

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

ERO Enterprise Self-Logging Program

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RELIABILITY | ACCOUNTABILITY



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Introduction

This document provides a description of the ERO Enterprise Self-Logging Program. Registered entities found by the Compliance Enforcement Authority to be eligible, after a formal review of internal controls, pursuant to procedures adopted by NERC and the Regional Entities and provided to Applicable Governmental Authorities, may be granted approval by the Compliance Enforcement Authority to log noncompliance for subsequent review in lieu of submitting a Self-Report. The log shall be limited to noncompliance posing a minimal risk to the reliability of the bulk power system unless otherwise authorized by an Applicable Governmental Authority. Approved registered entities shall maintain a log with a detailed description of the noncompliance, the risk assessment, and the mitigating activities completed or to be completed. There is a rebuttable presumption that minimal risk noncompliance logged in this manner will be resolved as a Compliance Exception. The Compliance Enforcement Authority will periodically review the logs and will make the logs available for review, upon request, by NERC and Applicable Governmental Authorities.

The instant document covers the following aspects of the program:

- Availability of information associated with requesting an evaluation;
- Methodology to evaluate eligibility;
- Communications regarding determination of eligibility;
- Processing of logs;
- Review and evaluation of logs;
- Maintenance of records;
- Verification of mitigation.

This document replaces the October 1, 2014 *Self-Logging of Minimal Risk Issues Program Overview*.

Revision History

Version	Date	Notes
1.0	May 20, 2015	Original version.
2.0	February 1, 2016	Revised record retention period to 18 months in Section VI.

ERO Enterprise Self-Logging Program

I. Requesting Evaluation of Eligibility for the Self-Logging Program

Each Regional Entity should include on its website information indicating how a registered entity can request evaluation of eligibility for the self-logging program. This information should include, at a minimum, a centralized email address or other contact information for the responsible individual or department at the Regional Entity.

II. Regional Entity Review of the Registered Entity's Processes

The Regional Entity will determine the registered entity's eligibility for self-logging through a formal evaluation of the registered entity's controls associated with the registered entity's ability to identify, assess, and correct noncompliance.

The following is the methodology each Regional Entity will use to conduct this evaluation. The Regional Entity will document the evaluation.

A. Methodology to Evaluate Processes to Identify Noncompliance

1. Has the registered entity demonstrated that it has effective processes in place for identifying possible noncompliance with Reliability Standards?
 - Process(es) for identifying and communicating possible noncompliance with Reliability Standards.
 - Process(es) for investigating the facts surrounding an identified possible noncompliance.
 - Process(es) if the registered entity determines facts do not amount to noncompliance (e.g., follow-up, if any, for near misses).

B. Methodology to Evaluate Processes to Assess Noncompliance

1. Based upon past performance, how thoroughly does the registered entity investigate the facts surrounding an identified possible noncompliance?
2. How accurately has the registered entity assessed the risk to reliability posed by noncompliance?
 - Process(es) for assessing risk to reliability posed by a particular noncompliance.
 - Process(es) for communicating reliability risk of possible noncompliance to individuals affected by the possible noncompliance.
3. Describe how the registered entity's assessment of risk to reliability impacts its response to the noncompliance.

C. Methodology to Evaluate Processes to Correct Noncompliance

1. Has the registered entity effectively identified the cause(s)/root cause(s) of past noncompliance?
 - Process(es) for identifying root cause(s) of possible noncompliance (including any process for communicating root cause(s) to individuals affected by the possible noncompliance and/or process for trend-spotting possible noncompliance with similar causes).
2. Has the registered entity provided timely and thorough communications to both the employees responsible for mitigation and to the Regional Entity?
3. Was registered entity senior management appropriately involved in the evaluation and correction of noncompliance?

4. How does the registered entity create and maintain a feedback loop to review and correct deficiencies in processes and procedures that have led to noncompliance?
5. How has the registered entity demonstrated that it has effective processes in place for addressing/mitigating identified causes of noncompliance (both cause of discrete noncompliance and prevention of recurrence)?
6. Does the registered entity assess the effectiveness of its mitigation activities?

To satisfy the evaluation embodied in these questions and become eligible for self-logging, a registered entity must demonstrate that it has sufficiently institutionalized processes in place to identify, categorize, prioritize, and mitigate operational risks to reliability. It also must have sufficient internal processes to perform corrective and preventative actions. The Regional Entity should assess whether these internal processes have been properly designed and implemented. The Regional Entity should obtain sufficient, appropriate evidence to support its assessment about the effectiveness of those processes. The Regional Entity may obtain an understanding of internal processes through inquiries, observations, inspection of documents and records, or review of other information already available to the Regional Entity. The nature and extent of the Regional Entity's review may vary according to the inherent risk of the registered entity, known or potential process deficiencies, and the Regional Entity's knowledge of the internal compliance program obtained through prior compliance monitoring and enforcement activities with the registered entity. The Regional Entity, as much as possible, should use information already in its possession to evaluate a registered entity's eligibility for self-logging.¹

As part of the Regional Entity's assessment of the effectiveness of a registered entity's internal processes, the Regional Entity may determine that it is appropriate to use the work of the internal compliance audit group, or external third parties hired by the registered entity, to assess internal compliance. Internal compliance auditing is an important part of overall governance, risk, compliance accountability, and internal controls. A key role of many internal compliance auditing organizations is to provide assurance that internal controls are in place to mitigate risks and achieve program goals and objectives related to compliance with Reliability Standards.

III. Communication of Eligibility Determination

The registered entity is responsible for providing the Regional Entity with requested information necessary to allow for the evaluation described above. After receiving all of the necessary information, the Regional Entity will notify the registered entity that the eligibility evaluation will begin. In most cases, the Regional Entity should complete the eligibility evaluation within 90 days. Following completion of the eligibility evaluation, the Regional Entity will issue a written notice to the registered entity regarding: 1) whether the registered entity qualifies for Self-Logging; 2) the basis for the Regional Entity's decision, including an explanation of factors affecting its determination; and 3) the Reliability Standard requirements for which the registered entity may self-log.

The Regional Entity will notify NERC on a monthly basis regarding new activity in the administration of the Self-Logging Program in its region. The notification should include new entrants in the Self-Logging Program, registered entities that were determined not to be eligible for the Self-Logging Program, and any modifications to the Self-Logging eligibility of existing participants in the Self-Logging Program. The Regional Entity may notify NERC by copying NERC Enforcement staff on the notices to the registered entities.

¹ For instance, the Regional Entity will consider, among other things: (i) the registered entity's history of initiative and recognition of compliance obligations; (ii) the registered entity's reliable and accurate self-reporting of noncompliance to the Regional Entities; (iii) the registered entity's history of mitigating its noncompliance in a timely and thorough manner; (iv) the quality, comprehensiveness, and execution of the registered entity's internal compliance program; (v) the registered entity's cooperation with the Regional Entity during enforcement actions, compliance monitoring activities, and Regional Entity outreach; and (vi) the registered entity's performance during regional Compliance Audits.

IV. Process for Self-Logging

The registered entity will maintain a Self-Logging spreadsheet for eligible minimal risk instances of noncompliance. If the registered entity has qualified for Self-Logging for both Operations and Planning (“O&P”) and Critical Infrastructure Protection (“CIP”) Reliability Standards, the Regional Entity may have the registered entity keep separate logs for the O&P and CIP Standards. The registered entity submits its logs to the Regional Entity according to the schedule established by the Regional Entity—at least once every three months when the registered entity begins self-logging and which could be extended to six months at the determination of the Regional Entity.

Only instances of noncompliance that pose a minimal risk to the reliability of the bulk power system are appropriate candidates for the log. The registered entity’s risk determination must consider, when applicable:

1. The timeliness of detection;
2. The method of detection (e.g., whether detection is the result of effective execution of internal controls);
3. Actions or processes in place during the instance of noncompliance that mitigated the risk or acted as a meaningful correction to the instance of noncompliance;
4. The timing and level of efforts undertaken, or to be undertaken, to mitigate the noncompliance;
5. Whether there are additional potential instances of noncompliance related to or indicative of the same or similar root cause underlying the instance of noncompliance;
6. Whether the noncompliance is limited to an administrative or documentation error;
7. The size and interconnectedness of the particular registered entity;
8. The location or asset involved with the noncompliance; and
9. The occurrence and/or likelihood of occurrence of any harm to the bulk power system.

The Regional Entity will provide training or materials to the registered entity regarding risk assessment of noncompliance. Training or materials provided to the registered entity should incorporate the risk assessment guidance and principles of the ERO Enterprise Self-Report User Guide (as amended from time to time).

Instances of noncompliance that pose a moderate or a serious and substantial risk to reliability should not be included in the log. Registered entities are encouraged to self-report such issues promptly to the Regional Entity.

If the registered entity is not certain about the level of risk associated with a specific noncompliance, the registered entity should contact the Regional Entity to discuss the noncompliance and determine whether it is appropriate for logging as a minimal risk issue.

V. Regional Entity Evaluation of Logged Items

The Regional Entity will evaluate the log to determine if it clearly and adequately provides all required information (Name, NCR number, Standard and Requirement, Description of the Issue, Description of the Risk Assessment, and Description and Status of Mitigation Activities). The Regional Entity’s evaluation will include a determination of whether:

1. The logged noncompliance is sufficiently described;
2. The minimal risk determination is justified and reasonable; and
3. The mitigation activities for the noncompliance are appropriate and adequate.

The Regional Entity will evaluate the registered entity's risk assessment for each logged instance of noncompliance to ensure that there are no instances of noncompliance on the logs that pose a moderate or serious and substantial risk to reliability.

If the Regional Entity concludes that the registered entity's logged instances of noncompliance are sufficiently described, reasonably and justifiably assessed as minimal risk, and subject to adequate and appropriate mitigation, the Regional Entity will process the logged instances of noncompliance as compliance exceptions. The Regional Entity will notify the registered entity of the associated Tracking Identification number assigned to the logged instances of noncompliance.

If the Regional Entity concludes that any of the registered entity's logged instances of noncompliance are insufficient due to unclear or missing information, unsupported risk determinations, or inadequate mitigation (e.g., recurring instances of noncompliance stemming from the same or substantially similar root cause), the Regional Entity may, at its discretion, and as further discussed below:

1. Work with the registered entity to correct the unsatisfactory log entries, including, if necessary, asking for additional information or mitigation activities;
2. Process the instance of noncompliance through an alternate disposition method; or
3. Modify or revoke Self-Logging, depending on the facts and circumstances of the insufficient log.

Specifically, where there is evidence that the registered entity failed to make a good faith effort to accurately record or effectively mitigate a logged instance of noncompliance (e.g., if the registered entity knew or should have known that it mischaracterized a logged instance of noncompliance as posing a lesser risk in order to qualify it for Self-Logging; or if the registered entity knew or should have known that it implemented clearly inadequate mitigating activities that could not reasonably be expected to correct and/or prevent recurrence of the logged instance of noncompliance), the Regional Entity may revoke Self-Logging and process the logged instance(s) of noncompliance through a formal enforcement action. If the Regional Entity revokes or modifies the registered entity's Self-Logging eligibility, the Regional Entity will inform the registered entity of the basis for that decision.

VI. Maintaining Records of Logged Items

The registered entity will maintain evidence to support the details included in the description of the noncompliance, the minimal risk assessment of the noncompliance, and the completion of mitigation activities for each instance of noncompliance recorded on the log.

The registered entity shall maintain this evidence for no less than 18 months from the later of: (1) the date the Regional Entity sent the notice of Compliance Exception treatment; or (2) the date the registered entity completes the mitigation activities.

VII. Regional Entity Verification of Mitigation Completion

The Regional Entity may request evidence related to the self-logged noncompliance upon review of the logged issue or at a later date.

The Regional Entity may sample the noncompliance to determine the issues for which it will verify completion of mitigation activities. For sampling of self-logged noncompliance, the Regional Entity will notify the registered entity and identify the logged noncompliance for which mitigation activity is being verified.

After this notification, the registered entity will submit evidence supporting mitigation activity completion to the Regional Entity. The evidence submitted by the registered entity will be reviewed by the Regional Entity. The Regional Entity will maintain a record of the evidence reviewed to verify completion of mitigation activities. The

Regional Entity will notify the registered entity upon verifying completion of mitigation activities.

If the Regional Entity has any issues with the evidence submitted by the registered entity, the Regional Entity will seek to resolve them with the registered entity. Where the verification reveals a pattern or practice of: 1) lack of mitigation activity completion; or 2) poor record keeping, the Regional Entity may modify or revoke the registered entity's Self-Logging eligibility. If the Regional Entity does so, it will inform the registered entity of the basis for that decision.