National Hydro Association
NERC and Regional Entity Role in Enforcement
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• History of NERC
• NERC’s Statutory Program Areas
• NERC’s Compliance Monitoring and Enforcement Program
• NERC’s Compliance Enforcement Initiative
• From voluntary, industry-sponsored organization to Electric Reliability Organization.
• 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
Regulatory Models

Locating Responsibility for:

1. Risk Identification (RI)
2. Analysis & Design (A&D)
3. Implementation (Imp)

Model 1: “Rule-based”
- Prescriptive
- Command & Control
- One size fits all

Role for Regulators:
1. Approval
2. Periodic Audit
3. Detection & Verification

Model 2: “Principle-Based”
- Performance-Based
- Responsive

Model 3: “Self-Regulation”

Model 4: “Industry Self-Regulation”

Credit: Malcolm K. Sparrow

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Compliance and Enforcement Program

• Focus on improving BPS reliability.
  ▪ Prompt reporting

• Protects confidentiality of involved parties.

• Regional implementation
  ▪ Regional Entities perform compliance monitoring of users, owners and operators on behalf of NERC.

• NERC oversight role.
  ▪ Active oversight
  ▪ Audits of regional implementation
Role of the Regions

- NERC works with eight regional entities.
- Authority delegated pursuant to Section 215(e)(4) of the Act (separate delegation in US and Canada).
- REs enforce Reliability Standards within their geographic boundaries.
- May develop Regional Reliability Standards and Regional Variances.
- Must comply with the applicable provisions of NERC’s Rules of Procedure, and Reliability Standards.
• NERC monitors, assesses and enforces compliance.

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

• Over 1,900 entities are subject to over 100 standards.
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 minimal 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.
Evidence of Potential Noncompliance

CEA Staff Applies Preliminary Screen
If Fails, Keep Record (No Further Processing); If Passes, Proceed

Report to FERC Notice of Possible Violation (NPV), Assign #

Initial or Substantive Review on Merits

If Not a Violation, Dismissed

If a Violation

Find, Fix, Track and Report (FFT) (Remediated Issues; No Notice of Penalty (NOP)); If Warranted, Move to NOP Upon Additional Review

Notice of Alleged Violation and Proposed Penalty or Sanction

FFT (No NOP)

Contested Hearing

Settlement

NOP

NOP

NOP

NOP

NOP

NOP

NOP

NOP

NOP

NOP

NOP

Settlement
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.
Overview of FFT

• Minimal risk possible violations.
• A Registered Entity may opt out.
• No penalty and do not require formal mitigation plans
• Registered entities must certify that an issue has been mitigated.
• Violations are final 60 days after submittal to FERC.
• Violations remain part of a Registered Entity’s compliance history.
• There are no categorical inclusions or exclusions by standard.
Total FFTs/NOPs by Region
(September 2011 - March 2012)
Top 20 Enforceable Standards – Violated Active and Closed Violations thru April 1, 2012

Number of Violations

Standards

- PRC-005
- CIP-007
- CIP-004
- CIP-001
- CIP-006
- CIP-005
- CIP-003
- VAR-002
- CIP-002
- FAC-008
- FAC-009
- TOP-002
- EOP-005
- PRC-008
- CIP-009
- FAC-001
- PER-002
- FAC-003
- EOP-001
- VAR-001
Some Generator Issues

• BES Definition.
• Generator Requirements at the Transmission Interface.