NARUC PANEL
NERC's Compliance Program and Initiatives

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• History of NERC
• NERC’s Statutory Program Areas
• NERC’s Compliance Monitoring and Enforcement Program
• NERC’s Compliance Enforcement Initiative
• Next Steps
History of NERC

- From voluntary, industry-sponsored organization to Electric Reliability Organization
- Energy Policy Act of 2005
- June 18, 2007 mandatory and enforceable date
NERC’s Statutory Program Areas

- Reliability Standards
- Compliance Monitoring and Enforcement Program (CMEP); Organization Registration and Certification
- Reliability Assessment and Performance Analysis
- Training Education and Certification
- Situation Awareness and Infrastructure Security
- Administrative
• NERC monitors, assesses and enforces compliance

• CMEP identifies eight monitoring methods
  ▪ Self-report Complaints
  ▪ Self-certification Investigations
  ▪ Periodic Data Submittal Audits
  ▪ Exception Reporting Spot Checks

• Over 1,900 entities are subject to over 100 standards
Compliance Enforcement Initiative

- Refocus efforts on reliability excellence
  - Differentiate issues of noncompliance based on the level of risk to the reliability of the bulk power system
  - Continue to identify, correct and report all instances of noncompliance
- Eliminate undue regulatory burdens
- Streamline paperwork and filing requirements
- Encourage continued timely and thorough self-reporting and mitigation
- Improve caseload processing
Possible Enforcement Tracks

- **Dismissal**
  - Occurs when there are no violations, when the entity is not registered for and/or subject to a particular requirement, or when there are duplicate entries of issues

- **Find, Fix, Track and Report (FFT) - New!**
  - This process will apply when a Possible Violation poses a lesser (minimal to moderate) risk to bulk power system reliability

- **Notice of Penalty (NOP)**
  - For those matters that pose more risk to reliability of the bulk power system, NOPs will be filed
  - May be filed in either a spreadsheet format or a full NOP format
Phase I – September 2011
Possible Violations identified in all compliance monitoring methods qualify for FFT Report consideration

Phase II – September 2012 or later
CEA auditors make determinations in the field on disposition tracks; CEA Enforcement staff make determinations on other monitoring methods

Phase III – 2013 or later
Future options could include aggregated reporting of Remediated Issues to CEA, NERC and FERC
Overview of FFT

- A Registered Entity may opt out of FFT processing
- Upon correction and submittal of FFT filing, the Possible Violation becomes a Remediated Issue
  - No penalty or sanction is assigned
  - Formal Mitigation Plans will not be required
  - Mitigating activity completion may be verified anytime
- Remediated Issues become part of a Registered Entity’s compliance history
• On September 30, 2011, NERC filed several components of the Compliance Enforcement Initiative
  ▪ Petition for Approval of New Enforcement Mechanisms
    ▪ Reports due to industry at six months and one year
  ▪ 117 FFT Remediated Issues
  ▪ 75 Spreadsheet NOPs
  ▪ 27 Full NOPs
• On October 28, 2011, FERC issued notice of no further review of the Spreadsheet NOPs and the Full NOPs
On October 31, 2011, NERC filed the second group:
- 82 FFT Remediated Issues
- 46 Spreadsheet NOPs
- 31 Full NOPs

On November 30, 2011, FERC issued notice of no further review of the Spreadsheet NOPs and the Full NOPs.
• On November 30, 2011, NERC filed the third group
  ▪ 50 FFT Remediated Issues
  ▪ 60 Spreadsheet NOPs
  ▪ 21 Full NOPs

• On December 30, 2011, FERC issued notice of no further review of the Spreadsheet NOPs and the Full NOPs
On December 30, 2011, NERC filed the fourth group:
- 76 FFT Remediated Issues
- 54 Spreadsheet NOPs
- 15 Full CIP NOPs

On January 27, 2012, FERC issued notice of no further review of the Spreadsheet NOPs and the Full NOPs.
On January 31, 2012, NERC filed the fifth group

- 57 FFT Remediated Issues
- 51 Spreadsheet NOPs
- 21 Full CIP NOPs

FERC order pending
• NERC committed to submit six-month and one-year informational filings with FERC
  ▪ On or about March 30, 2012
  ▪ On or about September 28, 2012
• NERC is working with Regional Entities
• NERC is soliciting Registered Entity feedback
  ▪ February MRC meeting
  ▪ Registered Entity responses to survey were due February 1, 2012
  ▪ Written comments may be submitted by e-mail on or before February 23, 2012 to CEIcomments@nerc.net
6-Month Status Report to FERC

- Guidelines
- Data and Trends
- Benefits
- Implementation and Transition Challenges
- Potential Improvements
- Training Schedule
• Approximately 60% are self-identified
• To date, 382 FFTs filed
  ▪ They include minimal to moderate risk issues
  ▪ They include documentation and operational issues
  ▪ Actions were taken to correct and prevent issues
  ▪ 1 was moved to Spreadsheet NOP
• Of these, 61 were late-filed TFEs
  ▪ 50 were CIP-007
  ▪ 7 were CIP-005
  ▪ 4 were CIP-006
Some FFT Attributes

- Self-reported and self-identified
- Lesser risk to BPS (minimal to moderate)
- Informal/automatic procedures existed
- Corrected prior to filing
- Very few devices excluded
- Operated within good utility practice
- Short duration/promptly corrected
- Backup protection/process in place
- Trusted/experienced employee
- No event occurred during possible violation period
Benefits of CEI and FFT

• Improve alignment of time, resources and record development with the risk posed to reliability.
  ▪ Expected for NERC, Regional Entities and Registered Entities
  ▪ Find, correct and prevent, track and report all non-compliances
  ▪ Allows focus on more serious risk issues
  ▪ Provides incentive to self-report and fix more quickly

• Achieve efficiency gains
• Reduce information dissemination delays
• Focus more time on ensuring reliable operations
Implementation and Transition Issues

- Consistency in evaluation and disposition track
- Pre-existing and repeat violation treatment
- Existing caseload and incoming issues
- Verification activities
- Outcome of FERC order on September 30 filing
- Development of IT solutions and revised self-reports
- Training compliance staff in 2012
- Phase II implementation currently targeted in 2013
Next Steps

• Evaluate potential improvements
• Conduct training activities
• Provide guidance and information on FFT examples
• Conduct industry webinars on implementation
Questions?