

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

Agenda Item 5

# Compliance Monitoring and Enforcement Program Report

Q2 2016

August 10, 2016

**RELIABILITY | ACCOUNTABILITY**



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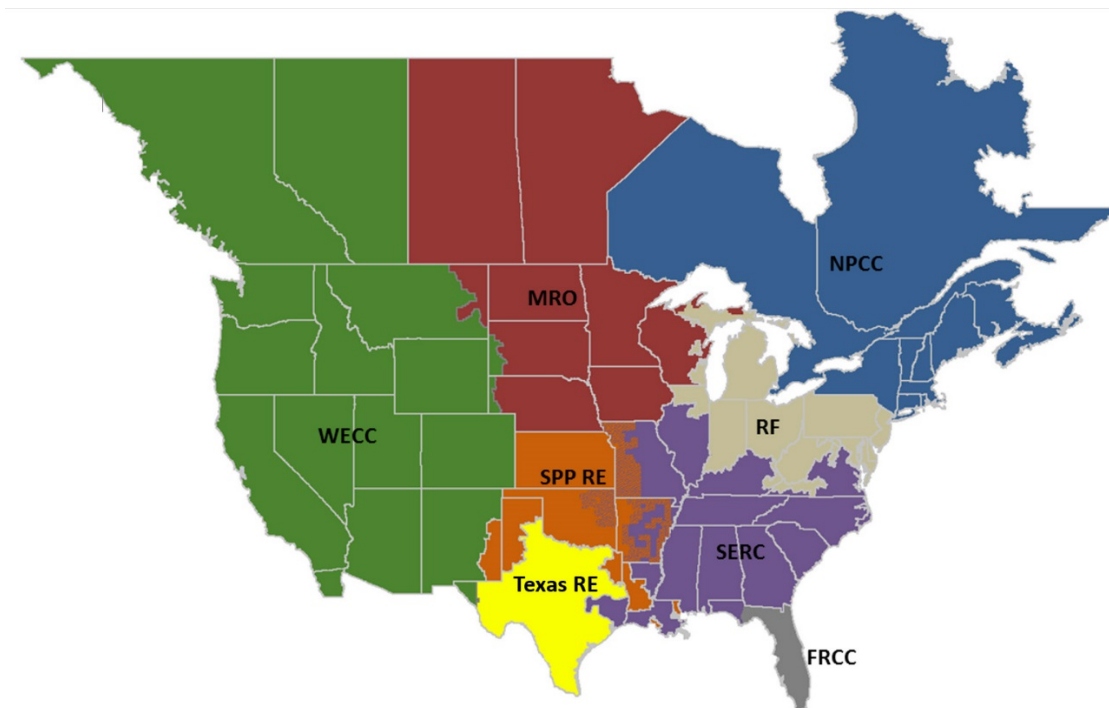
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# Preface

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The North American Electric Reliability Corporation (NERC) is a not-for-profit international regulatory authority whose mission is to assure the reliability of the bulk power system (BPS) in North America. NERC develops and enforces Reliability Standards; annually assesses seasonal and long-term reliability; monitors the BPS through system awareness; and educates, trains, and certifies industry personnel. NERC’s area of responsibility spans the continental United States, Canada, and the northern portion of Baja California, Mexico. NERC is the electric reliability organization (ERO) for North America, subject to oversight by the Federal Energy Regulatory Commission (FERC) and governmental authorities in Canada. NERC’s jurisdiction includes users, owners, and operators of the BPS, which serves more than 334 million people.

Several assessment areas within the eight Regional Entity (RE) boundaries divide the North American BPS, as shown in the map and corresponding table below.



*The highlighted areas denote overlap as some Load-Serving Entities participate in one region while associated Transmission Owners/Transmission Operators participate in another.*

|                 |  |
|-----------------|--|
| <b>FRCC</b>     | Florida Reliability Coordinating Council |
| <b>MRO</b>      | Midwest Reliability Organization         |
| <b>NPCC</b>     | Northeast Power Coordinating Council     |
| <b>RF</b>       | ReliabilityFirst                         |
| <b>SERC</b>     | SERC Reliability Corporation             |
| <b>SPP RE</b>   | Southwest Power Pool Regional Entity     |
| <b>Texas RE</b> | Texas Reliability Entity                 |
| <b>WECC</b>     | Western Electricity Coordinating Council |

# Introduction

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To supplement the [Annual Compliance Monitoring and Enforcement Program \(CMEP\) report](#), NERC provides the Board of Trustees Compliance Committee (BOTCC) quarterly reports that track a number of metrics and provide additional information regarding ongoing oversight of the REs to evaluate the success of the risk-based CMEP and identify any needed improvements. This Q2 2016 report includes only those program areas that have seen a change from the prior quarter's report, which is available [here](#).

In Q2 2016, NERC continued its qualitative reviews of various aspects of the risk-based CMEP to evaluate the effectiveness of CMEP strategies and program execution. NERC staff continued periodic process reviews to identify and incorporate best practices and guidance for REs. These reviews operated in a consistent manner and conformed to all regulatory requirements, Rules of Procedure, and other practices needed to provide objective, fair, and effective compliance and enforcement.

In addition, NERC continues to track, among other items, timeliness of mitigation of noncompliance, percentage of violations that are self-identified, use of and trends related to streamlined disposition methods, average age of outstanding noncompliance in the ERO Enterprise inventory, and the total number of Inherent Risk Assessments (IRAs) and Internal Control Evaluations (ICEs) conducted.

As discussed further below, through Q2 2016, the ERO Enterprise made substantial progress regarding the completion of mitigation activities. The average age of noncompliance in the ERO Enterprise inventory remains well below the threshold. Lastly, REs continued to conduct IRAs and ICEs, in addition to using streamlined disposition methods for minimal risk issues. NERC will continue to track and report on these metrics, among others, throughout 2016.

## Highlights from Q2 2016

### Enforcement

NERC and FERC staff completed the Annual Find, Fix, Track, and Report (FFT) and Compliance Exception Sampling in Q2. On June 15, 2016, FERC issued its [Notice of Staff Review of Compliance Programs](#). Notably, FERC staff agreed with the final risk determinations for all samples and noted significant improvement in the clear identification of root cause in all samples posted after the feedback calls from the previous year's survey. On June 20, 2016, NERC staff filed its closure letter that included similar findings.

NERC staff also completed its process review of the REs' dismissal practices for violations. The purpose of this process review was to identify areas for improvement and provide general recommendations. NERC concluded that letters of dismissal are generally adequate in communicating the reasons for dismissal to the registered entities and the REs provided logical connections between the noncompliance and the basis for dismissal along with sufficient evidence

On April 14, 2016, FERC approved in a letter order NERC's [Annual CMEP report](#), which was filed with FERC in February 2016. On May 4, 2016, FERC approved by letter order the [Compliance filing and petition for approval of Rules of Procedure revisions](#) that NERC filed in March.

Finally, NERC Enforcement is continuing to oversee the implementation of the risk-based CMEP and is meeting related goals.

### Compliance Assurance

Progress continues in risk-based compliance monitoring, as well as implementation of Critical Infrastructure Protection (CIP) Standards for CIP Version 5 and Physical Security. During Q2 2016, NERC continued coordination

activities with FERC in its reviews of RE IRA processes and sampled IRA results, as well as ongoing observations of RE compliance monitoring activities to determine implementation progress of risk-based compliance monitoring. In June 2016, NERC and the REs revised the [2016 ERO Enterprise CMEP Implementation Plan](#) to include region-specific updates and to include vegetation management, FAC-003-3, within the Maintenance and Management of BPS Assets ERO Enterprise risk element. The 2016 risk element update reflects ERO Enterprise emphasis on the monitoring of the risk of transmission outages, and associated potential for cascading events, due to vegetation growth in the transmission right-of-way (ROW). NERC and the REs continue to monitor emerging risks and trends that may affect compliance monitoring. The recent modification to include FAC-003-3 as a risk element and area of focus for compliance monitoring is one example of how the ERO Enterprise reacts to evolving reliability risks during the CMEP implementation year.

### **Certification and Registration**

Work continues in preparing for the January 2017 filing required by FERC on the effects of the removal of the Load-Serving Entity registration from the NERC Compliance Registry.

The first exercise of the NERC-led panel process established in the Risk-Based Registration initiative will likely occur in Q3 2016 due to Distribution Providers requesting de-activation or application of a subset of NERC Reliability Standards.

# Enforcement

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## Focus on Vegetation Management Vegetation-Related Transmission Outages

As highlighted above, the ERO Enterprise monitors all categories of vegetation-related outages that could pose a risk to the reliability of the transmission system, and, although the overall number of vegetation contacts remains small, there has been an increase in the number of contacts. The ERO Enterprise will continue to monitor these matters and enforce any noncompliance appropriately. Data regarding vegetation-related outages in 2015 is available in the [2015 Annual Vegetation-Related Transmission Outage Report](#).

In Q1 2016, the REs reported seven vegetation-related outages to NERC, all of which were Category 3<sup>1</sup> contacts. The majority of the outages occurred on 230 kV lines. All seven of the vegetation-related outages in 2016 involved healthy trees. The trees fell into transmission lines during severe weather conditions in all seven cases. There have been no Category 1A<sup>2</sup> or 1B<sup>3</sup> grow-in outages in 2016.

Vegetation contact violations inherently pose a significant threat to reliability of the BPS. A serious risk vegetation contact was filed as a [Full Notice of Penalty](#) (NOP) on May 31, 2016, involving a single violation of FAC-003-3 R2 in the FRCC region.<sup>4</sup>

## Enforcement Oversight FFT and Compliance Exception Sampling and Process Review

As highlighted above, FERC and NERC staff have completed the annual oversight of the FFT program, as outlined in the March 15, 2012, Order, and the Compliance Exception program, as proposed by NERC's September 18, 2015, Annual Compliance Filing. In its *Notice of Staff Review of Compliance Programs*, FERC agreed with NERC that the FFT and Compliance Exception programs are meeting expectations.

Sampling for the 2015 program year indicated that the REs appropriately included the sampled noncompliance in the FFT and Compliance Exception programs, and that the registered entities adequately remediated all 132 instances of noncompliance. FERC and NERC staff's sample analysis did indicate a small number of documentation concerns, particularly with regard to the quality of the information contained in the FFT or Compliance Exception postings. For example, several FFT or Compliance Exception issues still lacked some of the information necessary for the posted FFT or Compliance Exception. This includes information such as start or end dates and factors affecting the risk during the pendency of the noncompliance. Subsequent review of the supporting information for these FFTs or Compliance Exceptions identified a majority of the missing information. FERC and NERC staff ultimately agreed with the final risk determinations for all 132 samples. Significantly, staff noted improvement in the clear identification of root cause in all samples posted after the feedback calls from the previous year's survey. In addition, FERC and NERC staff noted that the FFTs and Compliance Exceptions sampled did not contain any material misrepresentations by the registered entities. In June 2016, NERC staff provided individual feedback letters to the REs with specific findings and recommendations for each region, and NERC filed its closure letter including general findings from the review.

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<sup>1</sup> Category 3 — Fall-ins: Sustained Outages caused by vegetation falling into applicable lines from outside the ROW.

<sup>2</sup> Category 1A — Grow-ins: Sustained Outages caused by vegetation growing into applicable lines that are identified as an element of an Interconnection Reliability Operating Limit (IROL) or Major WECC Transfer Path, by vegetation inside or outside of the ROW.

<sup>3</sup> Category 1B — Grow-ins: Sustained Outages caused by vegetation growing into applicable lines, but are not identified as an element of an IROL or Major WECC Transfer Path, by vegetation inside or outside of the ROW.

<sup>4</sup> Other serious risk violations filed in Q2 2016 NERC include violations of TOP-002-2 R6, TOP-004-1 R2, and TOP-004-1 R4 in a [Full NOP](#) on April 28, 2016.

## Dismissal Process Review

In the second half of 2015, NERC staff conducted a review of 100 sampled possible noncompliance dismissed between March 1, 2013, and February 28, 2015, to evaluate the REs' dismissal practices for violations. The purpose of this process review was to identify areas for improvement and provide general recommendations. NERC has provided each RE with specific findings based on the dismissals reviewed for the particular region and in Q2 2016, and has finalized its report on the dismissal process.

Based on analysis of the sampling results, NERC concluded that letters of dismissal are generally adequate in communicating the reasons for dismissal to the registered entities and the REs provided logical connections between the noncompliance and the basis for dismissal along with sufficient evidence. Nevertheless, in some instances the description and evidence of the bases of dismissal lacked sufficient detail, the RE did not dismiss in a timely manner, there were instances of double-reporting that led to a dismissal, or internal documents were not current.

Among other things, NERC found that registered entities discovered internally 70% of the dismissed noncompliance during the sampling period. This is comparable to the overall 75% filed noncompliance discovered internally for the same sampling period. This similarity indicates that dismissals occur at approximately the same rate for all noncompliance, whether discovered internally or externally. Accordingly, there does not appear to be an immediate need to focus education for either registered entities or REs to reduce the frequency of dismissals.

As part of its oversight role, NERC will use the recommendations included in the dismissal report during its day-to-day processing of Letters of Dismissal, and would expect to conduct another review on this subject as appropriate.

## Other Quarterly Enforcement Updates

The following quarterly enforcement updates are current as of the end of Q2 2016 (June 30, 2016):<sup>5</sup>

### *Mitigation Completion*

- There are 118 violations discovered in 2014 and earlier with ongoing Mitigation Plans or mitigating activities. This represents less than 1% of the total violations discovered in 2014 and earlier.

### *Caseload*

- Sixty-one percent of the ERO Enterprise noncompliance inventory is less than one year old and only 14% is over two years old.
- FRCC, NPCC, RF, and Texas RE have completed processing of all violations with discovery dates prior to 2014.
- There are 202 pre-2014 violations remaining to be processed across MRO, SERC, SPP RE, and WECC. Most of these violations are from federal entities.

### *Self-Assessment and Self-Identification of Noncompliance*

- Registered entities self-identified approximately 80% of new instances of noncompliance in the first two quarters of 2016. The self-identification rate dropped down to 68.1% in Q2 2016. This drop was a result of external audit findings for several affiliated entities.

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<sup>5</sup> Appendix A includes the NERC Enforcement metrics-related graphs and charts.



*Self-Logging Utilization*

- Sixty-two registered entities are self-logging, an increase of ten in the second quarter of 2016. NERC began a review of the program in Q2 2016 to identify best practices and potential areas of improvement.

*Trends in Processing Methods*

- Out of 166 instances of noncompliance posing a minimal risk to the reliability of the BPS processed during the second quarter of 2016, the ERO Enterprise disposed of 139 (84%) as Compliance Exceptions. The ERO Enterprise treated the remaining instances of noncompliance posing a minimal risk as Spreadsheet NOPs.

# Compliance Assurance

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## Vegetation-Related Transmission Outages

As a result of the previously mentioned slight increase in vegetation-related outages, in Q2 2016, NERC added vegetation management as an Area of Focus under the Maintenance and Management of BPS Assets risk element in the 2016 ERO Enterprise CMEP Implementation Plan. Specifically, compliance monitoring activities will have additional focus on FAC-003-3 R1, R2, R6, and R7, for Generator Owners and Transmission Owners. FAC-003-3 addresses the risk of transmission outages and associated potential for cascading events due to vegetation growth in the transmission ROW.<sup>6</sup>

## Coordinated Oversight of Multi-Region Registered Entities (MRRE)

During Q2 2016, 11 additional registered entities opted in to the coordinated oversight program, taking the total count of MRRE participation to 188.<sup>7</sup> During 2016, the ERO Enterprise will continue to consider opportunities to refine the coordinated oversight program and to improve associated efficiency and consistency while also fulfilling obligations for implementation of the CMEP. Refer to Appendix B, Figure 15 and Figure 16, for additional supporting details on the coordinated oversight program.<sup>8</sup>

## CIP Standards

### CIP Version 5

The CIP standards, Cyber and Physical, have completed their transitional stages. The CIP Version 5 standards became effective on July 1, 2016. To help prepare for upcoming compliance monitoring and enforcement activities, NERC conducted a self-certification for these standards in coordination with REs to gain understanding of the scope and impact of the CIP standards to registered entities. The resulting data has helped to provide the ERO Enterprise a means to plan effectively for monitoring engagements in conjunction with the IRA process and to ensure resources are appropriately applied to mitigate cyber and physical security risks. The following summarizes the major activities completed in Q2 2016 to support the final transition phase.

#### *April 2016: CIP V5 Standards Implementation Dates*

Since the original CIP Version 5 standards were approved, there have been numerous modifications and updates to the implementation dates. To provide transparency, consistency, and clarity around these dates, NERC issued a [spreadsheet](#) that outlines all of the compliance dates for each standard, requirement, part, and subpart of the CIP standards.

#### *July 2016: Self-Certification to CIP Version 5*

As FERC postponed the implementation date of the CIP Version 5 standards to July 1, 2016, the previous May 2, 2016, deadline for the self-certification to CIP Version 5 standards moved to July 15, 2016.

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<sup>6</sup> Per the *NERC Glossary of Terms Used in NERC Reliability Standards* (NERC Glossary), as of July 1, 2014, ROW is defined as “the corridor of land under a transmission line(s) needed to operate the line(s). The width of the corridor is established by engineering or construction standards as documented in either construction documents, pre-2007 vegetation maintenance records, or by the blowout standard in effect when the line was built. The ROW width in no case exceeds the applicable Transmission Owner’s or applicable Generator Owner’s legal rights but may be less based on the aforementioned criteria.” NERC Glossary at p. 81, available at: [http://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary\\_of\\_Terms.pdf](http://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary_of_Terms.pdf).

<sup>7</sup> This report reflects the total number of registered entities participating in the program regardless of whether the NERC Compliance Registry number is unique or identical across the REs.

<sup>8</sup> Information on the Coordinated Oversight of MRREs Program is available at:

<http://www.nerc.com/pa/comp/Reliability%20Assurance%20Initiative/MRRE%20FAQ%20with%20Notice%201-12-15.pdf>.

## Physical Security

The CIP-014 self-certification was completed on May 2, 2016. The resulting analysis of the data has provided the ERO Enterprise an understanding of which registered entities have critical substations and a measure of how third parties participate in validating the registered entity's risk assessment of applicable substations. NERC has developed a baseline from this information to assess the standard's effectiveness and the industry's implementation of the standard. To ensure the protection of entity-sensitive information pertaining to CIP-014, the ERO Enterprise will review any CIP-014-2 compliance evidence off-site.

## Compliance Monitoring Oversight

### ERO Enterprise Completion of Initial IRAs

NERC and the REs coordinated to develop a plan for completion of initial IRAs for all registered entities. In addition, REs will conduct IRAs of all Reliability Coordinators (RCs), Balancing Authorities (BAs), and Transmission Operators (TOPs) by the end of 2016. NERC will monitor REs' performance of these assessments.

#### *RC, BA, and TOP*

During Q2 2016, REs continued to make progress on initial IRAs for RCs, BAs, and TOPs. REs did not report a change in their project plans for completion or any circumstances that may affect their ability to complete IRAs for these registered functions in 2016. Refer to Appendix B, Figure 12, for region-specific progress for initial IRA completions for RC, BA, and TOP functions within their regional footprints.

#### *Completion Plans for All Registered Entities*

RE progress toward completion of IRAs for all registered entities is on track based on regional plans. During Q2, REs did not report a change in their completion plans or other circumstances that may affect progress on these plans. As of Q2 2016, REs plan to complete all initial IRAs as follows: FRCC, MRO, NPCC, and SPP RE by 2016; SERC, Texas RE, and WECC by 2017; and RF by 2019. Completion plans consider the total number of registered entities, registered functions, risk priorities, and regional resources. Additionally, completion plans may be modified due to emerging risks, changes in resources, or other relevant considerations. Appendix B, Figure 13, illustrates the percentage of IRAs completed for all registered entities within the REs across the ERO Enterprise.

## NERC Observations of Regional Entity Compliance Monitoring Activities

NERC Compliance Assurance is facilitating and participating in FERC reviews for three registered entity IRAs per RE throughout 2016. To date, FERC and NERC conducted reviews with seven out of the eight REs. During these opportunities, FERC and NERC perform detailed reviews of the regional IRA processes and results and ask questions designed to facilitate review.

Additionally, during Q2, NERC conducted observations for four Operations and Planning and two CIP audits at registered entity locations. Along with attending the on-site audits, NERC staff reviewed the associated IRAs and participated in pre-audit meetings reviewing the IRA process and audit documentation.

## Metrics Q2 2016 Updates

### ERO Enterprise IRA and ICE Utilization

As shown in Appendix B, Figure 14, of the 197 unique registered entities on the 2016 audit schedule, the REs have completed IRAs for 162 entities, which represents 82% of the registered entities on the audit schedule. Of these 162 IRAs, 47 were completed in 2015, 69 were completed in Q1 2016, and 46 were completed in Q2 2016. In addition, in Q2 2016, REs completed 112 IRAs for registered entities not on the audit schedule. In total, as of the end of Q2 2016, REs have completed a total of 488 IRAs, which represents approximately 34% of registered entities in the United States and Canada.

The REs continue to offer and conduct voluntary ICE activities as part of the risk-based CMEP. As of the end of Q2 2016, the REs have conducted ICE activities for 46 registered entities.

## Certification and Registration

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### **Certification**

During Q2 2016, NERC and the REs completed one full certification. There are an additional four Certification Reviews or other certifications planned for the remainder of 2016.

### **Registration**

As of June 17, 2016, there have been 60 registration changes including activations and deactivations.

## Appendix A – Enforcement

### CMEP Metrics

#### Mitigation Completion Status

Notably, the mitigation of the oldest violations (dating from 2013 and earlier) is over 99% complete. NERC Enforcement continues to monitor these violations and make them a priority for mitigation completion. Additionally, violations discovered in 2014 and 2015 are being mitigated at a satisfactory rate. Both targets should be accomplished by the end of 2016.

| Table 1: Mitigation Completion Status |                     |         |                      |           |        |                             |
|---------------------------------------|---------------------|---------|----------------------|-----------|--------|-----------------------------|
| Time Frame                            | Required Mitigation | Ongoing | Progress Toward Goal | Threshold | Target | Progress Since Last Quarter |
| 2013 & Older                          | 8546                | 62      | 99.27%               | 100%      | 100%   | 0.20%                       |
| 2014                                  | 966                 | 56      | 94.2%                | 85%       | 90%    | 3.83%                       |
| 2015                                  | 733                 | 218     | 70.26%               | 70%       | 75%    | 14.24%                      |

#### Age of Noncompliance in ERO Enterprise Inventory

This graph shows the age of noncompliance from all non-federal entities and only federal entities beyond the November 2014 cutoff.<sup>9</sup> There has been almost no change in the distribution of the percentages from the prior quarter.

Age of Noncompliance in ERO Enterprise's Inventory

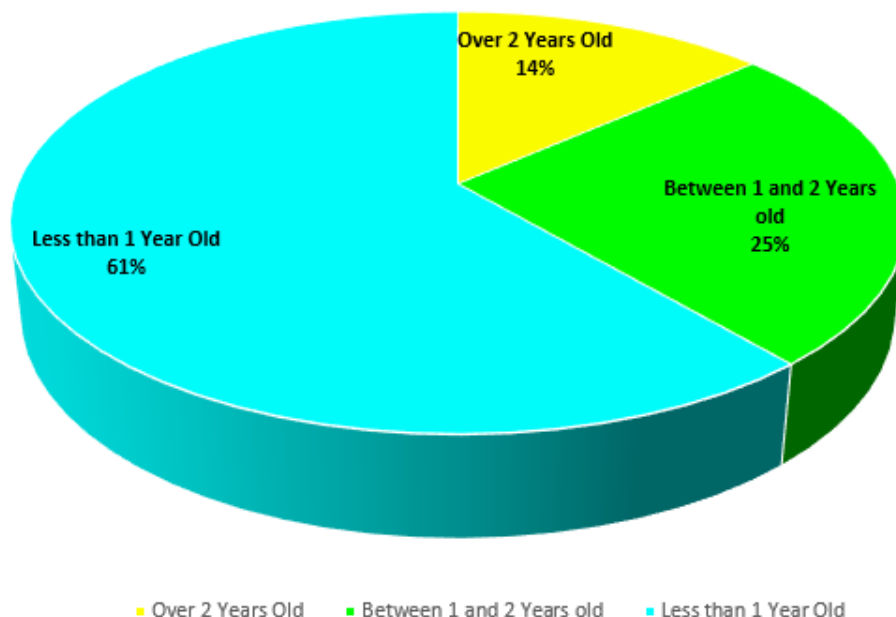


Figure 1: Age of Noncompliance in the ERO Enterprise Inventory

<sup>9</sup> The U.S. Court of Appeals for the District of Columbia Circuit ruled that monetary penalties could not be imposed on federal entities. All previously reported federal entity violations were formerly on hold pending the court's decision. The pre-court case federal entity violations and the post-court case violations have been separated because routine processing was interrupted.

### Average Age of Noncompliance in the ERO Enterprise inventory

Noncompliance has a relatively consistent average age in RE inventories of approximately 10 to 11 months.

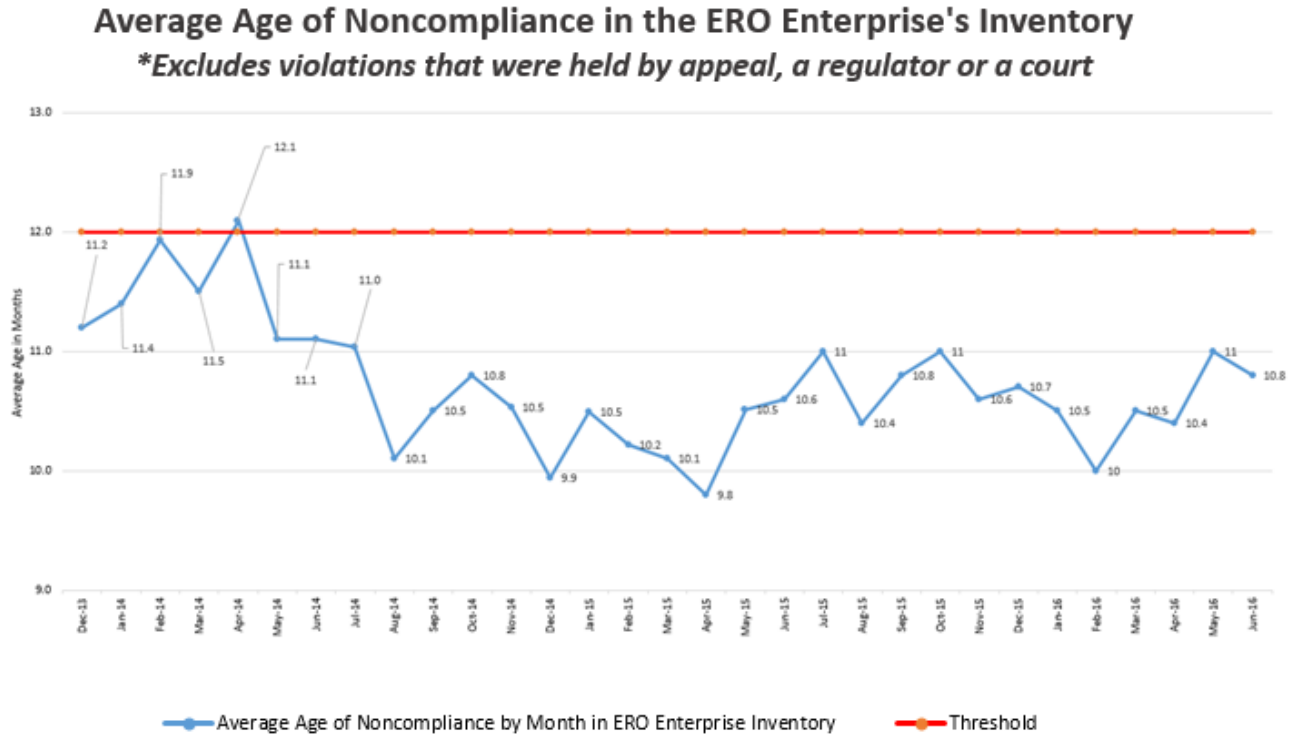


Figure 2: Average Age of Noncompliance in the ERO Enterprise Inventory

### Number of New Violations Discovered in 2016

| Table 2: Violations Discovered in 2016 |          |           |           |           |           |           |           |           |            |
|--|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Discovery Month                        | FRCC     | MRO       | NPCC      | RF        | SERC      | SPP RE    | Texas RE  | WECC      | Total      |
| January                                |          | 1         | 3         | 16        | 7         | 4         | 9         | 8         | 48         |
| February                               |          | 5         | 4         | 19        | 29        | 2         | 7         | 10        | 76         |
| March                                  |          | 3         | 7         | 11        | 5         | 4         | 4         | 12        | 46         |
| April                                  | 1        | 1         | 9         | 12        | 21        | 8         | 4         | 9         | 65         |
| May                                    | 1        | 1         | 4         | 11        | 2         | 9         | 40        | 9         | 77         |
| June                                   |          |           | 2         | 6         | 6         | 6         | 11        | 15        | 46         |
| <b>Total</b>                           | <b>2</b> | <b>11</b> | <b>29</b> | <b>75</b> | <b>70</b> | <b>33</b> | <b>75</b> | <b>63</b> | <b>358</b> |

### Number of Instances of Noncompliance Discovered Internally vs Externally

Below are two charts. Figure 3 breaks down internal and external discovery method by year, Figure 4 over the last six quarters. There has been a steady increase in internally discovered noncompliance over the last several years.

Percent of Noncompliance Discovered Internally and Externally

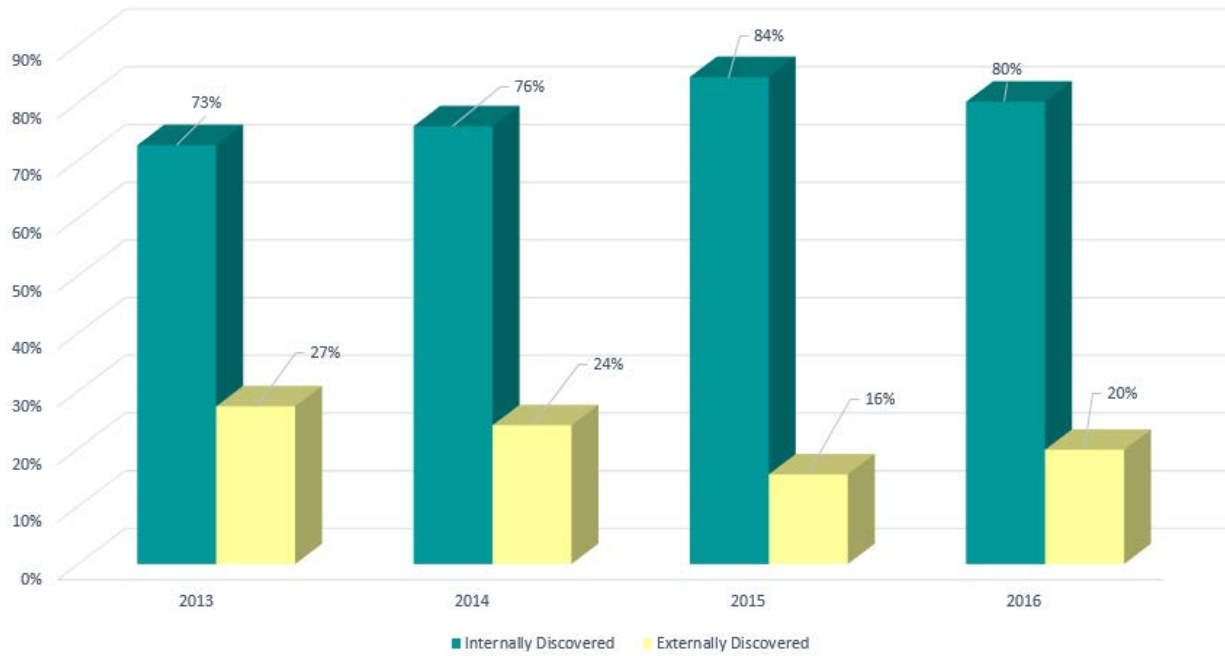


Figure 3: Percentage of Noncompliance Discovered Internally and Externally by Year

Percent Internal and External Discovery

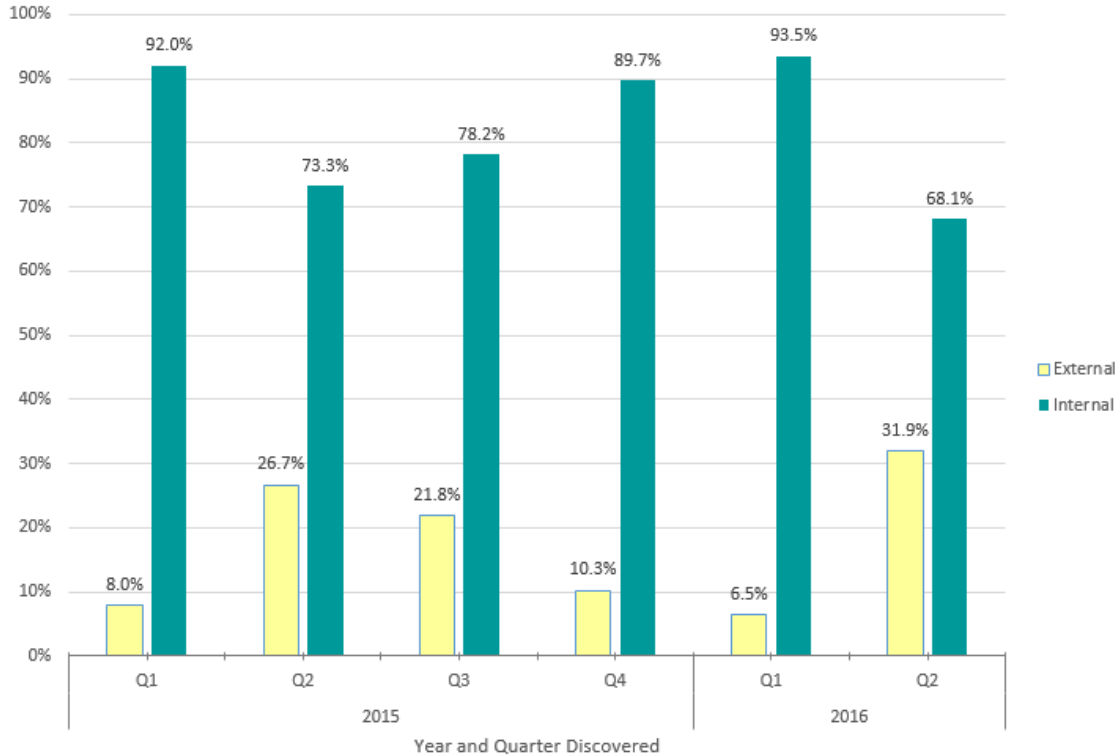


Figure 4: Percentage of Noncompliance Discovered Internally and Externally by Quarter



### Self-Logging Utilization

As of June 30, 2016, 62 registered entities are in the self-logging program. NERC also sent out notifications to all REs for a Self-Logging process review that will be conducted in Q3 and Q4 2016.

Total Registered Entities Self-Logging by Regional Entity

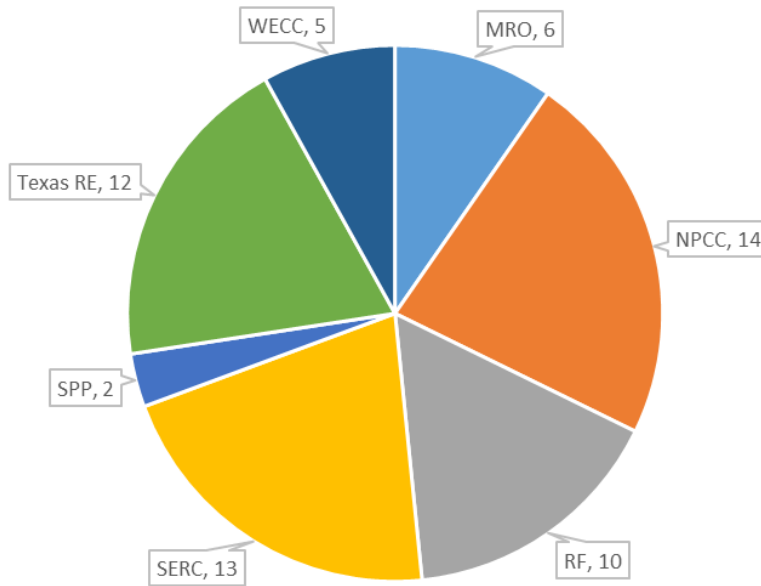


Figure 5: Total Registered Entities Self-Logging by Regional Entity

### Relationship of Self-Logging and Compliance Exceptions

The percentage of Compliance Exceptions that are self-logged increased from 12% to 14% last quarter.

Percentage of Self-Logged Compliance Exceptions Since June 2014

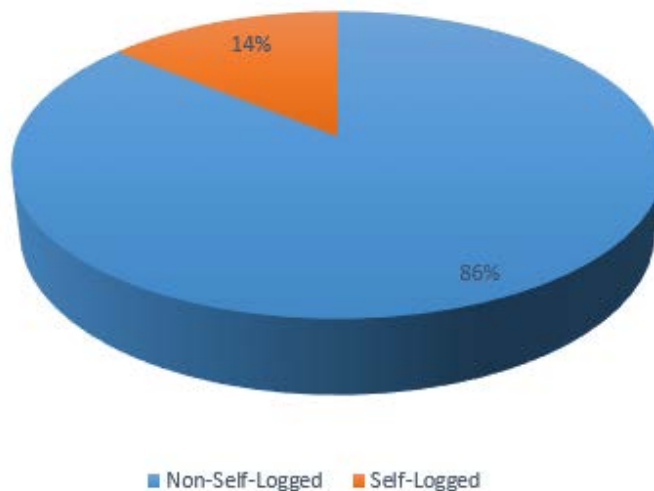
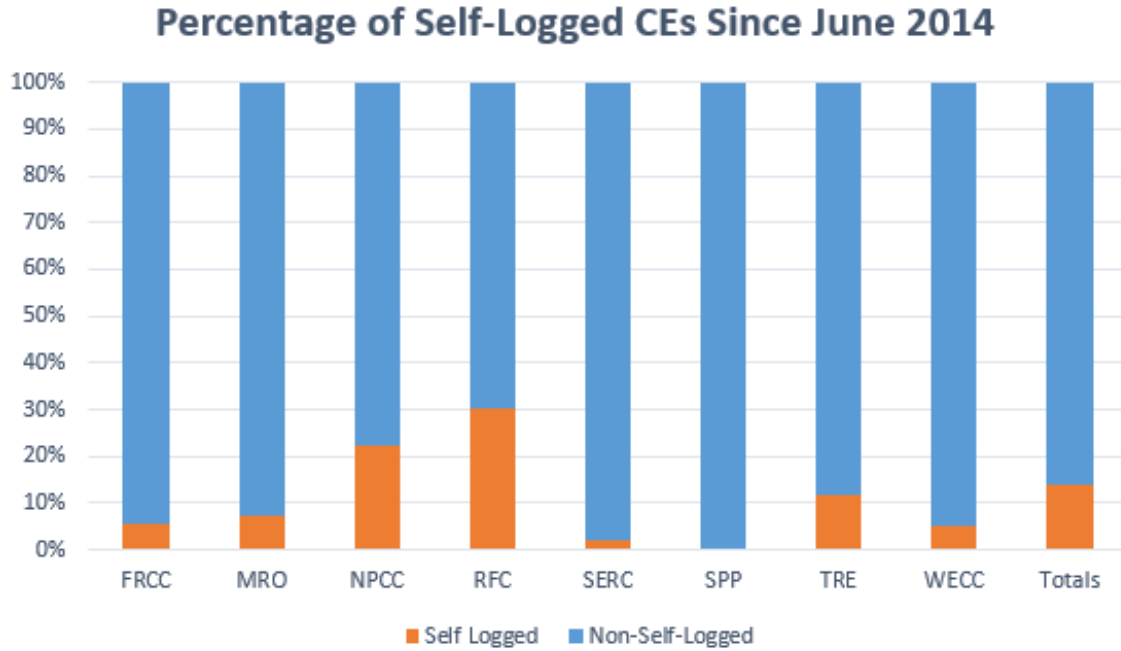


Figure 6: Percentage of Self-Logged Compliance Exceptions since June 2014

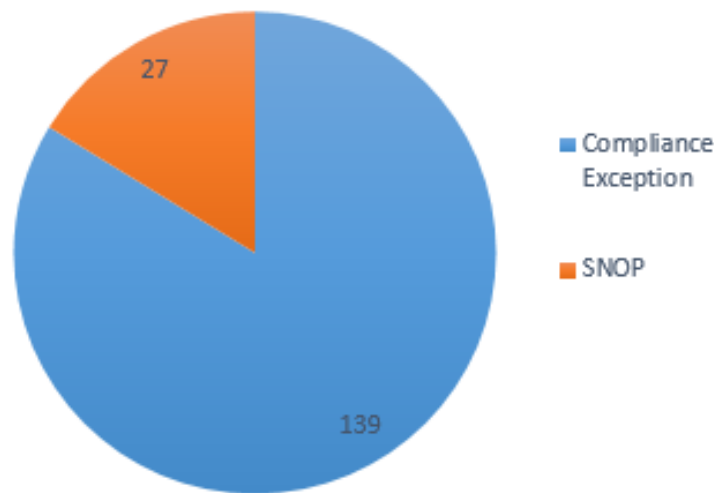


**Figure 7: Percentage of Self-Logged Compliance Exceptions since June 2014 by Region**

### Use of Compliance Exceptions for Minimal Risk Issues

The chart below reviews the number of minimal risk noncompliance processed in Q2 2016. Figure 9 shows the total by RE. There have been no minimal risk violations filed as NOPs or FFTs.

### Minimal Risk Noncompliance Processed Q2 2016



**Figure 8: Minimal Risk Noncompliance Processed in Q2 2016**

### Minimal Risk Noncompliance Processed Q2 2016

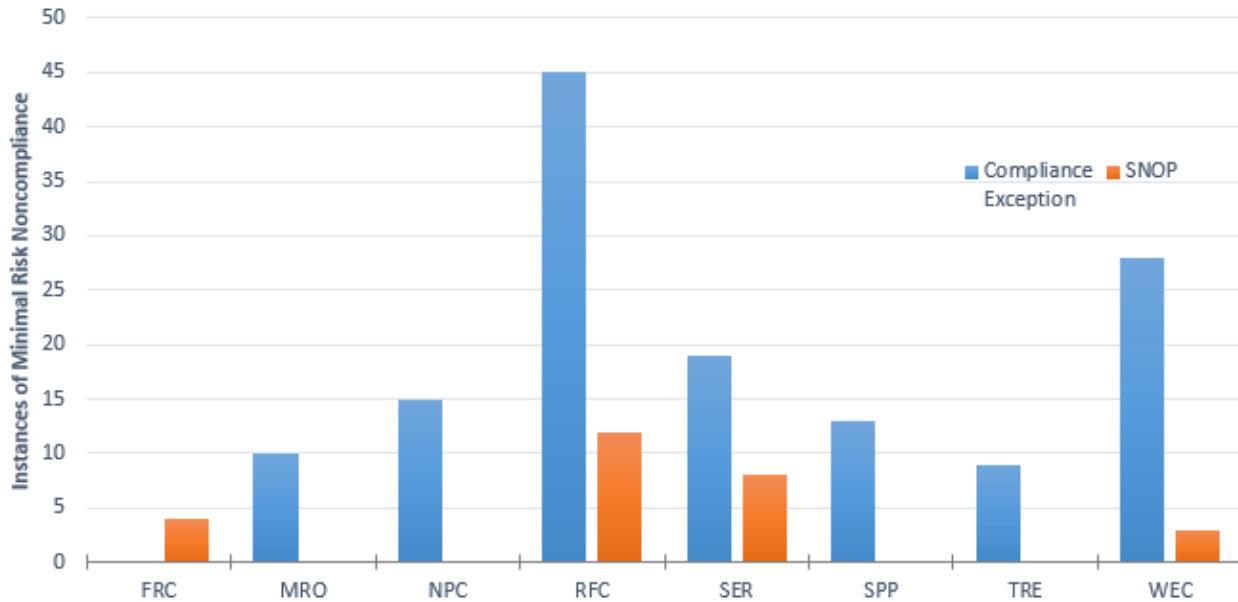


Figure 9: Minimal Risk Noncompliance Processed in Q2 2016 by Region

### Disposition Breakdown by Region

#### Disposition Breakdown By Region Q2 2016

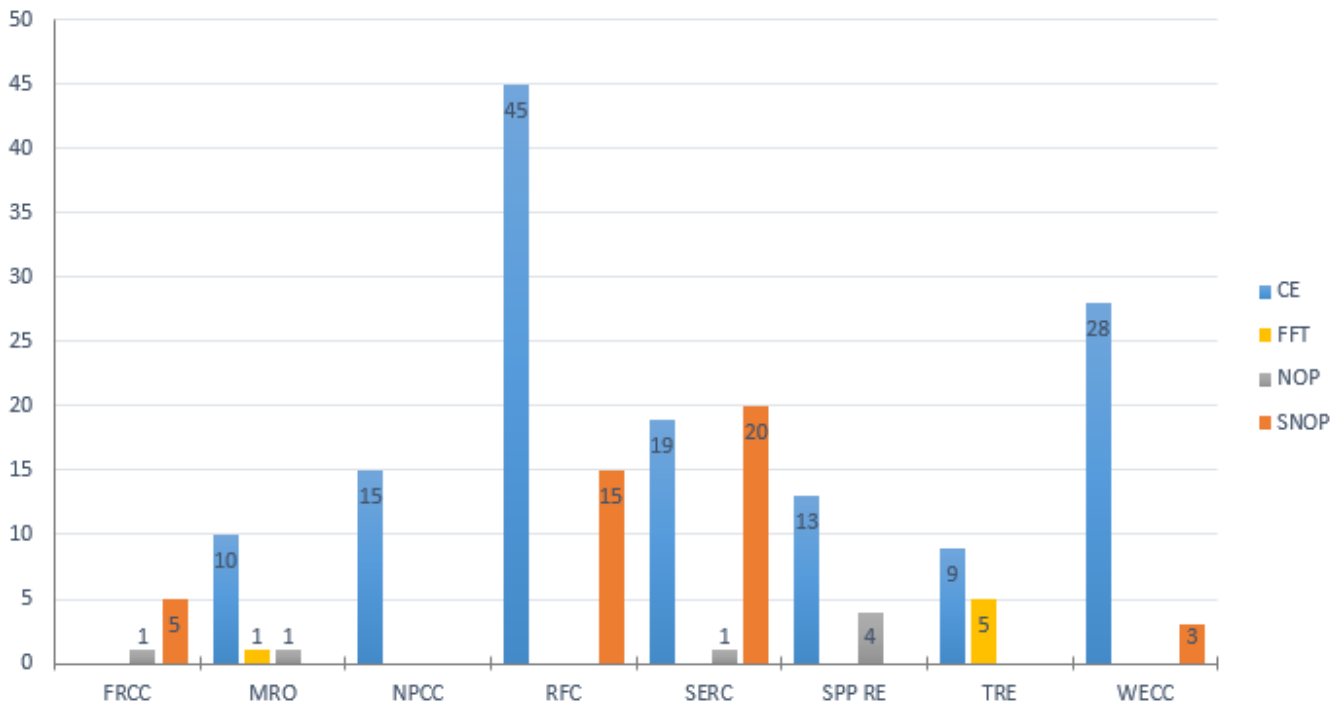


Figure 10: Disposition Type of Noncompliance Processed in Q2 2016 by Region

### Most Violated Standards Discovered in 2016

In addition to having the highest frequency of noncompliance in 2016, CIP-004, CIP-005, CIP-006, and CIP-007 are also among the most violated historically. Additionally, PRC-005, FAC-008, and VAR-002 are also commonly violated.

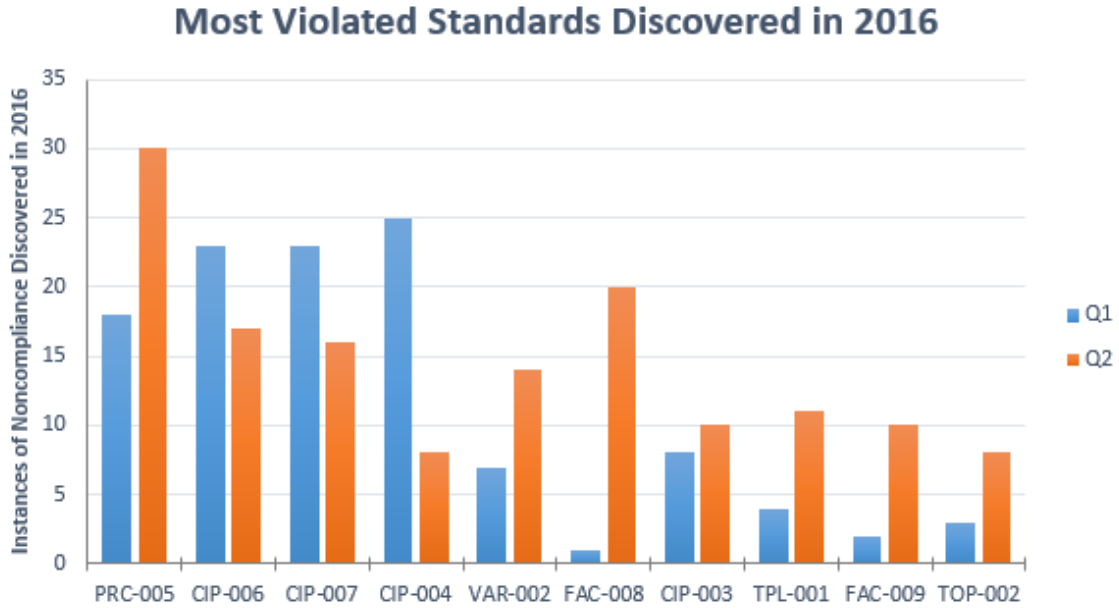


Figure 11: Most Violated Standards Discovered in 2016 by Quarter

## Appendix B – Compliance Assurance

### Regional Entity Completion of Initial IRAs for BAs, TOPs, and RCs

The chart below identifies the number of IRAs completed, by RE, for RCs, BAs, and TOPs. The chart also considers MRREs within the coordinated oversight program, i.e. if an IRA is conducted by the Lead Regional Entity (LRE) in coordination with an Affected Regional Entity (ARE), then it is considered complete for all the registered entities under each regional footprint.

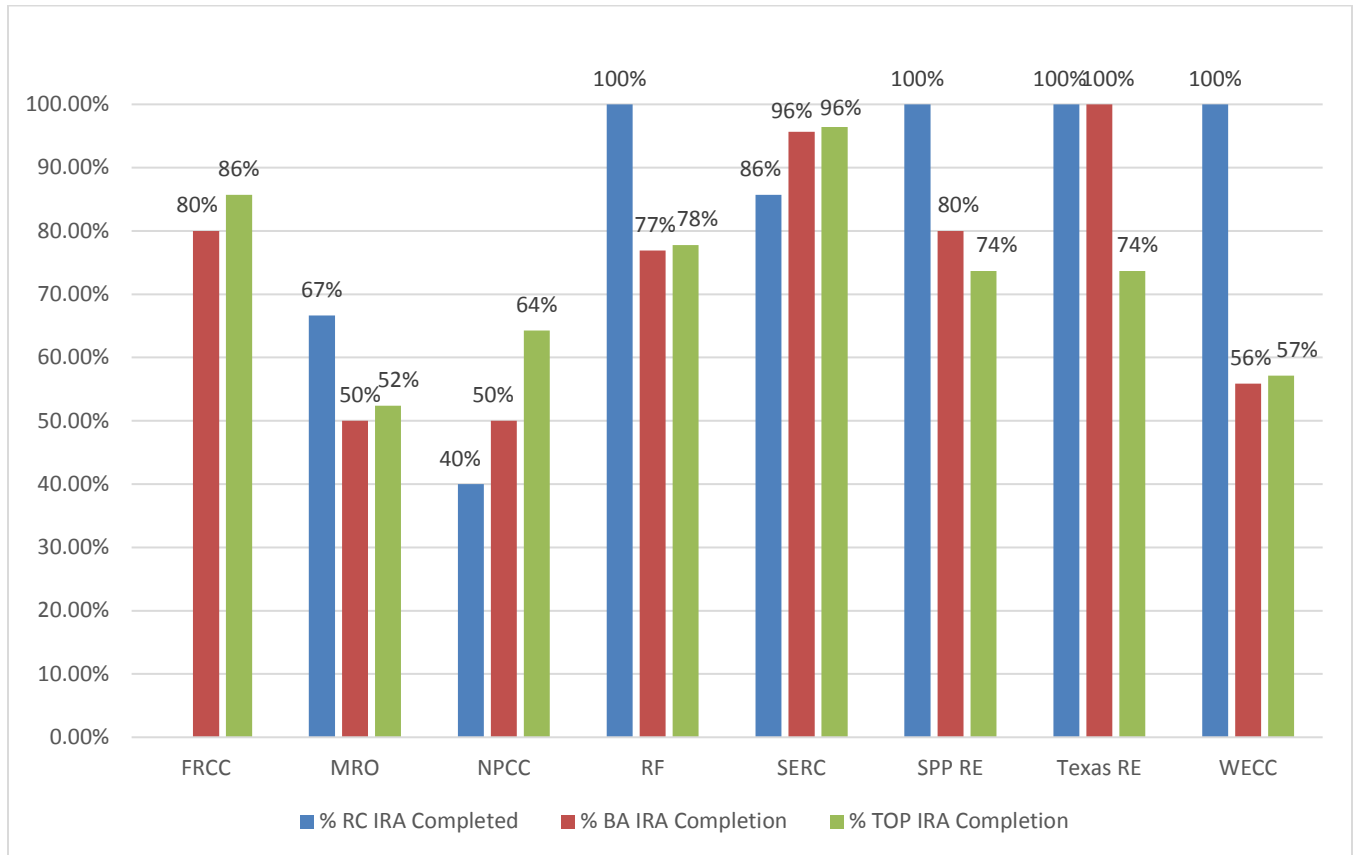
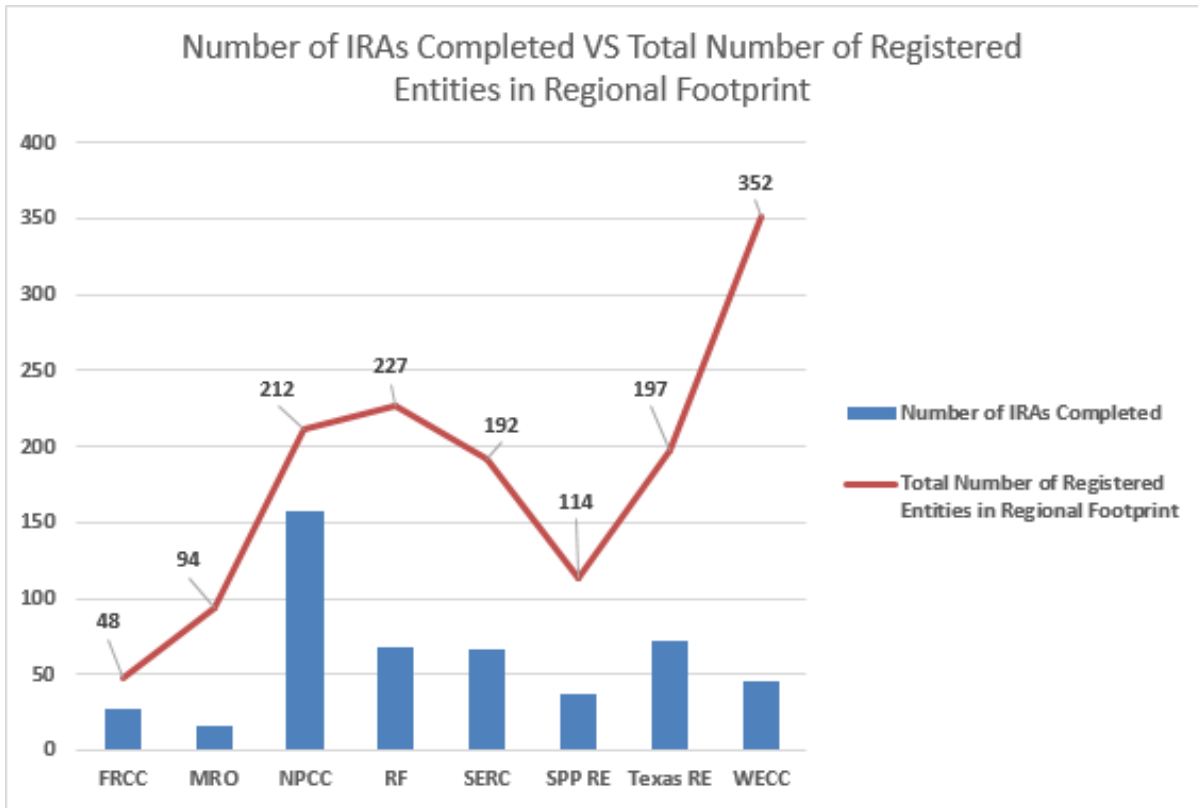


Figure 12: RC-BA-TOP IRA Completion Status

### ERO Enterprise Completion of Initial IRAs

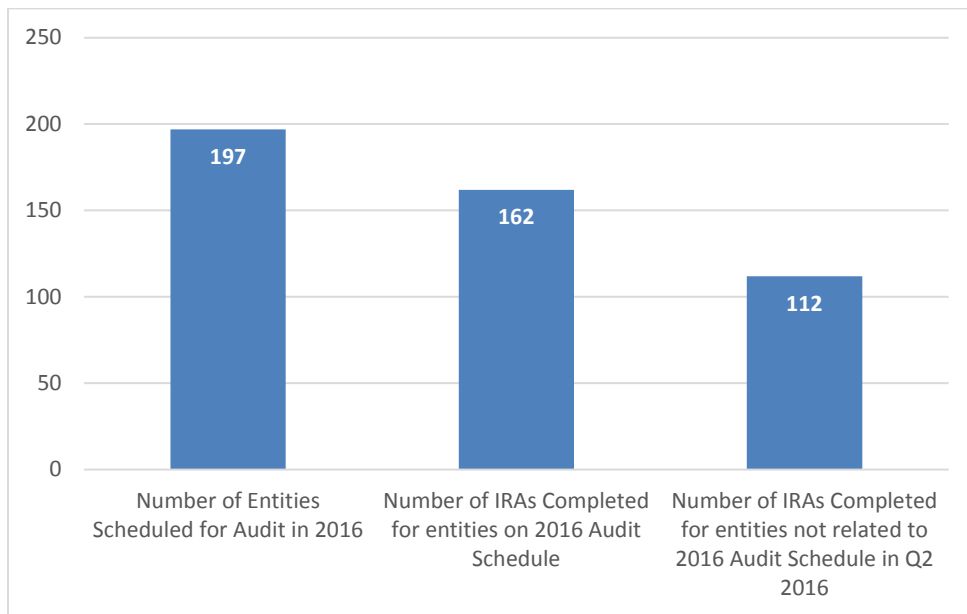
The chart below identifies the distribution of the percentage of IRAs completed for all registered entities within each RE. REs have completed 488 IRAs for the 1435 registered entities as of Q2 2016.<sup>10</sup>

<sup>10</sup> The 1,435 registered entities is based on registration data available for preparing this report.



**Figure 13: Percentage of IRAs Completed for Registered Entities by Region as of Q2 2016**

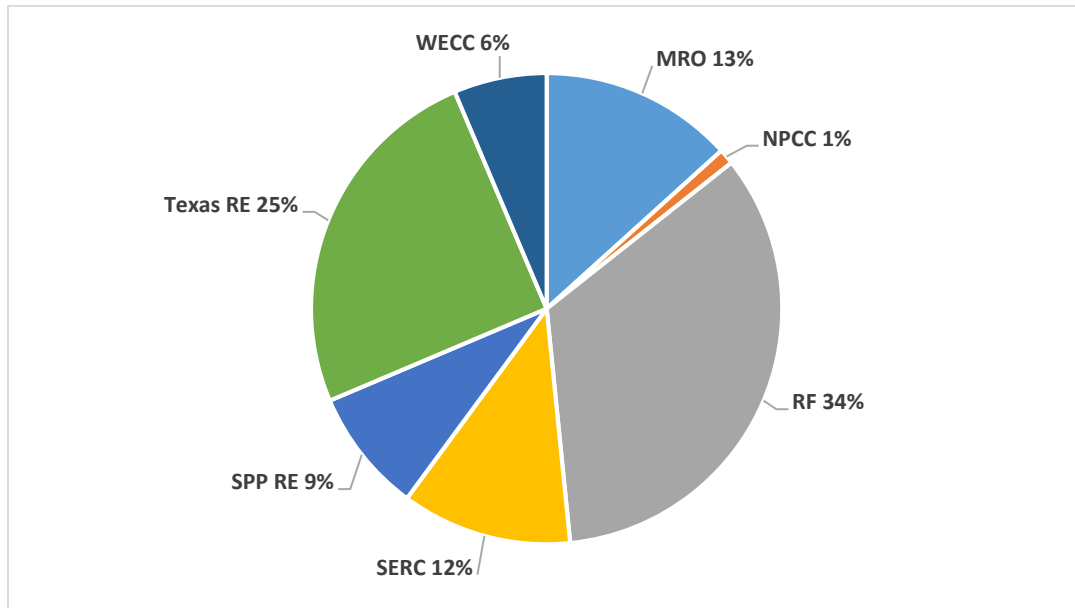
The chart below identifies the number of IRAs completed for registered entities scheduled to be audited in 2016 and the number of IRAs completed for entities outside of the 2016 audit schedule.



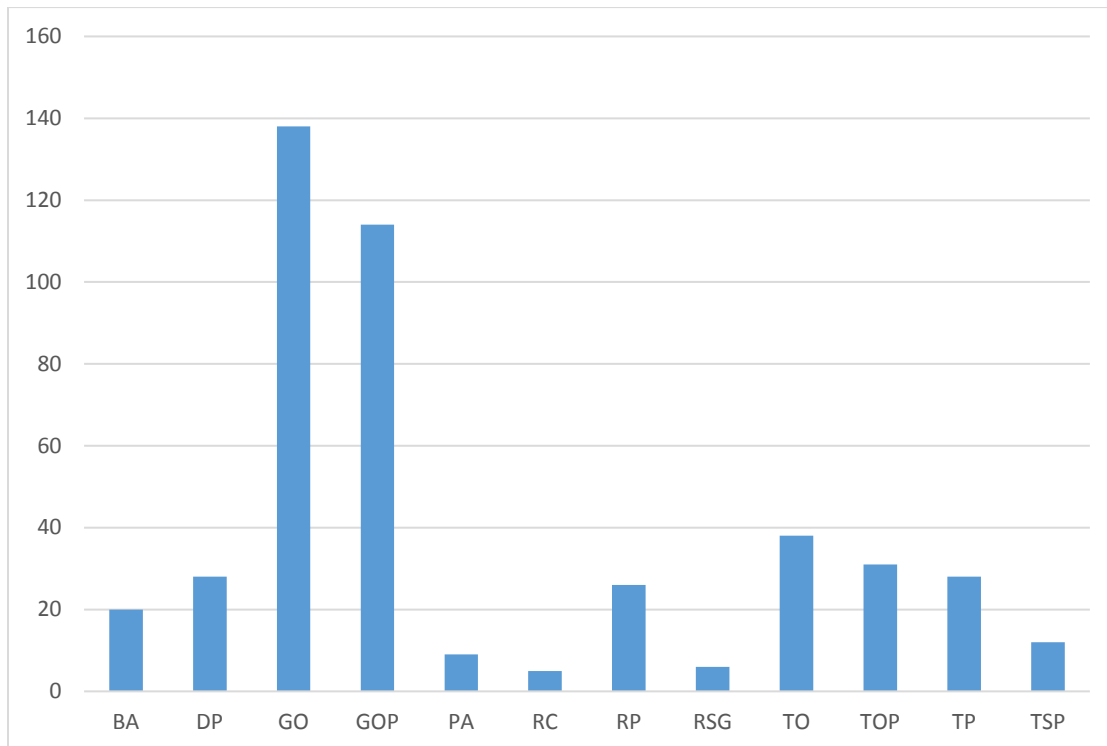
**Figure 14: 2016 Scheduled Audits vs Number of IRAs Completed in 2016 and in 2015 for Registered Entities on the 2016 Audit Schedule**

## Coordinated Oversight Program for MRREs

Figure 15 below represents the percentage distribution of the 188 MRREs by LRE, and Figure 16 represents the distribution of MRREs by registered function. The registered entities that opted to join the program are registered for various reliability functions in multiple regions.



**Figure 15: Percentage of MRREs under Coordinated Oversight by LRE**



**Figure 16: Registered Entities from All Reliability Functions in Coordinated Oversight<sup>11</sup>**

<sup>11</sup> Each bar represents the number of instances of reliability functions across the ERO Enterprise for registered entities in the MRRE program.

# 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 and Deputy General Counsel  
Compliance Committee

August 10, 2016

**RELIABILITY | ACCOUNTABILITY**





- Completion of process reviews
  - Annual review of Find, Fix, Track, and Report as well as Compliance Exceptions
  - Dismissal practices
  - Self-Logging review ongoing
- Progress on various metrics
  - Mitigation
  - Self-identification
  - Use of Self-Logging and Compliance Exceptions

- Completion of Inherent Risk Assessments (IRAs)
  - Plans for completion of all IRAs
  - Balancing Authorities, Reliability Coordinators, and Transmission Operators prioritized for completion
- Enhancements to IRA guide
- Update to 2016 ERO Enterprise Compliance Monitoring and Enforcement Program (CMEP) Implementation Plan
  - Revised version posted July 2016
- Preparation of 2017 ERO Enterprise CMEP Implementation Plan



# Questions and Answers