ERO Enterprise Program Alignment Efforts

August 9, 2017

Introduction

At the NERC Board of Trustees Compliance Committee (BOTCC) meeting in August, representatives of NERC, the Regional Entities (REs), and the Compliance and Certification Committee (CCC) will discuss the Electric Reliability Organization (ERO) Enterprise's Program Alignment, a program to address alignment in the execution by the ERO Enterprise of both the Compliance Monitoring and Enforcement Program (CMEP) and the Organization Registration and Certification Program (ORCP). This program was previously referred to as the Consistency Framework, but has since been renamed to more accurately represent the scope of the efforts of the ERO Enterprise. The discussion will cover the program's design and examples of alignment activities both completed and ongoing.

Background

With CMEP and ORCP responsibilities delegated across the eight REs, differences in philosophies, processes, and the physical network topology and operating environments can create, or appear to create, inconsistencies. Greater alignment across the ERO Enterprise using uniform practices in the monitoring and enforcement of compliance with NERC Reliability Standards will ensure that the ERO Enterprise and stakeholders focus on the most significant risks to reliability rather than administrative inefficiencies.

The implementation of the risk-based CMEP and related oversight activities have promoted a greater degree of alignment in enforcement and compliance monitoring activities. As part of its oversight, NERC reviews the reasonableness of penalties and other determinations as well as alignment in various processes across the ERO Enterprise. NERC also works with the REs to develop and document guidance on enforcement and compliance monitoring processes and activities. Recent areas of increased alignment resulting from these efforts include the risk determination of individual violations, the allocation of credits against monetary penalties, and the assessment of a registered entity's inherent risk, among others.

The Program Alignment is intended to build on and enhance these efforts to identify, prioritize, and resolve alignment issues. As such, the Program Alignment will strengthen and become an integral part of program improvements.

The Program Alignment was developed in collaboration with the REs and discussed with the NERC Board of Trustees from March 2017 to May 2017. The CCC has been tasked with assisting in the outreach to industry. A number of important process steps of the Program Alignment are under development, as noted below.

Table 1: Anticipated Process Steps		
	Activity	**Estimated Completion**
Consolidate Sources of Information on Alignment Issues	Transition of Regional Consistency Tool to NERC	Completed
	ERO Enterprise and CCC process for industry reporting of alignment issues and ERO Enterprise analysis	CCC Consistency Working Group established with scope and process May 2017 (attached) Regional Consistency Tool transitioned to NERC July 2017
	Collection of information obtained through NERC Oversight activities	Ongoing
	ERO Enterprise Reporting Dashboard	Q4 2017
Identify, Track, Triage, and Prioritize Alignment Issues	Development of process for classification of alignment issues and criteria for materiality	Completed July 2017
	Development of process for consolidation of issues and development of tracking tool	Completed July 2017
Resolution of Alignment Issues and Reporting/Feedback	Development of ERO Enterprise process for resolution	Completed July 2017
	Development of process for reporting and providing feedback to the BOTCC and stakeholders	Q4 2017

Program Details

Identify and Prioritize Sources of Information and Identification of Alignment Issues

Alignment issues will continue to be identified through many different sources for review by the ERO Enterprise. Regardless of the source, issues will be added to the tracking tool referenced below and follow the same process for resolution.

The following are potential sources of information regarding alignment issues:

- Alignment issues are identified as a result of ongoing NERC oversight and other ERO Enterprise activities.

- NERC contracted with the third-party provider EthicsPoint to implement the Consistency Reporting Tool (Reporting Tool).[1] Reports of perceived inconsistency are entered and submitted directly on the EthicsPoint secure server. Reports can be submitted anonymously, or the submitter may provide their name and contact information. NERC administrators are notified when a report is submitted for processing.

- The CCC is a resource for the ERO Enterprise to frame the extent and condition of the alignment issue and provide suggested resolutions for ERO Enterprise consideration. Outside of these requests, the CCC will continue to be a resource for identifying and reporting misalignments to the ERO Enterprise. The CCC is also a critical resource for prioritizing, from a stakeholder perspective, any identified misalignments.

- Information is transmitted directly to ERO Enterprise staff by registered entities or as the result of observations by ERO Enterprise staff.

- Current observations by ERO Enterprise staff could provide the starting point for discussions by the ERO Enterprise working groups.

Tracking, Triage, and Analysis of Alignment Issues
Identified issues will be tracked by NERC in a single system, the Alignment Tracking Tool (Tracking Tool). The ERO Enterprise will establish a process for classifying issues into each of the categories below:

- Material: This category includes issues that may pose a risk to the bulk power system, risk-based CMEP, or other programs; have the potential for resulting in discriminatory treatment of registered entities; or have a significant negative impact on the ERO Enterprise's or registered entities' effectiveness. Those issues will be identified as priority items for resolution, initially through ERO Enterprise working groups, under the oversight of the ERO Executive Management Group and BOTCC.

  - Examples of issues in this category include variances in the use of the Internal Controls Evaluation process outside of the approved guidelines, inconsistencies in the assessment of inherent risks, and variances in the level of review of certain types of noncompliance.

  - Certain issues that are not deemed material may nevertheless be identified for resolution if resolution is relatively simple and may provide benefits to the ERO Enterprise or registered entities.

- Non-Material: This could include practices or processes not determined as material but that could be aligned by the working groups or through future activities such as the CMEP technology project. Although these are not the priority items for the working groups, it is possible that some of them may have relatively simple means of resolution, in which case they would be addressed in parallel with the priority items noted above. It is also possible that the accumulation of some of these items could lead to the type of risk associated with the first category of issues in which the issues would be prioritized as well.

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[1] *Available at* https://secure.ethicspoint.com/domain/media/en/gui/51749/index.html.

- Examples of issues in this category include data collection processes and timing of certain notifications not specifically defined in the NERC Rules of Procedure.

Resolution and Reporting of Alignment Issues

Specific processes for the resolution of alignment issues may vary depending on the nature of the issue, but may include working group discussions, calibration exercises, and development of common tools and templates. Examples of ongoing work to address alignment issues being undertaken by these groups include the alignment of penalty processes and philosophy and the alignment of inherent risk assessments.

Progress will be reported on a quarterly basis. A public progress report will be developed for inclusion in NERC's public quarterly CMEP update to the BOTCC. To the extent that issues were identified by individual registered entities through the ERO Enterprise and CCC process, direct feedback to the registered entity and CCC will be provided.

Resolution of alignment issues may consist of the alignment of practices and processes or, as appropriate, a determination by the ERO Enterprise that the level of variance is justified based on the particular circumstance. The resolution will be communicated to interested parties through the reports referenced above.

Once the ERO Enterprise has acquired additional experience working under this program, enhancements may be made and specific metrics developed to measure the effectiveness of the program.

To facilitate communication regarding the Program Alignment, the ERO Enterprise Program Alignment web page was developed to inform stakeholders of identified potential misalignment issues that have been reported along with the resolution or recommendations of those issues.[2]

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[2] *Available at* http://www.nerc.com/pa/comp/Pages/EROEnterProAlign.aspx.