3-Month CEI Status Update

Industry Webinar

December 13, 2011
1) Progress of CEI
2) Overview of FFT experience to date
3) Reporting information on reliability issues
4) Preparation for 6-month filing with FERC
Docket No. RC11-6: Petition for Approval of New Enforcement Mechanisms; Initial Informational Filing of FFTs

- First group of FFT Remediated Issues
  - 117 total: 62 Operations/Planning Standards/55 CIP Standards
- No action requested on individual FFT Remediated Issues
- Report back to the Commission and industry stakeholders at six months and one year following initial filing
- Comments were filed on October 21, 2011
Additional Filings under CEI

- Second group of FFT Remediated Issues and second Spreadsheet NOP violations were filed October 31, 2011
  - Docket No. RC12-1: 82 FFT Remediated Issues
  - Docket No. NP12-1: 31 in Full CIP NOP
    - FERC issued Notice of No Further Review on November 30, 2011
  - Docket No. NP12-2: 46 in Spreadsheet NOP
    - FERC issued Notice of No Further Review on November 30, 2011
Additional Filings under CEI

• Third group of FFT Remediated Issues and second Spreadsheet NOP violations were filed November 30, 2011
  ▪ Docket No. RC12-2: 50 FFTs
  ▪ Docket No. NP12-5: 60 Spreadsheet NOP violations
  ▪ Docket Nos. NP12-3 and NP12-4: 21 Full NOP violations
• NERC expects to file additional FFTs, Spreadsheet NOPs, and Full NOPs on December 30, 2011
• NERC expects to make six-month and one-year informational filings with FERC
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<th>NOP Violations</th>
<th>FFTs</th>
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<tr>
<td><strong>September</strong></td>
<td>119</td>
<td>128</td>
<td>219</td>
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<tr>
<td><strong>October</strong></td>
<td>48</td>
<td>133</td>
<td>159</td>
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<tr>
<td><strong>November</strong></td>
<td>44</td>
<td>45</td>
<td>131</td>
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<tr>
<td><strong>December</strong></td>
<td>123</td>
<td>80</td>
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## CEI Processing Statistics by Region

<table>
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<tr>
<th>Region</th>
<th>September NOP/FFT</th>
<th>October NOP/FFT</th>
<th>November NOP/FFT</th>
<th>December NOP/FFT</th>
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<tbody>
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<td>0/11</td>
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<td>0/6</td>
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</table>
Discovery Methods of Filed FFTs

• Filed September 30, 2011
  ▪ Self-Report 46%
  ▪ Audit 39%
  ▪ Spot Check 8%
  ▪ Self-Certification 7%

• Filed October 31, 2011
  ▪ Self-Report 60%
  ▪ Audit 26%
  ▪ Self-Certification 12%
  ▪ Spot Check 6%
Discovery Methods of Filed FFTs

• Filed November 30, 2011
  ▪ Self-Report 60%
  ▪ Self-Certification 18%
  ▪ Spot Check 16%
  ▪ Audit 4%
  ▪ Periodic Data 2%

• Percentage of self-identified FFTs is increasing
• In first three months, 50% of issues filed were FFTs, 35% were in Spreadsheet NOPs, and 15% were in Full NOPs

• In five of the last six months, the ERO has processed more violations than it has received
  ▪ More have been going out than coming in

• In 2011, caseload projected to increase by less than half of the increase in 2010
Determination of FFTs

• Regional Entities have the responsibility for determining possible violations for FFT treatment

• Registered Entities can increase chances of FFT treatment
  ▪ Timely identification and fixing of reliability issue
  ▪ Timely self-reporting
  ▪ Complete reporting of mitigating activities
    ○ Some regions may still require mitigation plans for an interim period
Compliance Enforcement Initiative: GUIDANCE FOR SELF-REPORTS
Registered Entities are encouraged to provide Self-Reports of potential noncompliance with NERC Reliability Standards as promptly as possible.

A Self-Report should include sufficient information to assist the Compliance Enforcement Authority to make an informed decision regarding the proper disposition of the matter.
Self-Reports: What to include?
Nature of the Potential Noncompliance

- What, Why, When, Where, How
- Duration: start and end dates
- Reliability Standard requirements at issue
- Time horizon of the potential noncompliance
- Was the potential noncompliance related to documentation, performance or both?
Self-Reports: Discovery

• How was the noncompliance discovered?
• Who discovered it and when?
• Self-evaluation, internal audit, or ICP? Result of an investigation or in preparation for or during an audit? Discovered during an event or operational occurrence?
• What time period elapsed between discovery and reporting? Explain gaps.
Self-Reports: Scope of Non-Compliance

Scope (Extent of Condition)

• Did similar conditions or similar events occur at any of the Registered Entity’s other facilities or those of its affiliates?
• Is this a repeat Violation or repeat Remediated Issue?
Self-Reports: Cause of Non-Compliance

**Cause**

- Were there extenuating circumstances?
- Was it the result of intentional, negligent or inadvertent behavior or action?
- Was the Registered Entity attempting to comply in good faith?
Mitigation

- What activities have been taken or will be taken to correct the noncompliance?
- What is the status of mitigation activities?
- What is the timeline for completion?
- What will prevent recurrence?
- Describe above and beyond actions
Self-Reports: Assessing Risk

RISK

• What is the potential and actual risk and harm to the reliability of the bulk power system?
• What factors mitigated the risk?
• What were the system conditions during the event?
• What are the size, nature, and location of the facilities at issue?
• Were there any misoperations, system operating limits, or interconnection reliability operating limits?
Self-Reports: Who did what

**Personnel Involved**

- Include the identity of employees involved
- What was the role of senior management with respect to the potential noncompliance?
- Did senior management actively participate and encourage employees to provide complete information?
Self-Reports: ICP

**Internal Compliance Program**

- Describe the internal compliance program
- When was it established?
- What improvements have been implemented as a result of the potential noncompliance?
- If the ICP was in place at the time of the potential noncompliance, explain whether the ICP could have prevented the potential noncompliance.
Self-Reports: Supporting Evidence

• Provide or list all relevant documents and evidence in support of the Self-Report and issues discussed above
6-Month Status Report to FERC

- Demonstrable reliability benefits of FFT
  - Incentive to find and fix possible violations more quickly
  - Less time spent in enforcement = More time spent ensuring reliable operations
  - Expedited reporting of mitigating activities to public
- Will look for supporting evidence from Regional Entities
- Soliciting Registered Entity feedback via NERC Member Representatives Committee
• Registered Entity support of FFT has been valuable

• Regional Entities are supporting FFT

• NERC is continuing to work with Registered Entities and to engage in outreach efforts to ensure successful implementation

  The ERO is on top of reliability.