

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC's Compliance Enforcement Initiative *Find, Fix, Track and Report Update*

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Edison Electric Institute - Reliability Executive Advisory Committee Meeting
April 25, 2012

RELIABILITY | ACCOUNTABILITY



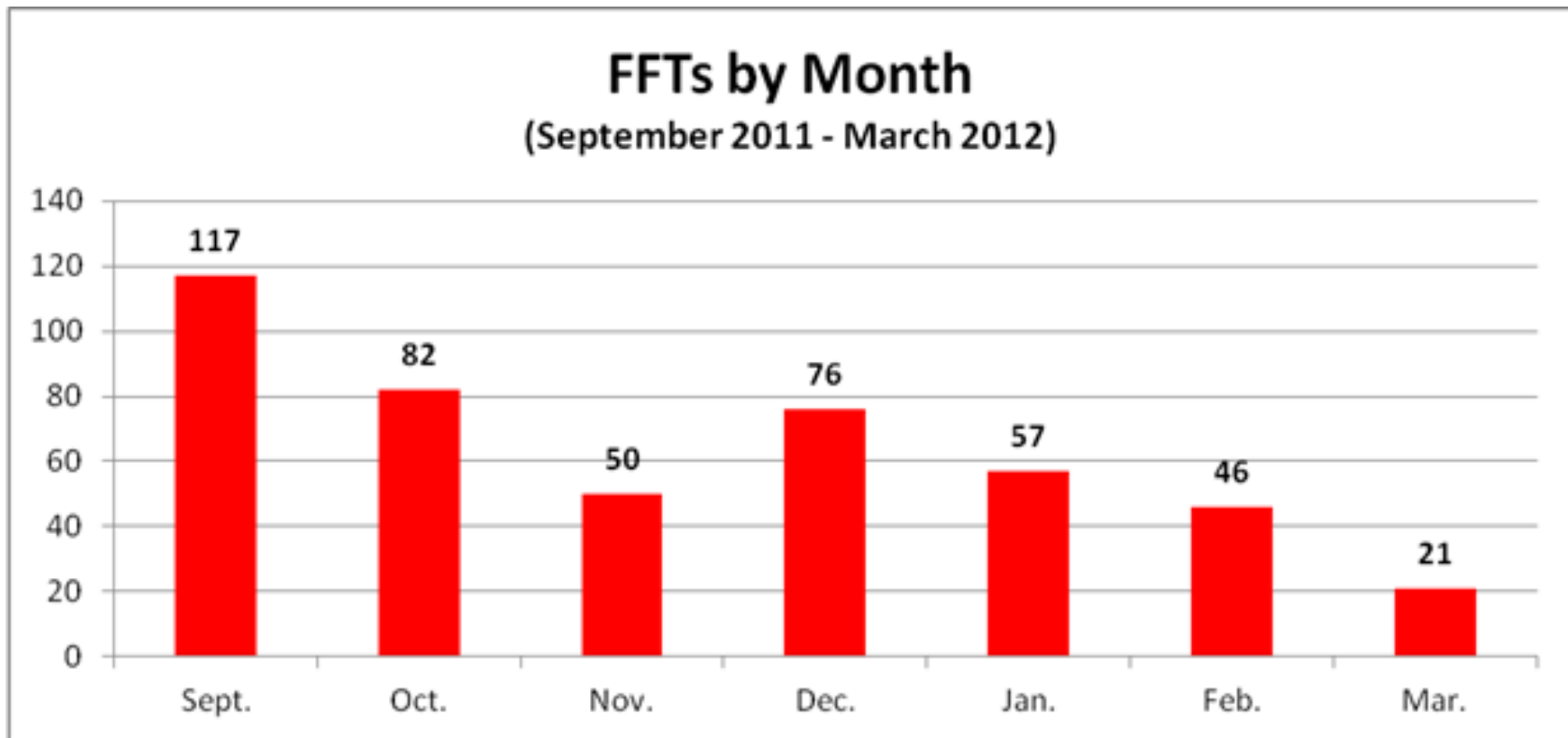
- Compliance Enforcement Initiative Order
- Data and Trends
- FERC Compliance and Status Reports
- Implementation

- All six FFT filings submitted to FERC from September, 2011 to February, 2012 were approved in the March 15, 2012 Order
- Six month and one year status reports due to FERC
 - Six month report due May 14, 2012
 - One year report due in March 2013 – Commission will consider changes to the March 15th Order conditions
- Compliance filing due May 14, 2012 related to compliance history and ongoing implementation

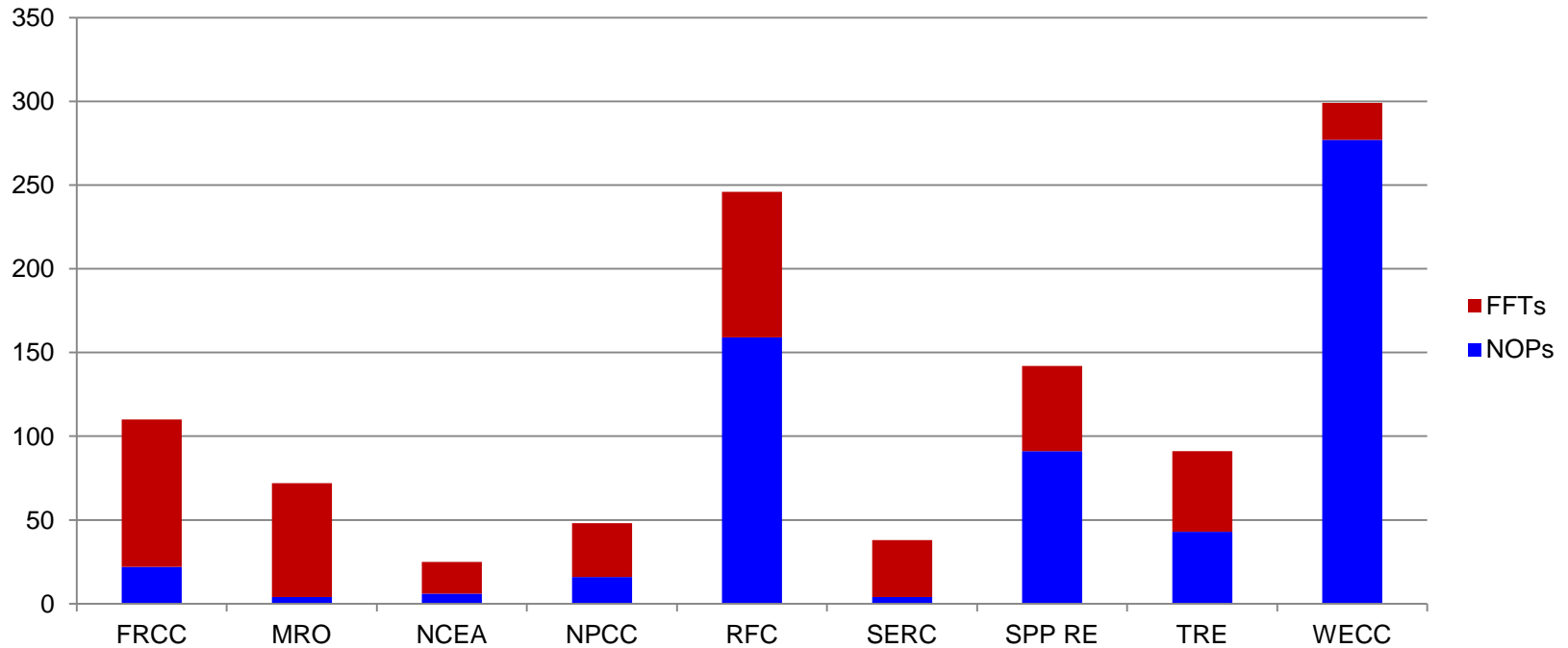
- Minimal risk possible violations are eligible
- Registered entities must have an officer certify that an issue has been mitigated
- FFT informational filings publicly identify the registered entity with a Possible Violation
- Finality -- violations are final 60 days after submittal to FERC if no further review

- Not a minimal risk simply because there was no adverse impact
- Must be based on facts, rather than assumptions
- Not minimal risk if a serious shortcoming in reliability-related processes
- Must be based on facts at the time of the Possible Violation
- Should Address actions that made the actual risk of a Possible Violation less than its potential risk

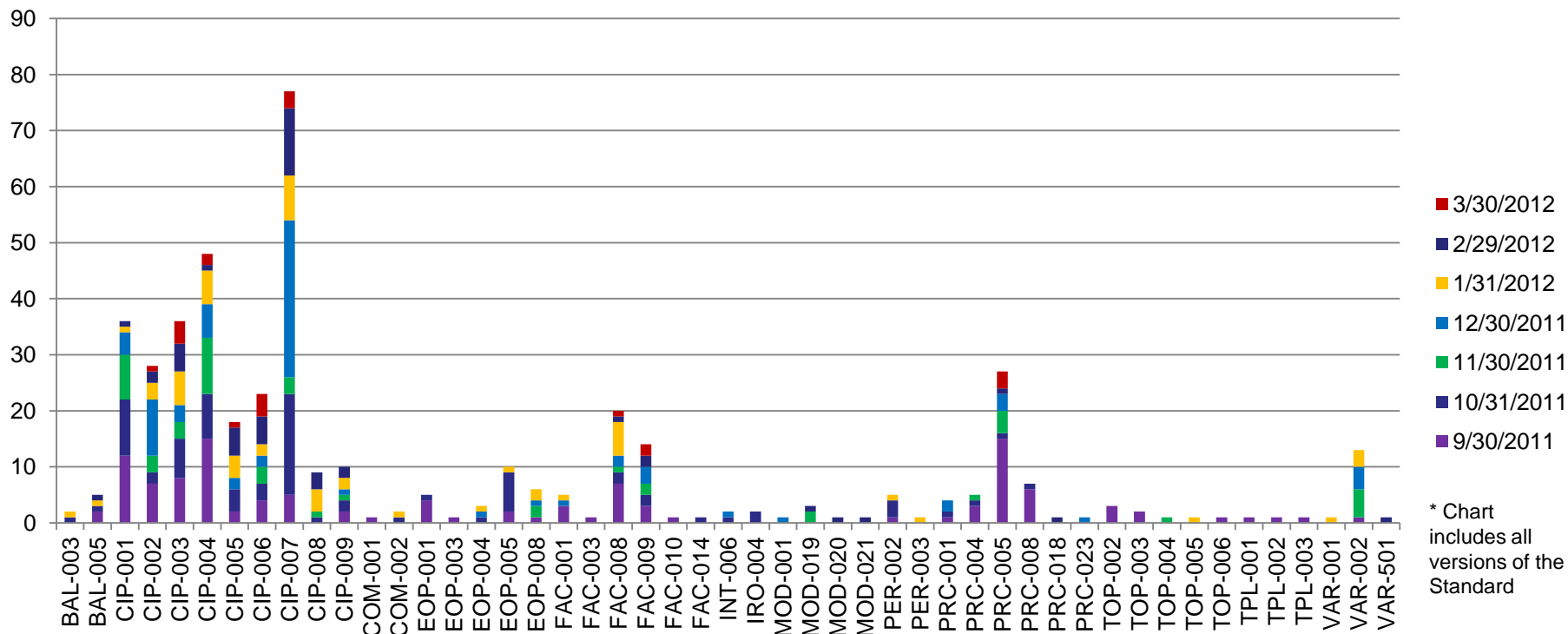
- Importance of Self-Reports
- Annual FFT survey by FERC
- Mechanisms to identify and revise or remove unnecessary or redundant requirements



Total FFTs/NOPs by Region (September 2011 - March 2012)

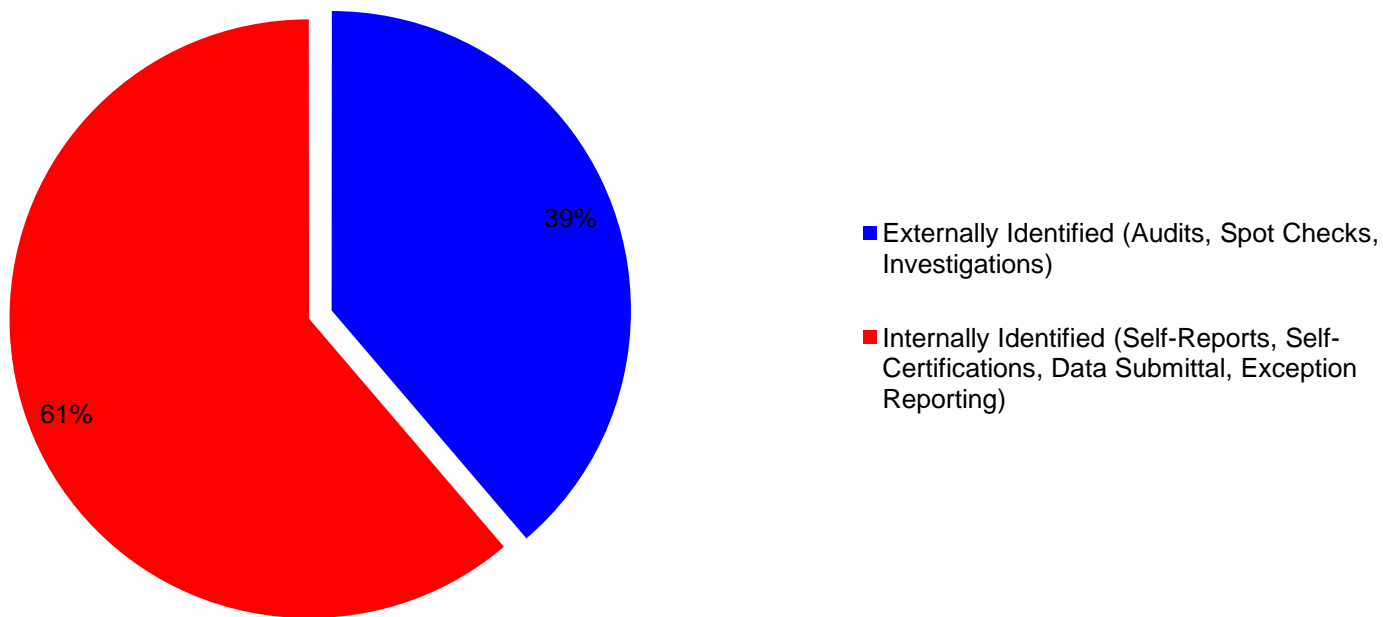


FFT Standard Breakdown (September 2011 - March 2012)



* Chart includes all versions of the Standard

FFTs by Discovery Method as of 3/30/2012



- Covers two topics:
 1. Experience from September 2011 to March 2012
 2. Feedback received with regard to the CEI

- Focuses on two issues:
 1. Impact of a registered entity's compliance history in FFT treatment evaluation
 2. NERC's ongoing implementation, including training and outreach efforts

- Considerations to be addressed in the One Year Report:
 1. effect on improving Bulk-Power System reliability
 2. effect on NERC's compliance program, including its prior caseload
 3. effect on NERC and Regional Entities focus of resources on more serious violations
 4. how NERC's evaluation of risk has evolved during the FFT implementation
 5. improvements to the FFT mechanism
 6. results of FFT process implementation sampling
 7. impact on the number of self-reports submitted

- CEA compliance field staff, auditors and investigators will make determinations in 2013, in addition to CEA enforcement staff
- Ongoing training for CEA compliance staff and CEA enforcement staff
- Continued industry education and outreach
- Evaluate and implement improvements to ensure CEI process is effective and efficient

- Second Quarter 2012
 - Continue CEA staff training on risk assessments and CEI and develop specific course on FFT determinations in the field
- Third Quarter 2012
 - Begin online webinar course for CEA staff (at least two sessions)
 - September - CEA Staff workshop agenda/training course.
- Fourth Quarter 2012
 - All CEA staff complete required training course; qualification of CEA staff
- First Quarter 2013
 - Expanded CEA compliance staff implementation role begins

