NERC Standards and Compliance 101

Mallory Huggins, NERC Standards Developer
Adina Mineo, NERC Senior Compliance Operations Auditor
Standards and Compliance Spring Workshop
April 1, 2014
• NERC Overview
• Standards 101
• Standards Website Tutorial
• Standards Q&A
• Compliance Operations 101
• Compliance Website Tutorial
• Compliance Operations Q&A
• Mission: Ensure the reliability of the North American Bulk-Power System (BPS) by:
  ▪ Holding entities accountable for compliance with mandatory NERC Reliability Standards
  ▪ Acting as a catalyst for positive change within the industry
• NERC defines a **reliable** BPS as one that is able to meet the electricity needs of end-use customers even when unexpected equipment failures reduce the amount of available electricity.

• This means:
  - **Adequacy** – sufficient resources
  - **Security** – ability of system to withstand sudden and expected disturbances
Reliability History: Key Dates

1965: Northeast blackout

1968: National Electric Reliability Council (NERC) established by the electric industry

2002: NERC operating policy and planning standards become mandatory and enforceable in Ontario, Canada

2003: August 14 blackout; worst to date


2006: Federal Energy Regulatory Commission (FERC) certifies NERC as the ERO; Memorandum of Understanding (MOUs) with some Canadian Provinces

2007: North American Electric Reliability Council becomes the North American Electric Reliability Corporation (still NERC); FERC issues Order 693 approving 83 of 107 proposed reliability standards; reliability standards become mandatory and enforceable
• Only one ERO; overseen by U.S. and Canadian regulatory authorities (FERC and the Provinces)
  ▪ Responsible for developing/enforcing standards
  ▪ Independent of owners, operators, users
  ▪ Adheres to rules governing standards development, compliance enforcement, budgeting
• Develops and enforces standards
• Monitors the BPS
• Assesses adequacy
• Audits owners, operators, and users for preparedness
• Educates and trains industry personnel
• Open to all entities interested in the BPS

• Twelve membership categories:
  - Investor-owned utility
  - State or municipal utility
  - Cooperative utility
  - Federal or provincial utility/power marketing administrator
  - Transmission dependent utility
  - Merchant electricity generator
  - Electricity marketer
  - Large end-use electricity customer
  - Small end-use electricity customer
  - Independent system operator/regional transmission organization
  - Regional Entity
  - Government representative
Relationship of NERC Members to Board of Trustees

Board of Trustees

Member Representatives Committee (~24 Members)

NERC Members – 12 Sectors – No cap on # of participants in a Sector

SECT. 1  SECT. 2  SECT. 3  SECT. 4  SECT. 5  SECT. 6
SECT. 7  SECT. 8  SECT. 9  SECT. 10  SECT. 11  SECT. 12
• Perform delegated functions:
  ▪ Regional standards
  ▪ Compliance
  ▪ Organization registration
  ▪ Reliability assessments

• Regional consistency key for transparency, predictability, and uniform outcomes
NERC and Regional Entities allocate operating costs to load-serving entities (LSEs):

- LSEs are owners, operators, and users of the BPS, responsible for delivering electricity to retail customers.
NERC Departments

- Regional Oversight – Compliance
- Critical Infrastructure
- Compliance Analysis and Certification
- Bulk Power System Awareness
- Event Analysis
- Human Performance and Training
- Standards
- Reliability Assessment and Performance Analysis (RAPA)
- ES-ISAC
- Policy and External Affairs
- Legal and Regulatory
- Compliance Enforcement
Standards 101
• Standards development process depends on active participation of stakeholders
• Stakeholder technical expertise is essential to standard development process
• Order 672: Commission must give “due weight to technical expertise of ERO”
Roles and Responsibilities
Standards Committee

- Prioritizes standards development activities
- Reviews actions to ensure the standards development process is followed
- Reviews and authorizes Standard Authorization Requests (SARs)
- Manages progress of SARs and standards development efforts
- Reviews and authorizes drafting new or revised standards and their supporting documents
- Makes appointments to standard drafting teams (SDTs)
• Process Subcommittee (SCPS)
  ▪ Develops, reviews, and maintains processes and procedures that support standards development

• Project Management and Oversight Subcommittee (PMOS)
  ▪ Works with NERC staff and SDTs to manage the timely development and maintenance of a comprehensive set of world-class standards
NERC Standards Development Process

Authorize Posting SAR → Appoint SDT → Draft Standard → Collect Informal Feedback

Consider, Respond, Revise → Post for Comment & Ballot → Consider, Respond, Revise → Post for Final Ballot

Implement → Regulatory Agencies Approve → Board Adopts
• Required by American National Standards Institute (ANSI) to document the scope and reliability benefit of a proposed project
• Must be accompanied by technical justification
Roles and Responsibilities of Drafting Teams

- Develop an excellent, technically correct standard that helps provide an adequate level of reliability and achieves consensus
  - Stay within the scope of the SAR
  - Address regulatory directives and stakeholder issues
  - Consider Independent Experts’ Review Panel input
  - Ensure standard meets criteria for approval
- Develop initial set of Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs) and associated reasoning
- Produce a realistic Implementation Plan
- Develop supporting documents (optional)
Drafting Team Formation and Support

• If a team is formed to address the SAR, the same team develops the standard

• Includes:
  ▪ Stakeholder facilitator
  ▪ NERC staff project manager
  ▪ Subject Matter Experts (SMEs)
  ▪ Technical writer (if needed)
  ▪ Legal support
  ▪ FERC staff observers
  ▪ Industry observers
**Initial/Additional Ballot:**
At this step, the standard is either “new” or significantly changed from the last version posted for comment/ballot. The ballot record starts with no votes and no comments.

**Final Ballot:**
At this step, there have been no significant changes to the standard from the last ballot. The ballot record starts with all votes and comments from the previous ballot.
Stakeholder Consensus Process

**Initial/Additional Ballot:**
At this step, the standard is either “new” or significantly changed from the last version posted for comment/ballot. The ballot record starts with no votes and no comments.

**Final Ballot:**
At this step, there have been no significant changes to the standard from the last ballot. The ballot record starts with all votes and comments from the previous ballot.
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At this step, the standard is either “new” or significantly changed from the last version posted for comment/ballot. The ballot record starts with no votes and no comments.

Final Ballot:
At this step, there have been no significant changes to the standard from the last ballot. The ballot record starts with all votes and comments from the previous ballot.
• Stakeholder feedback is essential
  ▪ Comments (or indication of support of another entity’s comments) must be submitted for each negative vote in order for that vote to be counted towards consensus

• The best comments offer suggested replacement language first and then support that suggested language with rationale

• If a stakeholder cannot suggest alternate language, he or she should still support his or her claim with sound technical rationale

• New balloting and commenting software will give stakeholders far more options with respect to commenting
• “In Attachments 1, 2, and 3 the six-month requirement for notice is too short in many cases. We suggest nine months to one year. Six months is not enough time for budgeting and construction scheduling.”

• “The Generator Owner (GO) appears to be the logical choice. The GO has the access to the equipment records, Generator Operator (GOP) may not.”
• “Disagree with R2 as written.”
• “Disagree with assigning requirement to the GO.”
• “Definition is a little loose.”
<table>
<thead>
<tr>
<th>If Comment:</th>
<th>Then:</th>
<th>And:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrelated</td>
<td>Note that comment is unrelated</td>
<td>No action needed</td>
</tr>
<tr>
<td>Proposes change beyond scope</td>
<td>Note that comment is proposing an expansion</td>
<td>Add “issues database”</td>
</tr>
<tr>
<td>Proposes modification based on new technical issue</td>
<td>Provide team’s analysis of the proposal</td>
<td>If accepted, modify standard</td>
</tr>
<tr>
<td>Proposed modification based on already vetted technical issue</td>
<td>Provide summary of vetting and resolution</td>
<td>No action needed</td>
</tr>
<tr>
<td>Proposes modification to provide greater clarity</td>
<td>Provide team’s view as to whether the proposed modification improves clarity</td>
<td>If accepted, modify the standard</td>
</tr>
</tbody>
</table>
Navigating a Comment Report

• Sections of Comment Report
  ▪ Executive Overview
    o What was posted when
    o Who commented
    o What was changed and why
    o Unresolved minority issues
    o Link to unformatted comments
    o Reminder of appeals process
  ▪ Index to questions
  ▪ List of commenters
  ▪ Questions and responses
Navigating a Comment Report

- If time is limited:
  - Read the first section
  - For each question, read the summary response
  - Find responses to your comments
- If time is not limited:
  - Read the entire report
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• Balloter Accountability
  ▪ Review changes made to the standard
  ▪ Review unresolved minority issues
  ▪ Last chance to see if you should change your vote
FERC’s Approval Process for Standards

1. Standard and Tech Details
2. FERC Analysis
3. NOPR
4. FERC Analysis
5. Order
• Seek additional clarity about one or more requirements in approved standards
• An entity or individual may submit a Request for Interpretation using the form on NERC’s website
• The interpretation development process is similar to the standard development process
• Response provides clarity on the requirement(s) but does not expand on the requirement(s) or explain how to comply
• 2014–2016 Reliability Standards Development Plan (RSDP)
  ▪ Continues bold plan for standards development
  ▪ High-level RSDP supported Family Snapshot document and RSDP Work Plan
  ▪ Informed by Independent Experts Review Project, periodic reviews, current workload, outstanding directives

• Standards Development Tools
  ▪ Weekly Standards Bulletin
  ▪ Project Tracking Spreadsheet
  ▪ Projected Posting Schedule
  ▪ New balloting and commenting software – now live!
• Subscribe to mailing lists
  ▪ General standards mailing list (includes Weekly Standards Bulletin)
  ▪ Project-specific mailing lists
• Review Project Tracking Spreadsheet and Projected Posting Schedule regularly
• Respond to requests for comments on draft standards; review comments from others
• Participate in webinars and workshops
• Participate in Registered Ballot Body and join ballot pools
• Vote on standards
• Volunteer for drafting teams
• Volunteer for the SC
• Help joining NERC Registered Ballot Body or participating in comment periods: **Wendy Muller** at [wendy.muller@nerc.net](mailto:wendy.muller@nerc.net)

• To be added to (one or more of) NERC’s email lists: [sarcomm@nerc.com](mailto:sarcomm@nerc.com)

• Suggestions for website improvements: **Barbara Nutter** at [barbara.nutter@nerc.net](mailto:barbara.nutter@nerc.net)

• Suggestions for improved communication: **Mallory Huggins** at [mallory.huggins@nerc.net](mailto:mallory.huggins@nerc.net)

• If you ever feel there was an error or omission during the consideration of comments process: **Mark Lauby** at [mark.lauby@nerc.net](mailto:mark.lauby@nerc.net).
Questions and Answers
Standards Website Tutorial
• Select **Program Areas & Departments**
  - Select **Standards** under the drop-down menu
Locating Reliability Standards

- Select **Reliability Standards** on the left navigation
  - Select the **United States** jurisdiction

Currently, the legislative framework to make standards enforceable exists through action of the regulatory authority in the United States (through FERC) and in the Canadian provinces of Alberta, British Columbia, Nova Scotia, and Quebec. Of these, only FERC has taken action to approve reliability standards as mandatory and enforceable. In addition, standards become enforceable upon NERC board action in the Canadian provinces of Manitoba (Manitoba Hydro only), New Brunswick, Ontario, and Saskatchewan.

Please select a jurisdiction from the table on the right for information on Reliability Standards and their status in that jurisdiction.
Locating Reliability Standards & Status

- Select the appropriate **status** in the middle of the page
  - **Note:** This page defaults to the **Mandatory Standards Subject to Enforcement** status
Locating a Reliability Standard(s)

- Select the symbol of the desired standards family
  - i.e., (COM) Communications

![Image of NERC website screenshot showing the process of locating a reliability standard, with a focus on selecting the (COM) Communications symbol.](image-url)
• Select the hyperlinked title of the desired standard
Standards Addendum

• Scroll to the **bottom of the Standard** to see the enforcement/inactive date data

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**Standard COM-002-2 — Communications and Coordination**

A. Introduction

1. Title: Communication and Coordination
2. Number: COM-002-2
3. Purpose: To ensure Balancing Authorities, Transmission Operators, and Generator Operators have adequate communications and that these communications capabilities are staffed and available for addressing a real-time emergency condition. To ensure communications by operating personnel are effective.

B. Requirements

R1. Each Transmission Operator, Balancing Authority, and Generator Operator shall have communications (voice and data links) with appropriate Reliability Coordinators, Balancing Authorities, and Transmission Operators. Such communications shall be staffed and available for addressing a real-time emergency condition.

R1.1. Each Balancing Authority and Transmission Operator shall notify its Reliability Coordinator, and all other potentially affected Balancing Authorities and Transmission Operators through predetermined communication paths of any condition that could threaten the reliability of the system or when firm load shedding is anticipated.

R2. Each Reliability Coordinator, Transmission Operator, and Balancing Authority shall issue directives in a clear, concise, and direct manner that ensure the recipient of the directive repeats the information back correctly. The recipient shall acknowledge the receipt as correct or repeat the original statement to resolve any misunderstandings.

C. Measures

M1. Each Transmission Operator, Balancing Authority, and Generator Operator shall have communication facilities (voice and data links) with appropriate Reliability Coordinators, Balancing Authorities, and Transmission Operators and shall have and provide as evidence, a list of communication facilities or other equivalent evidence that confirms that the communications have been provided to address a real-time emergency condition. (Requirement 1, part 1)

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**Enforcement Dates: Standard COM-002-2 — Communications and Coordination**

<table>
<thead>
<tr>
<th>Standard</th>
<th>Requirement</th>
<th>Enforcement Date</th>
<th>Inactive Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>COM-002-2</td>
<td>All</td>
<td>06/18/2007</td>
<td></td>
</tr>
</tbody>
</table>
• Select the **Related Information** link associated with the desired standard
• **Related Links**: Development History (project page, compliance tools & related links)

• **Related Documents**: Implementation Plans and associated documents (.pdf)
Standards

NERC Reliability Standards are developed using an industry-driven, ANSI-accredited process that ensures the process is open to all persons who are directly and materially affected by the reliability of the North American Bulk-Power System; is transparent to the public; demonstrates the consensus for each standard; fairly balances the interests of all stakeholders; provides for reasonable notice and opportunity for comment; and enables the development of standards in a timely manner. NERC’s ANSI-accredited standards development process is defined in the Standard Processes Manual and is guided by reliability and market interface principles.

NERC Reliability Standards define the reliability requirements for planning and operating the North American Bulk-Power System and are developed using a results-based approach that focuses on performance, risk management, and entity capabilities. The Reliability Functional Model defines the functions that need to be performed to ensure the Bulk Electric System operates reliably and is the foundation upon which the Reliability Standards are based.

The Standards Committee (SC) oversees and prioritizes NERC’s standards development activities. The SC also coordinates NERC’s development of Reliability Standards with the North American Energy Standards Board’s (NAESB) wholesale electric business practices. Standards drafting teams, which are made up of industry volunteers and supported by NERC staff, work collaboratively to develop requirements using results-based principles that focus on three areas: measurable performance, risk mitigation strategies, and entity capabilities.

Program News
- Standards Weekly Bulletin September 3-8, 2013
• Select **US Enforcements Dates** from the left navigation

  ▪ **Note:** This page defaults to the **Mandatory Standards Subject to Enforcement status**

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Select the **status** to see the dates pertinent to the standard

- **Note:** Clicking the **enforcement date** will enable viewing of the FERC Order for that standard.

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Section 215 of the Federal Power Act requires the Electric Reliability Organization (ERO) to develop mandatory and enforceable reliability standards, which are subject to Commission review and approval. Commission-approved reliability standards become mandatory and enforceable in the U.S. on a date established in the Orders approving the standards.

**Enforcement Date:** The date on which the standard becomes mandatory and enforceable in accordance with the existing laws of the jurisdiction and the approval granted by the regulatory authority.

**Detail:** When a standard has requirements with different enforcement/inactive dates, a ‘Detail’ link will be shown in this column that links to a pop-up which shows the specific enforcement and inactive dates for each of the requirements of that standard.

<table>
<thead>
<tr>
<th>Standard Number</th>
<th>Title</th>
<th>Enforcement Date</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAL-001-0.1a</td>
<td>Real Power Balancing Control Performance</td>
<td>5/13/2009</td>
<td></td>
</tr>
<tr>
<td>BAL-002-1</td>
<td>Disturbance Control Performance</td>
<td>4/1/2012</td>
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<tr>
<td>BAL-003-0.1b</td>
<td>Frequency Response and Bias</td>
<td>6/29/2012</td>
<td></td>
</tr>
<tr>
<td>BAL-004-0</td>
<td>Time Error Correction</td>
<td>6/18/2007</td>
<td></td>
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<tr>
<td>BAL-004-WECC-01</td>
<td>Automatic Time Error Correction</td>
<td>7/1/2009</td>
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<tr>
<td>BAL-005-0.2b</td>
<td>Automatic Generation Control</td>
<td>9/13/2012</td>
<td></td>
</tr>
<tr>
<td>BAL-005-2</td>
<td>Interregent Interchange</td>
<td>4/1/2011</td>
<td></td>
</tr>
</tbody>
</table>
Standards Under Development

From this page you can keep track of and link to all proposed reliability standards under development. After a standard is adopted by the NERC Board of Trustees, the project is removed from this page and the standard is added to the appropriate Reliability Standards pages.

<table>
<thead>
<tr>
<th>Project</th>
<th>Action</th>
<th>Start Date</th>
<th>End Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project 2010-13.2 - Phase 2 of Relay Loadability: Generation - PRC-023</td>
<td>Final Ballot</td>
<td>09/04/13</td>
<td>09/12/13</td>
</tr>
<tr>
<td>Project 2011-14.1 - Phase 1 of Relocating Authority Reliability-Related Control Center Reserves - R1-082-2</td>
<td>Additional Ballot and Non-Binding Poll</td>
<td>08/08/13</td>
<td>09/10/13</td>
</tr>
<tr>
<td>Project 2013-03 - Geomagnetic Disturbance Mitigation</td>
<td>Additional Ballot and Non-Binding Poll</td>
<td>10/09/13</td>
<td>10/18/13</td>
</tr>
<tr>
<td>Join Ballot Pools (Ballot Pool Windows Close at 8 a.m. Eastern)</td>
<td>None at this time</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Posted for Comment (Closes at 8 p.m. Eastern) (Sorted by End Date)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project 2012-13 - NERC Five-Year Review</td>
</tr>
<tr>
<td>Project 2010-02 Five-Year Review of FAC Standards</td>
</tr>
</tbody>
</table>
Standards Tracking Tools

NERC Reliability Standards are developed using an industry-driven, ANSI-accredited process that ensures the process is open to all persons who are directly and materially affected by the reliability of the North American Bulk-Power System; is transparent to the public; demonstrates the consensus for each standard; fairly balances the interests of all stakeholders; provides for reasonable notice and opportunity for comment; and enables the development of standards in a timely manner. NERC’s ANSI-accredited standards development process is defined in the Standard Processes Manual and is guided by reliability and market interface principles.

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Projected Posting Schedule

Projected Posting Schedule is posted each Monday.

Standards Announcement

Projected Standards Posting Schedule as of March 10, 2014

Below is a schedule of upcoming postings so you have the opportunity to schedule time with appropriate subject matter experts in your organizations to review these standards and ensure that balloters will be available during the ballot windows or have assigned proxies. The projected schedule is subject to change. For a high-level view of the planned schedule for all active projects, including information regarding the number of paragraph 81 requirements, directives, and guidances, please see the Project Tracking Spreadsheet.

Week of March 10:
- 2008-02 Undervoltage Load Shedding: PRC-010-1 (30-day informal comment period)
Project Tracking Spreadsheet is updated monthly.

### Project Tracking Spreadsheet: 2014 Project Work Plan (Status Updated: 3/11/2014)

This worksheet displays estimates of anticipated standards development milestones for projects in 2014, and it is intended to be a project management tool for use in tracking the status of projects under development compared to their anticipated milestones. Detailed information for each project is available from their respective project pages on the NERC website. Projects that remained from 2013’s Project Tracking Spreadsheet that were not prioritized in the RSP, but that are continuing beyond the first quarter of 2014, are also represented here. Projects not anticipated to continue beyond the first quarter of 2014 are not included (information for those projects remains available under the “Standards Under Development” page on the NERC website). Note that projects listed here represent known projects for 2014. As facts and circumstances warrant, it may be necessary to update this tool, and additional projects may be added in response to regulatory directives, input from RISC, or to meet goals of the NERC strategic plan.

#### Projected Posting Schedule

The above is a link to the schedule of upcoming postings, which is updated weekly. It includes near term posting projections.

| Project Number | Activity/Project Name (linked to Project Page) | Deliverable | Deadline, if any | Priority in 2014-2015 RSP, if applicable (see Note 1 below) | 2013 PIR | Number of Directions | # of Guidance (see Note 2) | Comments | PMO Liaison | NERC Contact | Status: Green, Yellow, Red | Milestone Plan Activity: On Time, Late, Started
<table>
<thead>
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<tbody>
<tr>
<td>0077-08</td>
<td>System Protection Coordinators</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
<td>Jennifer King</td>
<td>Jeff Aikens</td>
<td>Project extended to address an additional issue by NERC</td>
<td>Actual</td>
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<tr>
<td>0077-11</td>
<td>Disturbance Monitoring</td>
<td>Medium</td>
<td>3</td>
<td></td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td>Guy Zido</td>
<td>Steve Gouker</td>
<td>Actual</td>
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<tr>
<td></td>
<td>Protection System Maintenance</td>
<td>Pending Prioritization</td>
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<td>1</td>
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Standards Committee (SC)

The Standards Committee (SC) consists of two representatives from each of the ten industry segments. SC members are elected by the segment they represent. The SC reports to the NERC Board of Trustees and oversees the development of NERC reliability standards through the following tasks:

- Reviews actions to ensure the standards development process is being followed.
- Reviews and authorizes Standard Authorization Request (SAR) postings.
- Manages progress of SARS and standards development efforts.
- Reviews and authorizes drafting new or revised standards.
- Authorizes the development of supporting documents.
- Makes appointments to drafting teams.

The Standard Processes Manual requires each industry segment to elect up to two representatives to serve on the SC.

Committee Resources

- Agendas, Highlights, and Minutes
- Charter
- 2013 Roster
- 2014 Roster
- 2014 Meeting Schedule
- Strategic Plan
- 2013-2015 Work Plan
- 2014-2016 Strategic Work Plan
- Standard Processes Manual
- Nominations and Elections
- Related Files

Subcommittees, Working Groups, and Task Forces

- Functional Model Working Group (FMWG)
- Standards Committee Communications and Planning Subcommittee (SCCPS) - RETIRED
- Standards Committee Process Subcommittee (SCPS)
- Project Management and Oversight Subcommittee (PMOS)
Questions and Answers
Compliance Operations 101
Objective

Provide an overview of the structure and Compliance Monitoring processes, as well as provide available resources pertaining to the monitoring of Registered Entities’ compliance with NERC standards.
• ERO compliance organization
• Foundational compliance operations documents
• Annual compliance operations documents
• Compliance process overview
• Compliance resources
• Reliability Assurance Initiative (RAI)
• Rules of Procedure (ROP) – Section 400
  ▪ Provides for NERC oversight of Regional Entities (REs)
  ▪ Compliance program attributes (audit cycles, independence, confidentiality)
  ▪ ROP Appendix 4C, Compliance Monitoring and Enforcement Program
• Regional Delegation Agreements
  ▪ Delegation to REs to enforce Reliability Standards
  ▪ REs must follow ROP
• Compliance Monitoring and Enforcement Program (CMEP)
  - Outlines Compliance Monitoring processes
  - Provides guidance and requirements for each monitoring process
• CMEP also describes:
  - Enforcement actions
  - Mitigations of violations
  - Remedial action directives
  - Data retention and confidentiality
• Annual ERO CMEP Implementation Plan (NERC and REs)
  ▪ Direction CMEP will take for the year
  ▪ Major compliance initiatives for the year
  ▪ ERO reliability assessment
  ▪ Presentation of Actively Monitored List (AML) and rationale

• AML
  ▪ Identifies high-risk priority standards
  ▪ Determined based on FERC guidance, compliance history, events analysis, and stakeholder input
  ▪ All standards are subject to audit based on professional judgment of RE audit teams
• Compliance Monitoring and Enforcement Program (CMEP)
  ▪ Compliance Monitoring Processes
    o Compliance Audits
    o Self-Certifications
    o Spot Checks
    o Compliance Investigations
    o Self-Reports
    o Periodic Data Submittals
    o Complaints
    o Exception Reports
• Entity’s registration determines audit cycle
  ▪ ROP states: Audit will occur at least once every 3 years for Balancing Authority, Reliability Coordinator, or Transmission Operator
  ▪ Audits of other entities may occur on 6 year cycle. Refer to annual ERO CMEP IP
  ▪ Audit schedules posted in ERO CMEP IP on NERC website
• REs lead compliance audits, NERC and FERC may observe
  ▪ Audit team composition and requirements described in Section 3.1.5 of CMEP
• Audits are based on GAAS/GAGAS/IIA
• Pre-audit: RE planning stage. Assembles team, logistics, etc.
• Planning: RE detailed planning for audit scoping, understanding entity, developing data requests
• Fieldwork: Actual audit starts, testing begins
• Reporting: RE develops reports with Finding(s), Recommendation(s), Area(s) of Concern, etc.
• Performance Assessment: RE reviews workpapers, identifies lessons learned, etc.
• Audit scope determined based on entity registration, AML, reliability assessment, and ERO CMEP IP (NERC and RE)
  ▪ Scope identified in Audit Notification Letter
  ▪ Audit period identified in Audit Notification Letter

• Audit team collects and reviews evidence for all standards/requirements in audit scope and uses professional judgment to determine entity’s compliance

• Audit team will conduct onsite or offsite audits
  ▪ Onsite: Audit occurs at Registered Entity
  ▪ Offsite: Audit occurs at RE office

• Audit team assesses compliance. Audit team identifies possible violations, areas of concern, and recommendations.

• A public and non-public audit report is issued
• Annually, Registered Entities must self-certify compliance with every applicable actively monitored standard/requirement for each of its function(s)
  ▪ Includes NERC AML
  ▪ RE actively monitored requirements identified by the RE

• Registered Entities must identify non-compliance where necessary
• RE may conduct a spot check at any time to determine compliance with any Reliability Standard/requirement
  ▪ Typically smaller in scope than an audit
  ▪ Normally may result after an event, compliance, system disturbance, or to ensure mitigation of previous findings
  ▪ REs may use periodically in lieu of a compliance audit
Self-Reports and Exception Reporting

- Registered Entities should make a self-report once it becomes aware it:
  - Has, or may have, violated a standard or requirement
  - The Violation Severity Level of a previously reported violation has changed
- REs have specific self-reporting processes entities must follow
  - REs will make available self-report forms
  - Entity should provide relevant documentation to support filing
  - REs will review information to evaluate compliance and needed mitigation
- Exception reporting is required within certain standards. Similar process as self-report.
• Registered Entities or other third party may make a complaint to NERC or an RE
• Complaints may be sent through compliance hotlines, emails, or other contact methods
• Complaints may trigger a spot check
• Any findings resulting from a complaint are processed similarly to an audit finding or spot check finding
• REs identify and notify entities of data submittal requirements
• REs collect submittals and review for compliance
• Investigation to confirm occurrence of non-compliance
• Broader scope than spot check, more detailed investigation
• Generally led by RE staff, may have NERC participation
• Confidential, unless FERC directive
Questions and Answers
Reliability Assurance Initiative (RAI)
• RAI encompasses a variety of enhancements to the CMEP that are intended to benefit both the ERO and industry

• RAI includes compliance and enforcement activities

• Goals of RAI include:
  
  ▪ Compliance monitoring shifts to using standard, risk-based audit practices similar to other industries
  
  ▪ Audit scoping based on a standard approach to assessing an entity’s risk to reliability
  
  ▪ Compliance focus shifts to assess strength of management controls relative to meeting standards
  
  ▪ Process allows for lower-risk violations to stay in compliance space
  
  ▪ Visibility of all violations maintained, including self-reported, to allow for trend analysis
Two major compliance activates that will impact process:

- **ERO Enterprise Compliance Auditor Manual and Handbook**
  Companion document to Audit Checklist. Process document that provides guidance to auditors for a consistent, standard audit approach.

  Handbook is not a tool that will tell an auditor how to determine compliance with Reliability Standards, nor will it provide an interpretation of Reliability Standards.

- **Prototypes and Pilot Programs**
  Develop and test risk-based assessments, scoping, internal controls review concepts, and tests of controls.
• NERC and regional compliance websites
  ▪ ERO CMEP IP
  ▪ Procedure documents
  ▪ Timelines and schedules
  ▪ Workshops, training, and presentations
• Reliability Standard Audit Worksheets (RSAWs)
• Compliance Application Notices (CANs)
• Bulletins
• Training
  ▪ Semi-annual ERO Auditor Workshops
  ▪ Semi-annual Standards and Compliance Workshops
  ▪ All auditors must complete an initial training offered by NERC
  ▪ Lead auditors must receive additional NERC training
Questions and Answers
Compliance & Enforcement

NERC's Compliance efforts are comprised of key activities, including:

Compliance Monitoring is the process used to assess, investigate, evaluate, and audit in order to measure compliance with NERC Reliability Standards. Standards are developed, adopted, and approved through the Reliability Standards Development program and placed into effect pursuant to FERC orders or to applicable authorities in other North American jurisdictions. This statutory responsibility is set forth in section 215(e) of the Federal Power Act as well as 18 C.F.R. §35.7.

Compliance Enforcement is the process by which NERC issues sanctions and enforces mitigation of confirmed violations of mandatory NERC Reliability Standards. As part of these efforts, NERC can also direct entities to immediately address and deter new or further violations (irrespective of their presence or status, i.e., confirmed or alleged). Sanctioning of confirmed violations is determined pursuant to the NERC Sanction Guidelines and is based heavily upon the Violation Risk Factors and Violation Severity Levels of the standards requirements violated and the violations’ duration. Entities found in violation of any standard must submit a mitigation plan for approval by NERC and, once approved, must execute this plan as submitted.

Organization Registration and Certification includes both the Organization Registration function and the Organization Certification function. Organization Registration identifies and registers Bulk-Power System users, owners and operators who are responsible for performing specified reliability functions to which requirements of mandatory NERC Reliability Standards are applicable. The Organization Certification function is the process by which NERC monitors and enforces compliance with NERC.
Reliability Standard Audit Worksheets (RSAWs)

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Compliance Resource Documents

2014 CMEP Implementation Plan

AML
Other Useful Links

- Rules of Procedure
- Compliance Monitoring and Enforcement Program
- Regional Delegation Agreements
- 2014 Annual Implementation Plan
- 2014 Actively Monitored List
- Generally Accepted Government Auditing Standards
- Reliability Standard Audit Worksheets
- Compliance Application Notices
- Compliance Process Bulletins
Questions and Answers