

Violation Risk Factor and Violation Severity Level Justifications

Project 2021-01 Modifications to MOD-025 and PRC-019

This document provides the standard drafting team's (SDT's) justification for assignment of violation risk factors (VRFs) and violation severity levels (VSLs) for each requirement in MOD-025-3. Each requirement is assigned a VRF and a VSL. These elements support the determination of an initial value range for the Base Penalty Amount regarding violations of requirements in FERC-approved Reliability Standards, as defined in the Electric Reliability Organizations (ERO) Sanction Guidelines. The SDT applied the following NERC criteria and FERC Guidelines when developing the VRFs and VSLs for the requirements.

NERC Criteria for Violation Risk Factors

High Risk Requirement

A requirement that, if violated, could directly cause or contribute to Bulk Electric System instability, separation, or a cascading sequence of failures, or could place the Bulk Electric System at an unacceptable risk of instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to Bulk Electric System instability, separation, or a cascading sequence of failures, or could place the Bulk Electric System at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.

Medium Risk Requirement

A requirement that, if violated, could directly affect the electrical state or the capability of the Bulk Electric System, or the ability to effectively monitor and control the Bulk Electric System. However, violation of a medium risk requirement is unlikely to lead to Bulk Electric System instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly and adversely affect the electrical state or capability of the Bulk Electric System, or the ability to effectively monitor, control, or restore the Bulk Electric System. However, violation of a medium risk requirement is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to Bulk Electric System instability, separation, or cascading failures, nor to hinder restoration to a normal condition.

Lower Risk Requirement

A requirement that is administrative in nature and a requirement that, if violated, would not be expected to adversely affect the electrical state or capability of the Bulk Electric System, or the ability to effectively monitor and control the Bulk Electric System; or, a requirement that is administrative in nature and a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to adversely affect the electrical state or capability of the Bulk Electric System, or the ability to effectively monitor, control, or restore the Bulk Electric System.

FERC Guidelines for Violation Risk Factors

Guideline (1) – Consistency with the Conclusions of the Final Blackout Report

FERC seeks to ensure that VRFs assigned to Requirements of Reliability Standards in these identified areas appropriately reflect their historical critical impact on the reliability of the Bulk-Power System. In the VSL Order, FERC listed critical areas (from the Final Blackout Report) where violations could severely affect the reliability of the Bulk-Power System:

- Emergency operations
- Vegetation management
- Operator personnel training
- Protection systems and their coordination
- Operating tools and backup facilities
- Reactive power and voltage control
- System modeling and data exchange
- Communication protocol and facilities
- Requirements to determine equipment ratings
- Synchronized data recorders
- Clearer criteria for operationally critical facilities
- Appropriate use of transmission loading relief.

Guideline (2) – Consistency within a Reliability Standard

FERC expects a rational connection between the sub-Requirement VRF assignments and the main Requirement VRF assignment.

Guideline (3) – Consistency among Reliability Standards

FERC expects the assignment of VRFs corresponding to Requirements that address similar reliability goals in different Reliability Standards would be treated comparably.

Guideline (4) – Consistency with NERC’s Definition of the Violation Risk Factor Level

Guideline (4) was developed to evaluate whether the assignment of a particular VRF level conforms to NERC’s definition of that risk level.

Guideline (5) – Treatment of Requirements that Co-mingle More Than One Obligation

Where a single Requirement co-mingles a higher risk reliability objective and a lesser risk reliability objective, the VRF assignment for such Requirements must not be watered down to reflect the lower risk level associated with the less important objective of the Reliability Standard.

NERC Criteria for Violation Severity Levels

VSLs define the degree to which compliance with a requirement was not achieved. Each requirement must have at least one VSL. While it is preferable to have four VSLs for each requirement, some requirements do not have multiple “degrees” of noncompliant performance and may have only one, two, or three VSLs.

VSLs should be based on NERC’s overarching criteria shown in the table below:

Lower VSL	Moderate VSL	High VSL	Severe VSL
The performance or product measured almost meets the full intent of the requirement.	The performance or product measured meets the majority of the intent of the requirement.	The performance or product measured does not meet the majority of the intent of the requirement, but does meet some of the intent.	The performance or product measured does not substantively meet the intent of the requirement.

FERC Order of Violation Severity Levels

The FERC VSL guidelines are presented below, followed by an analysis of whether the VSLs proposed for each requirement in the standard meet the FERC Guidelines for assessing VSLs:

Guideline (1) – Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance

Compare the VSLs to any prior levels of non-compliance and avoid significant changes that may encourage a lower level of compliance than was required when levels of non-compliance were used.

Guideline (2) – Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties

A violation of a “binary” type requirement must be a “Severe” VSL.

Do not use ambiguous terms such as “minor” and “significant” to describe noncompliant performance.

Guideline (3) – Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement

VSLs should not expand on what is required in the requirement.

Guideline (4) – Violation Severity Level Assignment Should Be Based on a Single Violation, Not on a Cumulative Number of Violations

Unless otherwise stated in the requirement, each instance of non-compliance with a requirement is a separate violation. Section 4 of the Sanction Guidelines states that assessing penalties on a per violation per day basis is the “default” for penalty calculations.

VRF Justifications for MOD-025-3, Requirement R1	
Proposed VRF	Medium
NERC VRF Discussion	A Medium VRF is appropriate, since the failure to verify the capability of each Facility could directly affect the electrical state or the capability of the bulk electric system. However, violation of this requirement is unlikely to lead to bulk electric system instability, separation, or cascading failures. Although the requirement has been significantly revised, the underlying performance (to verify the Facility capability) is similar to the currently effective requirement, which is assigned a Medium VRF.
FERC VRF G1 Discussion Guideline 1- Consistency with Blackout Report	This VRF is in line with the identified areas from the FERC list of critical areas in the Final Blackout Report.
FERC VRF G2 Discussion Guideline 2- Consistency within a Reliability Standard	This requirement has only a main VRF and no different sub-requirement VRFs.
FERC VRF G3 Discussion Guideline 3- Consistency among Reliability Standards	The assignment of a Medium VRF is consistent with the VRF for the currently effective Reliability Standard MOD-025-2 Requirement R1 and R2.
FERC VRF G4 Discussion Guideline 4- Consistency with NERC Definitions of VRFs	The assigned VRF is consistent with NERC definitions of VRFs.
FERC VRF G5 Discussion Guideline 5- Treatment of Requirements that Co-mingle More than One Obligation	This requirement does not mingle a higher risk reliability objective and a lesser risk reliability objective. Therefore, the VRF reflects the risk of the whole requirement.

VRF Justifications for MOD-025-3, Requirement R2

Proposed VRF	Medium
NERC VRF Discussion	<p>A Medium VRF is appropriate, since the failure to verify the capability of each Facility could directly affect the electrical state or the capability of the bulk electric system. However, violation of this requirement is unlikely to lead to bulk electric system instability, separation, or cascading failures.</p> <p>Although the requirement has been significantly revised, the underlying performance (to verify the Facility capability) is similar to the currently effective requirement, which is assigned a Medium VRF.</p>
<p>FERC VRF G1 Discussion Guideline 1- Consistency with Blackout Report</p>	<p>This VRF is in line with the identified areas from the FERC list of critical areas in the Final Blackout Report.</p>
<p>FERC VRF G2 Discussion Guideline 2- Consistency within a Reliability Standard</p>	<p>This requirement has only a main VRF and no different sub-requirement VRFs.</p>
<p>FERC VRF G3 Discussion Guideline 3- Consistency among Reliability Standards</p>	<p>The assignment of a Medium VRF is consistent with the VRF for the currently effective Reliability Standard MOD-025-2 Requirement R3.</p>
<p>FERC VRF G4 Discussion Guideline 4- Consistency with NERC Definitions of VRFs</p>	<p>The assigned VRF is consistent with NERC definitions of VRFs.</p>
<p>FERC VRF G5 Discussion Guideline 5- Treatment of Requirements that Co-mingle More than One Obligation</p>	<p>This requirement does not mingle a higher risk reliability objective and a lesser risk reliability objective. Therefore, the VRF reflects the risk of the whole requirement.</p>

VRF Justifications for MOD-025-3, Requirement R3

Proposed VRF	Lower
NERC VRF Discussion	A Lower VRF is appropriate, since this requirement is administrative in nature and is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to adversely affect the electrical state or capability of the bulk electric system.
FERC VRF G1 Discussion Guideline 1- Consistency with Blackout Report	This VRF is in line with the identified areas from the FERC list of critical areas in the Final Blackout Report.
FERC VRF G2 Discussion Guideline 2- Consistency within a Reliability Standard	This requirement has only a main VRF and no different sub-requirement VRFs.
FERC VRF G3 Discussion Guideline 3- Consistency among Reliability Standards	The assignment of a Lower VRF is consistent with the VRF for the currently effective Reliability Standard MOD-026-1 Requirement R3 and R5.
FERC VRF G4 Discussion Guideline 4- Consistency with NERC Definitions of VRFs	The assigned VRF is consistent with NERC definitions of VRFs.
FERC VRF G5 Discussion Guideline 5- Treatment of Requirements that Co-mingle More than One Obligation	This requirement does not mingle a higher risk reliability objective and a lesser risk reliability objective. Therefore, the VRF reflects the risk of the whole requirement.

VRF Justifications for MOD-025-3, Requirement R4

Proposed VRF	Lower
NERC VRF Discussion	A Lower VRF is appropriate, since this requirement is administrative in nature and is a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to adversely affect the electrical state or capability of the bulk electric system.
FERC VRF G1 Discussion Guideline 1- Consistency with Blackout Report	This VRF is in line with the identified areas from the FERC list of critical areas in the Final Blackout Report.
FERC VRF G2 Discussion Guideline 2- Consistency within a Reliability Standard	This requirement has only a main VRF and no different sub-requirement VRFs.
FERC VRF G3 Discussion Guideline 3- Consistency among Reliability Standards	The assignment of a Lower VRF is consistent with the VRF for the currently effective Reliability Standard MOD-026-1 Requirement R3 and R5.
FERC VRF G4 Discussion Guideline 4- Consistency with NERC Definitions of VRFs	The assigned VRF is consistent with NERC definitions of VRFs.
FERC VRF G5 Discussion Guideline 5- Treatment of Requirements that Co-mingle More than One Obligation	This requirement does not mingle a higher risk reliability objective and a lesser risk reliability objective. Therefore, the VRF reflects the risk of the whole requirement.

VSL for MOD-025-3, Requirement R1				
R#	Lower VSL	Moderate VSL	High VSL	Severe VSL
R1.	<p>The applicable entity provided all items in Requirement R1, but did so between 31 and 90 calendar days after the verification date.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 3, but did so between 10 years (120 calendar months) and 126 calendar months.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 2, 4, or 5, but did so between 181 and 270 calendar days.</p>	<p>The applicable entity provided all items in Requirement R1, but did so between 91 and 180 calendar days after the verification date.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power, but failed to include the information required in Requirement R1, Part 1.3.1.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 3, but did so between 127 and 132 calendar months.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 2, 4, or 5, but did so between 271 and 360 calendar days.</p>	<p>The applicable entity provided all items in Requirement R1, but did so between 181 and 270 calendar days after the verification date.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power, but failed to include the information required in Requirement R1, Part 1.3.3.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 3, but did so between 133 and 138 calendar months.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 2, 4, or 5, but did so between 361 and 450 calendar days.</p>	<p>The applicable entity provided all items in Requirement R1, but did so greater than 270 calendar days after the verification date.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power, but failed to include the information required in Requirement R1, Part 1.3.2.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 3, but did so in more than 138 calendar months.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 2, 4, or 5, but did so in more than 450 calendar days.</p> <p>OR</p> <p>The applicable entity failed to verify the Real and/or Reactive Power capability.</p>

VSL Justifications for MOD-025-3, Requirement R1

<p>FERC VSL G1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>The VSLs of Requirement R1 are similar to those of MOD-025-2 Requirement R1 and R2, and they are updated based on the revised requirement language and periodicity. It does not lower the current level of compliance.</p>
<p>FERC VSL G2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties</p> <p><u>Guideline 2a</u>: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent</p> <p><u>Guideline 2b</u>: Violation Severity Level Assignments that Contain Ambiguous Language</p>	<p>Requirement R1 is not a "binary" type requirement.</p> <p>VSLs are clear, quantitative, and non-ambiguous.</p>
<p>FERC VSL G3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>The language in the VSLs directly correlates to the language in Requirement R1.</p>
<p>FERC VSL G4 Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations</p>	<p>Each VSL is based on a single violation and not cumulative violations.</p>

VSL for MOD-025-3, Requirement R2				
R#	Lower VSL	Moderate VSL	High VSL	Severe VSL
R2.	<p>The applicable entity provided all items in Requirement R2, but did so between 31 and 90 calendar days after the verification date.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 3, but did between 10 years (120 calendar months) and 126 calendar months.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 2, 4, or 5, but did so between 181 and 270 calendar days.</p>	<p>The applicable entity provided all items in Requirement R2, but did so between 91 and 180 calendar days after the verification date.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power, but failed to include the information required in Requirement R2, Part 2.3.1.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 3, but did so between 127 and 132 calendar months.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 2, 4, or 5, but did so between 271 and 360 calendar days.</p>	<p>The applicable entity provided all items in Requirement R2, but did so between 181 and 270 calendar days after the verification date.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power, but failed to include the information required in Requirement R2, Part 2.3.3.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 3, but did so between 133 and 138 calendar months.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 2, 4, or 5, but did so between 361 and 450 calendar days.</p>	<p>The applicable entity provided all items in Requirement R2, but did so greater than 270 calendar days after the verification date.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power, but failed to include the information required in Requirement R2, Part 2.3.2.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 3, but did so in more than 138 calendar months.</p> <p>OR</p> <p>The applicable entity verified the Real and Reactive Power capability per Attachment 1 Section 1 Item 2, 4, or 5, but did so in more than 450 calendar days.</p> <p>OR</p> <p>The applicable entity failed to verify the Real and/or Reactive Power capability.</p>

VSL Justifications for MOD-025-3, Requirement R2

<p>FERC VSL G1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>The VSLs of Requirement R2 are similar to those of MOD-025-2 Requirement R3, and they are updated based on the revised requirement language and periodicity. It does not lower the current level of compliance.</p>
<p>FERC VSL G2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties</p> <p><u>Guideline 2a</u>: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent</p> <p><u>Guideline 2b</u>: Violation Severity Level Assignments that Contain Ambiguous Language</p>	<p>VSLs are clear, quantitative, and non-ambiguous. The failure to provide a model is a severe VSL.</p>
<p>FERC VSL G3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>The language in the VSLs directly correlates to the language in Requirement R2.</p>
<p>FERC VSL G4 Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations</p>	<p>Each VSL is based on a single violation and not cumulative violations.</p>

VSL for MOD-025-3, Requirement R3				
R#	Lower VSL	Moderate VSL	High VSL	Severe VSL
R3.	The Transmission Planner provided a written response to the submitter, but it was provided between 91 to 120 calendar days after receiving the verified model information.	The Transmission Planner provided a written response to the submitter, but it was provided between 121 to 150 calendar days after receiving the verified model information.	The Transmission Planner provided a written response to the submitter, but it was provided between 151 to 180 calendar days after receiving the verified model information.	The Transmission Planner failed to provide a written response to the submitter. OR The Transmission Planner provided a written response to the submitter but it was provided more than 180 calendar days after receiving the verified model information.

VSL Justifications for MOD-025-3, Requirement R3	
<p>FERC VSL G1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>The VSLs for Requirement R3 are similar to the VSLs for MOD-026-1 Requirement R6 and MOD-027-1 Requirement R5.</p> <p>Additionally, the requirement is new, so the proposed VSLs do not have the unintended consequence of lowering the current level of compliance, or the compliance that will be required by the new requirement.</p>
<p>FERC VSL G2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties</p> <p><u>Guideline 2a</u>: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not</p>	<p>VSLs are clear, quantitative, and non-ambiguous. The failure to provide a response is a severe VSL.</p>

VSL Justifications for MOD-025-3, Requirement R3

<p>Consistent</p> <p><u>Guideline 2b</u>: Violation Severity Level Assignments that Contain Ambiguous Language</p>	
<p>FERC VSL G3</p> <p>Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>The language in the VSLs directly correlates to the language in Requirement R3.</p>
<p>FERC VSL G4</p> <p>Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations</p>	<p>Each VSL is based on a single violation and not cumulative violations.</p>

VSL for MOD-025-3, Requirement R4

R#	Lower VSL	Moderate VSL	High VSL	Severe VSL
R4.	The applicable entity provided a written response to its Transmission Planner, but it was provided between 91 to 120 calendar days after receiving a notification of technical concern.	The applicable entity provided a written response to its Transmission Planner, but it was provided between 121 to 150 calendar days after receiving a notification of technical concern.	The applicable entity provided a written response to its Transmission Planner, but it was provided between 151 to 180 calendar days after receiving a notification of technical concern.	The applicable entity failed to provide a written response to its Transmission Planner. OR The applicable entity provided a written response to its Transmission Planner, but it was provided greater than 180 calendar days after receiving a notification of technical concern.

VSL Justifications for MOD-025-3, Requirement R4

<p>FERC VSL G1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p>	<p>The VSLs for Requirement R4 are similar to the VSLs for MOD-026-1 Requirement R6 and MOD-027-1 Requirement R3.</p> <p>Additionally, the requirement is new, so the proposed VSLs do not have the unintended consequence of lowering the current level of compliance or the compliance that will be required by the new requirement.</p>
<p>FERC VSL G2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties</p> <p><u>Guideline 2a</u>: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent</p>	<p>VSLs are clear, quantitative, and non-ambiguous. The failure to provide a response is a severe VSL.</p>

VSL Justifications for MOD-025-3, Requirement R4

<p><u>Guideline 2b</u>: Violation Severity Level Assignments that Contain Ambiguous Language</p>	
<p>FERC VSL G3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p>	<p>The language in the VSLs directly correlates to the language in Requirement R4.</p>
<p>FERC VSL G4 Violation Severity Level Assignment Should Be Based on A Single Violation, Not on A Cumulative Number of Violations</p>	<p>Each VSL is based on a single violation and not cumulative violations.</p>