergency conditions only, there is a need for the communication to address the urgency of the situation. The approved COM-002-2, R2 VRF is Medium. Therefore it is appropriate that R1 be assigned a High VRF.

**Justification for Assignment of Violation Risk Factors and Violation Severity Levels for Project 2006-06 – Reliability Coordination**

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- FERC’s Guideline 4 — Consistency with NERC’s Definition of a VRF. This is a communication requirement whereby the Reliability Coordinator confirms the response from the recipient of a Reliability Directive as correct or reissues the Reliability Directive to resolve any misunderstandings. If the three part communications is not completed, the recipient may not act appropriately. This could lead to bulk power system instability, separation, or cascading. Therefore, this requirement is assigned a High VRF.
- FERC’s Guideline 5 — Treatment of Requirements that Co-mingle More Than One Objective. COM-002-3 Requirement R3 contains only one objective, therefore only one VRF was assigned.

**Justification for Assignment of Violation Severity Levels for COM-002-3:**

In developing the VSLs for the TOP standard, the SDT anticipated the evidence that would be reviewed during an audit, and developed its VSLs based on the noncompliance an auditor may find during a typical audit. The SDT based its assignment of VSLs on the following NERC criteria:

Lower	Moderate	High	Severe
<p>Missing a minor element (or a small percentage) of the required performance The performance or product measured has significant value as it almost meets the full intent of the requirement.</p>	<p>Missing at least one significant element (or a moderate percentage) of the required performance. The performance or product measured still has significant value in meeting the intent of the requirement.</p>	<p>Missing more than one significant element (or is missing a high percentage) of the required performance or is missing a single vital component. The performance or product has limited value in meeting the intent of the requirement.</p>	<p>Missing most or all of the significant elements (or a significant percentage) of the required performance. The performance measured does not meet the intent of the requirement or the product delivered cannot be used in meeting the intent of the requirement.</p>

FERC’s VSL guidelines are presented below, followed by an analysis of whether the VSLs proposed for each requirement in TOP-xxx-x 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.

VSLs for COM-002-3 Requirement R1:

R#	Compliance with NERC's VSL Guidelines	Guideline 1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance	Guideline 2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination and Penalties  Guideline 2a: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent  Guideline 2b: Violation Severity Level Assignments that Contain Ambiguous Language	Guideline 3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement	Guideline 4 Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations
<b>R1.</b>	Meets NERC's VSL guidelines - Severe: The performance or product measured does not substantively meet the intent of the requirement.	The proposed requirements R1-R3 were written to replace the original compound requirement, COM-002-2, R2. R1 is a component of three part communications and is a separate requirement. Each requirement is binary in nature, so only the Severe VSL is assigned.	The proposed VSL does not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations.	The proposed VSL uses the same terminology as used in the associated requirement, and is, therefore, consistent with the requirement.	The VSL is based on a single violation and not cumulative violations.

VSLs for COM-002-3 Requirement R2:

R#	Compliance with NERC's VSL Guidelines	Guideline 1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance	Guideline 2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination and Penalties  Guideline 2a: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent  Guideline 2b: Violation Severity Level Assignments that Contain Ambiguous Language	Guideline 3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement	Guideline 4 Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations
<b>R1.</b>	Meets NERC's VSL guidelines - Severe: The performance or product measured does not substantively meet the intent of the requirement.	The proposed requirements R1-R3 were written to replace the original compound requirement, COM-002-2, R2. R2 is a component of three part communications and is a separate requirement. Each requirement is binary in nature, so only the Severe VSL is assigned.	The proposed VSL does not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations.	The proposed VSL uses the same terminology as used in the associated requirement, and is, therefore, consistent with the requirement.	The VSL is based on a single violation and not cumulative violations.

VSLs for COM-002-3 Requirement R3:

R#	Compliance with NERC's VSL Guidelines	Guideline 1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance	Guideline 2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination and Penalties  Guideline 2a: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent  Guideline 2b: Violation Severity Level Assignments that Contain Ambiguous Language	Guideline 3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement	Guideline 4 Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations
<b>R1.</b>	Meets NERC's VSL guidelines - Severe: The performance or product measured does not substantively meet the intent of the requirement.	The proposed requirements R1-R3 were written to replace the original compound requirement, COM-002-2, R2. R3 is a component of three part communications and is a separate requirement. Each requirement is binary in nature, so only the Severe VSL is assigned.	The proposed VSL does not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations.	The proposed VSL uses the same terminology as used in the associated requirement, and is, therefore, consistent with the requirement.	The VSL is based on a single violation and not cumulative violations.