Compliance Oversight Plan
Process Enhancements
Pre-Recorded Webinar
Yvette Landin, Senior Advisor, Compliance Assurance
November 13, 2020
Overview

- Implementation and Maturation of risk-based compliance framework
- Highlights of Updated COP Process
- Quantitative and Qualitative Analysis
- Selection of Risk Categories
- Selection of Oversight Strategy
- Reliability Standards for Monitoring
- Risk Category Example
- Reporting
- Implementation Timeline & Next Steps
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Ruchi Shah, Director of Entity Risk Assessment & Registration
Maturation of the Risk-Based Compliance Framework

2016
IRA Process Harmonization

2018
COP Process Harmonization

2019 - 2020
Transition Period
Highlights Enhanced COP Processes

Enhanced Analysis

**Inherent & Performance Data**

Analysis of inherent and performance data provides an understanding of an entity’s overall inherent risk and performance profile.

Targeted Oversight

**Risk Categories**

Selected risks provide a focus for an entity’s continuous improvement & to Regional Entities for its compliance monitoring activities.

Prioritized Monitoring

**Oversight Strategies**

Provide target interval frequency for oversight, primary monitoring tools, and informs annual planning.

Standards to Risk

**Appendix B**

Provides Reliability Standards associated with the entity-specific risks. The scope of monitoring activities is derived from this list.

COP Report

**Common Template**

One report to provide both inherent risk assessment results and the compliance oversight plan.
Quantitative and Qualitative Data Analysis

Enhanced Analysis

Inherent & Performance Data

Inherent Risk Assessment uses quantitative entity data such as what you own or operate.

Performance assessment uses qualitative entity data such as internal controls, culture of compliance, compliance history, event data.
Quantitative Data Analysis - ERO Enterprise Risk Factors

- CIP-Impact Rating Criteria
- ICCP Connectivity
- Load
- Transmission Portfolio
- Critical Transmission
- Voltage Control
- Largest Generator Facility
- Total Generation Capacity
- Variable Generation
- BA Coordination
- Planned Facilities
- RAS/SPS
- Workforce Capability
- Monitoring & Situational Awareness Tools
- System Restoration
- UFLS Equipment
- UFLS Development and Coordination
- UVLS

Enhanced Analysis

Inherent & Performance Data
Qualitative Data Analysis - Performance Considerations

Provide a holistic view of the performance of an entity based on the 8 Performance Considerations

Used individually or in combination in the specific determinations of Risk Categories

Enhanced Analysis

*Inherent & Performance Data*

- Affiliates
- Compliance History
- Culture of Compliance
- Events
- Internal Controls
- Misoperations
- GADS/TADS
- MIDAS
Results of inherent and performance data analysis provides Regional Entities with an understanding of a registered entity’s overall risk profile and key risk areas referred to as Risk Categories.

- Provides entity-specific risks and a focus for an entity’s continuous improvement
- Regional Entities for its compliance monitoring activities
- Common terminology and description of risks used across the ERO Enterprise

Targeted Oversight
Risk Categories
### Risk Categories

<table>
<thead>
<tr>
<th>Asset/ System Identification</th>
<th>Asset/ System Physical Protection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entity Coordination</td>
<td>Long-term Studies/ Assessments</td>
</tr>
<tr>
<td>Identity Management and Access Control</td>
<td>Operational Studies/ Assessments</td>
</tr>
<tr>
<td>Emergency Operations Planning</td>
<td>Modeling Data</td>
</tr>
<tr>
<td>Operating During Emergencies/ Backup &amp; Recovery</td>
<td>System Protection</td>
</tr>
<tr>
<td>Training</td>
<td>Normal System Operations</td>
</tr>
<tr>
<td>Asset/ System Management and Maintenance</td>
<td></td>
</tr>
</tbody>
</table>
COPS will include an oversight strategy with a target interval and frequency for oversight activities

Determined by inherent and operational risk

- Identifies primary monitoring tools such as Audit, Self-Certification, etc.
- Oversight strategies are used across the ERO Enterprise
- Variation of monitoring interval and tools based on the entity’s inherent risk and performance

Prioritized Monitoring - Oversight Strategies
Oversight Strategy

1. Higher inherent risk without demonstrated positive performance - 1 – 3 Years
2. Higher inherent risk with demonstrated positive performance - 2 – 4 Years
3. Moderate inherent risk without demonstrated positive performance - 3 – 5 Years
4. Moderate inherent risk with demonstrated positive performance - 4 – 6 Years
5. Lower inherent risk without demonstrated positive performance - 5 – 7 Years
6. Lower inherent risk with demonstrated positive performance - 6 + Years
Selection of Oversight Strategy

Prioritized Monitoring

**Oversight Strategies**

...with demonstrated positive performance, Entities:

Have strong performance amongst the vast majority of the Performance Considerations

...without demonstrated positive performance, Entities:

has a mix of strong, average or weak performance amongst the Performance Considerations or the Regional Entity is not informed of a certain performance
**Initial State** - Entity has a Moderate Inherent Risk without demonstrated positive performance considerations and is in Category 3.

**Potential State** - Entity demonstrates positive performance considerations and moves to Category 4 (Target Monitoring Interval and Primary CMEP tool changes).
COPs will include the list of Reliability Standards associated with the selected risk categories.

Scope of monitoring activities is derived from this list (i.e., ≠ audit scope)

Monitoring activities may include all or a subset of Standards and Requirements included in the list
Performance Considerations

• Aids in identifying operational risks in Risk Categories
• Component of Oversight Strategy

Risk Categories

• Based on numerous inputs including IRA results and performance considerations determines operational risks

Standards and Requirements - Appendix B

• List of Standards/Requirements associated with identified Risk Categories
<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Description</th>
<th>Associated Standards</th>
</tr>
</thead>
</table>
| Training      | It is necessary for individuals/personnel/operators to have adequate knowledge and skills to ensure the reliability and security of the BPS. Failure to adequately train operating personnel may compromise the integrity and reliability of the BPS. | CIP-003-8  
CIP-004-6  
COM-002-4  
EOP-005-3  
EOP-006-3  
PER-003-2  
PER-005-2  
PRC-001-1.1(ii) (inactive 9/30/2020)  
PER-006-1 (Eff. 10/1/2020) |
COP Report

Contents of the COP Report

1. Purpose
2. Analysis and Results
3. Oversight Strategy
App. A: IRA Results Summary
App. B: Standards and Requirements for Monitoring
<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>(High, Medium, Low)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>UFLS Equipment</td>
<td>High</td>
<td>Entity has UFLS with greater than 1.5% of load in regionally identified UFLS program.</td>
</tr>
<tr>
<td>UFLS Development and</td>
<td>N/A</td>
<td>Entity is not a registered PC and does not coordinate the UFLS program.</td>
</tr>
<tr>
<td>Coordination</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UVLS</td>
<td>N/A</td>
<td>Entity does not own or operate UVLS.</td>
</tr>
<tr>
<td>Load</td>
<td>High</td>
<td>Entity peak load was 1200 MW.</td>
</tr>
<tr>
<td>Transmission Portfolio</td>
<td>Medium</td>
<td>The entity has over 1000 miles of 138 kV Transmission</td>
</tr>
<tr>
<td>Voltage Control</td>
<td>High</td>
<td>Entity utilizes generators and other reactive resources to control voltage.</td>
</tr>
</tbody>
</table>
### Associated NERC Reliability Standards and Requirements for Monitoring

<table>
<thead>
<tr>
<th>Standard</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAL-002-3</td>
<td>R1.</td>
</tr>
<tr>
<td>BAL-002-3</td>
<td>R2.</td>
</tr>
<tr>
<td>BAL-002-3</td>
<td>R3.</td>
</tr>
<tr>
<td>CIP-003-8</td>
<td>R1.</td>
</tr>
</tbody>
</table>
• Regional Entities began implementing new processes in late 2019
• Implementation and release of COPs varies across the ERO Enterprise
• Industry outreach will continue as process improvements are identified.
• The ERO Enterprise will update the ERO Enterprise Guide and other program documents for Compliance Monitoring to incorporate process changes.
• ERO Enterprise Guide for Compliance Monitoring
• ERO Enterprise Guide for Internal Controls
• One-Stop Shop (Compliance Monitoring & Enforcement Program)
  ▪ COP Frequently Asked Questions
  ▪ COP Report Template
• COPFAQ@nerc.net
Thank you