

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Energy Bar Association Annual Meeting: *Evolving Electric Reliability Regulation*

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April 26, 2012

RELIABILITY | ACCOUNTABILITY



This session will explore NERC's evolving approach with respect to:

- Coordinated action with FERC
- Compliance Enforcement Initiative (CEI)
- Standards development and prioritization
- Major standards development projects

- Joint Inquiries: Key findings and recommendations – not a compliance determination or enforcement action
 - October 29, 2011 Northeast Snowstorm
 - September 8, 2011 Southwest Power Outage
 - February 2011 Southwest Cold Snap Event
- Joint FERC 1b investigations and NERC Compliance Investigations: Enforcement proceedings, with penalties to date
 - PacifiCorp
 - Grand River Dam Authority
 - WECC Reliability Coordinator
 - Florida Power & Light and FRCC Reliability Coordinator

- 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
- Three possible enforcement tracks:
 - Dismissal
 - Find, Fix, Track and Report spreadsheet, and
 - Notices of Penalty – Full and Spreadsheet formats
- Encourage continued timely and thorough self-assessments, self-reporting and mitigation
- CEI order issued on March 15, 2012

- FFT program modifications
 - 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
- Guidance on Risk Assessments
- Compliance and Informational Filings-May 2012 & March 2013
- Annual FFT survey by FERC

- Work to ensure sustainability and expandability of CEI
 - CEA compliance field staff, auditors and investigators will make determinations in addition to CEA enforcement staff in 2013
 - 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

- **Prioritization and Progress in Addressing FERC Directives**
 - NERC and the Standards Committee prioritize projects annually, factoring in impact to reliability, regulatory deadlines, and need for clarity in existing standards
 - 721 directives issued since 2007
 - NERC has addressed 58% of these directives, focusing first on those with greatest impact to reliability
- **Quality Review (QR) of Standards**
 - All standards now go through QR before initial posting
 - Utilizes industry lawyers and compliance staff in QR process

- Member Representative Committee's Standard Process Input Group
 - Looking at ways to improve efficiency and effectiveness in the standards development process
 - Will propose high-level recommendations to the NERC Board of Trustees for consideration in May
 - Goal is to implement high-level recommendations by end of 2012

- CEI Order P 81:
 - “...some current requirements likely provide little protection for Bulk-Power System reliability or may be redundant. The Commission is interested in obtaining views on whether such requirements could be removed from the Reliability Standards with little effect on reliability and an increase in efficiency of the ERO compliance program.”
- NERC will meet with industry and Regional Entity representatives to determine a “short list” of requirements that may be eligible for removal

- **Bulk Electric System Definition**
 - Includes clear, objective, transparent and uniformly applicable criteria for exempting facilities from the BES definition
 - Filed with FERC January 25, 2012
- **CIP Version 5**
 - CIP-002-5 requires the categorization of BES Cyber Systems according to bright-line criteria that characterize their impact on Reliability Operations
 - Scheduled for NERC Board of Trustees Approval by end of 2012

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