

Introduction

Texas Reliability Entity Inc. (Texas RE) appreciates the SER Team's efforts to streamline the evidence retention schemes as described in the Item XX SER Evidence Retention Report dated June 24, 2019 and agrees there is room for improvement in aligning the various evidence retention schemes. The purpose and value of evidence retention also gives the registered entity management a clear way of evaluating their own internal programs and the associated internal controls managing the programs. Texas RE does have some concerns, however, and posits that some of the recommendations do little or nothing to ease the regulatory burden on registered entities. More important, many of the recommendations may prevent a Compliance Enforcement Authority (CEA) from obtaining reasonable assurance of compliance. Texas RE is concerned that some of the suggestions, and the rationale for the suggestions, do not support sound principles associated with auditing practices in accordance with the Government Auditing Standards. Additionally, Texas RE describes concerns with some of the statements in the report, with the proposed evidence retention schemes, and with the recommendations.

Government Auditing Standards

Texas RE is concerned the following principles as described in the Government Auditing Standards, 2018 Revision will not be adhered to with the implementation of the proposed evidence retention recommendations:

- Professional Judgment (Section 3.109): Auditors are to exhibit professional judgement which includes exercising reasonable care and professional skepticism.
- Professional skepticism (Section 3.110) includes being alert to, for example, evidence that contradicts other evidence obtained or information that brings into question the reliability of documents or responses to inquiries to be used as evidence. Using the auditor's professional knowledge, skills, and abilities, in good faith and with integrity, to diligently gather information and objectively evaluate the sufficiency and appropriateness of evidence is a critical component of Government Auditing Standards engagements (Chapter 3 Government Auditing Standards 2018 Revision).
- Sufficient Evidence: In accordance with chapter 7 of the Government Auditing Standards, "Obtaining sufficient, appropriate evidence provides auditors with a reasonable basis for findings and conclusions that are valid, accurate, appropriate, and complete with respect to the audit objectives." Sufficiency of evidence is critical to reach a reasonable level of assurance that compliance has occurred and will still be maintained after the CEA finishes its compliance evaluation. Lack of sufficient evidence will increase the internal control questions and will give rise to the situation where a registered entity cannot clearly demonstrate compliance and a CEA cannot reach an adequate level of reasonable assurance that compliance has been, and will continue to be, met. According to Government Auditing Standards, it is the auditor's professional judgment as to whether evidence is sufficient to address the audit objectives.
- Audit Risk (Section 8): Some of the recommendations in this report will result in insufficient evidence, which increases the audit risk for Regional Entities. Section 8.16 states: "Audit risk is the possibility that the auditors' findings, conclusions, recommendations, or assurance may be improper or incomplete as a result of factors such as evidence that is not sufficient or appropriate, an inadequate audit process, or intentional omissions or misleading information because of misrepresentation or fraud."

Such audit risk could endanger the current environment set forth by FPA 215 and all involved parties should acknowledge that compliance obligations associated with evidence should not be reduced to the point that compliance cannot be evaluated in a sustainable manner.

- Reasonable Assurance (section 1.22): To address the question regarding “fear” as noted in one of the questions on page 9 of the Evidence Retention Report, one objective of performance audits includes internal controls. Auditors ask for evidence or data beyond what is in the standard to have a clear understanding of the internal controls an entity has to implement the Standard. Lack of data will increase the quantity of internal control related questions.
- Independence (section 3): The recommendations may threaten the independence of CEA staff. A threat to independence is not acceptable if it either (a) could impact the CEA staff member’s ability to perform the work without being affected by influences that compromise professional judgment, or (b) could expose the CEA staff or the CEA to circumstances that would cause a reasonable and informed third party to conclude that the integrity, objectivity, or professional skepticism of the CEA, or a CEA staff member, had been compromised. It is certainly conceivable that either condition could exist with the implementation of some of the suggested schemes.

Statements in the Report

Texas RE has concerns regarding some of the statements made in the Evidence Retention Report, as laid out in the order of the report and referenced by page number of the pdf document.

Page 4 – Texas RE requests clarification on the statement “Other evidence retention schemes are overly burdensome, especially when the risk to reliability is very low.”

Page 5 – Identified Evidence Retention Problems, Issues and Concerns from 2014 report: It is unclear how the 2014 White Paper Team determined that “The ERO Enterprise has considerable flexibility to determine and identify how long a registered entity must retain evidence to show compliance.” It is true that CEA can, and does, request data for shorter time periods than required (as recommended in the 2014 White Paper) but the CEA does not determine and identify how long the registered entity must retain evidence as it is stated in the standard being reviewed. Furthermore, the extent of condition to determine how long a noncompliance has existed may go beyond the data retention period to fully illustrate the risk posed by the noncompliance.

Page 5 has the statement: “The white paper recommended simplifying data requests by including as a part of the ERO Compliance Auditor Manual and Handbook a recommendation that, regardless of the data retention requirements of the Standard and time between Compliance Audits, **auditors focus sampling to the most recent two years.** This recommended method of sampling would be more efficient and less burdensome for registered entities and the ERO Enterprise.” According to the Government Auditing Standards, auditors must be able to obtain a “degree of assurance” (section 8.103) of compliance. Therefore, Region Entities use professional judgement in determining sample sets and time-frames based on the data and risks identified.

Page 5 has the statement: “These entities have been steadily improving and have clearly established a culture of compliance. It is no longer necessary to keep compliance evidence for extended periods of time to prove compliance.” Texas RE respectfully requests the information the SER team used to determine that entities have improved cultures of compliance.

Page 5 has the statement: “Registered entities self-report non-compliance events when they occur. They have in effect become a self-policing organization.” Texas RE respectfully requests the information the SER used to determine that entities always self-report non-compliance events when they occur. Texas RE has seen several reports submitted immediately before engagements, which would not support this claim. Recently, as there has been an increase in significant penalties, it is not clear that all registered entities have been improving and are, currently demonstrating a culture of compliance that warrants reduction in an evidence retention timeframe. Self-Reporting is encouraged but not mandatory. Furthermore, data related to Self-Reporting indicates that at best, in the 3 year interval of 2016 to 2018, approximately 26.5% of the registered entities in the ERCOT Interconnection Self-Reported (2016- 15.6%, 2017- 26.5%, 2018- 23.4%). During that same period upwards of 40% of the entities that Self-Report were scheduled for a compliance evaluation (e.g., Compliance Audit, Self-Certification, Spot Check). In other words greater than 70% of all registered entities do not Self-Report in a given year and of those that do Self-Report 20-40% Self-Report prior to, or during, a compliance evaluation. Certainly there are a number of entities that are engaged in the compliance process and are actively Self-Reporting (13 entities Self-Reported each year, 23 entities Self-Report in 2 of the 3 years). Over the three years of data reviewed 57% of the registered entities did not Self-Report (and of the 43% that did Self-Report 46% were scheduled for an audit). The data seems to show that self-reporting is not occurring as often as a potential noncompliance occurs.

Page 6 has the statement: “3. Move Requirements to Guidance” Texas RE requests clarification on this statement. Is the SER team developing criteria to determine whether something is a requirement or guidance?

Page 8 has the statement: “Industry responses voiced a frustration and opinion that the focus of auditor data requests and NERC Reliability Standards data retention requirements are on proving compliance and not enhancing reliability. They voiced a desire to focus on current practices and policies instead of historical documents, which may not have been relevant for several years.” Texas RE utilizes a “monitoring period” for its engagement that identifies the focus of the entity’s initial submission as well as the audit team’s sampling. The utilization of a “monitoring period” addresses industry concerns by focusing the engagement of current practices.

Page 8, under Recommendations - The report states the recommendations from the 2014 Evidence Retention Study Team were to exclude the four year data retention period for Standards requiring testing intervals (e.g. PRC-005), which would restrict to the most recent full testing records with evidence of previous testing intervals. Texas RE inquires as to what is considered evidence of previous testing intervals. It would avoid confusion by registered entities if the retention is “most recent and previous full testing records”. Texas RE supports the 2014 White Paper recommendation regarding PRC-005 to clearly demonstrate compliance and maintain reliability.

Page 10 asks the *question*: “What is the purpose and value of evidence retention?” Texas RE’s Regional Delegation Agreement (RDA) states that “Texas RE will implement the NERC CMEP Appendix 4C to the Rules of Procedure to monitor and enforce compliance with Reliability Standards.” The RDA has given Texas RE the authority to monitor compliance. Auditors may not be able to adhere to the Government Auditing Standards without using evidence to verify compliance. Please see the section above discussing the Government Auditing Standards.

Page 11, under Questions - Taking a stance that “After training CEAs must understand that they cannot ask for evidence or data beyond what is specifically prescribed in the Standard requirement” could result in scenarios that are more burdensome for the registered entity. This scenario would occur when a request for a single piece of evidence outside of the retention period would provide reasonable assurance of compliance, but since the auditor cannot request this evidence, the registered entity is required to provide numerous pieces of evidence to provide the auditor with reasonable assurance.

Page 11, under Benefits - It is extremely unclear what the report means by the statement “Simplified evidence retention schemes offer innovative approaches that mitigate high risks.” Texas RE requests clarification on this statement. What are the innovative approaches that mitigate high risks?

Page 12, an answer reads, “The ERO Compliance Auditor Manual and Handbook may also need to be updated. After update all CEA auditors must be trained in the new evidence retention and data sampling rules. This assures that all regions are auditing and sampling in a consistent fashion.” Texas RE is concerned with this suggestion as the Handbook currently aligns with and takes into account the Government Auditing Standards. Texas RE is concerned that some of the suggestions in this report contradict the Government Auditing Standards.

Page 15, The “VRF Analysis” section states that for medium VRF Requirements, “Evidence retention schemes for these requirements should be no longer than the previous 24 months.” Additionally, this section states that for lower VRF Requirements, “Evidence retention schemes for these requirements should be no longer than the previous 12 months.” However, this information is not conveyed in the in the Evidence Retention Recommendations section or Appendix C/D of the report. Prior to the implementation of a large change in data retention schemes, Texas Re requests a more thorough review of the violation risk factors (VRFs).

Texas RE has the following concerns with the VRF suggested retention schemes:

- Many personnel and training related Requirements are low and medium VRF (COM-002-4 R3; CIP-004-6 R3, R5). If these retention schemes are implemented, it would result in a scenario where entities would only have to demonstrate personnel hired/terminated within the last 12 or 24 months received initial training, were subject to a personnel risk assessment, or had access revoked. In order to ensure personnel are adequately trained and do not have unauthorized access, it is critical that records be kept back to the last audit so the ERO Enterprise can ensure there are no gaps and the registered entity can perform internal reviews of access and training(see CIP-004-6 Part 3.5).

- Since there are more medium and low VRF requirements than high VRF requirements, the restriction of the recommendations to high VRF introduces potential complications later – namely, a two-tiered system of evidence retention periods, with the complexity of medium and low VRF periods retained.

Proposed Evidence Retention Schemes

Texas RE noticed there are inconsistencies with regards to the suggested data retention timelines. For example, Texas RE noticed there is verbiage currently suggesting “Rolling 12 Calendar months”, “Rolling 36 months” and “Rolling three-year”, “rolling 03 months” and “rolling 90 days”. It is also unclear if the utilization of “year” within the recommended retention means 12 calendar months, 365 days, or calendar year. Texas RE recommends determining and explain what the terms mean in order for consistent use for both registered entities and Regional Entities.

Texas RE also recommends using a consistent unit of measurement for time within the recommended retention and consistently utilize this unit through the recommended retention (i.e. “rolling 36 months” versus “rolling three years”).

Texas RE has the following comments on each of the recommended retention schemes.

Scheme 1. Current Procedures - Although the current version of a program or procedure may be sufficient to demonstrate the entity met requirements to have a program or procedure at the time of the engagement, many Reliability Standards require the program or procedure to be implemented. In order for verify the program or procedure was implemented and to have reasonable assurance per the Government Auditing Standards, auditors will need to review the program or procedure that was effective at the time of an event that would result in initiation of the program or procedure. Texas RE recommends requiring a revision history if only the current version of a program or procedure is implemented as the retention scheme.

Scheme 2. Testing Records – Texas RE is concerned this scheme will lead to an increase in attestations, which is not the strongest form of evidence. The scheme states that it would just need *evidence* of the previous testing records, and not the testing records themselves. This could be simply a list of dates when something was tested and may not contain the record of what was actually done. This will lead to auditors asking additional questions regarding internal controls to obtain reasonable assurance of compliance.

Scheme 3. Rolling 3 months for voice and audio recordings – Voice and audio recordings are not required within any of the NERC Reliability Standards, and are only one method to demonstrate compliance and provide auditors with reasonable assurance. When registered entities do not have these recordings available to demonstrate compliance for a specific instance, registered entities may need go through a process to demonstrate compliance that is more burdensome than simply retaining the voice recordings. Texas RE does not agree with the use of a single retention period for one type of evidence. In its comments regarding the specific proposed new evidence retention schemes, Texas RE recommended maintaining two separate retention periods, depending on what the evidence is.

It also seems that the adjustments made to the evidence retention for these requirements appear to eliminate an auditor’s ability to request operator logs, which would have adverse

impacts on the ERO Enterprise’s ability to ensure reliability of the BES. Texas RE recommends a retention period of at least 12 months for Operating Logs be included as part of the new evidence retention.

Additionally, the requirements with a recommended retention period of “Rolling 90-day data retention period for voice and audio recordings” (which is different verbiage than what the report recommends on page 22) are event driven requirements for which many of the events are not a frequent occurrence (e.g. Inability to perform Operating Instruction; RC disagreement on existence of an Emergency; RC request for assistance; protective relay or equipment failure that reduces System reliability). Due to the infrequent nature of these events, it is highly unlikely the events will fall within the recommended 90-day retention period and a scheduled Audit which could lead to an inability to monitor these Requirements for compliance without increasing frequency of compliance reviews.

Texas RE has not seen indications that server capacity is an issue for voice/audio recordings. Having 20 phones steadily recording 8 hours of recordings per day for 7 days a week for an entire year results in approximately 3.5 terabytes of space (per hard drive capacity calculator available online from voice recording companies with non-compression techniques applied—in other words “wav” files. Several different storage capacity calculators are available online.).

Scheme 4. It could be confusing to recommend one thing then state another: the recommended scheme is “06 Months”, but the rationale states “In actual practice 30 days ..”

Scheme 5. If the CEA “can’t request data prior to 12 months from the current date”, the CEA will need to utilize other methods to obtain reasonable assurance when there is insufficient evidence from the past 12 months. These methods may include data requests that are more burdensome to the entity than retaining evidence beyond 12 months. The entity is always free to reference data retention requirements if evidence is no longer available, but the SER team should avoid statements that limit the auditor’s ability to acquire data to obtain reasonable assurance when that data may be readily available.

Scheme 6. It is unlikely the CEA will have reasonable assurance with just 30 days of data. It only allows for the demonstration that the last 30 days of data may be compliant and does not give assurance that the previous 30 days or the next 30 were or will be compliant.

Scheme 7. Texas RE inquires as to why a 36-month data retention period would provide more data for CEAs to determine compliance than a three year retention schedule.

Scheme 8. Texas RE requests the SER team explain why a six-year audit period is not useful for medium and low VRF requirements. Texas RE notes that under risk-based compliance, there is no six year requirement for entities to be audited. An entity could be audited every year or every ten years based on the processes in place. Some of the retention schemes suggested may lead to more frequent touches to allow registered entities to provide sufficient evidence to demonstrate compliance.

Additional Recommendations

Recommendation 2: Texas RE agrees that evidence retention timeframes should be commensurate with risk. Texas RE recommends the SER team review each evidence retention recommendation described in appendices C and D to ensure this is occurring.

Recommendation 3: Texas RE requests which specific updates will be needed to the Auditor Manual. The Manual does not include specific data retention schemes. It provides the same guiding information as the Government Auditing Standards.

Recommendation 9: Texas RE recommends the SER team adhere to the standard revision process described in Appendix 3A to the Rules of Procedure: Standards Processes Manual. This will give stakeholders the opportunity to scrutinize the proposed new evidence retention period and evaluate whether or not it is appropriate.

Recommendation 10: Data retention schemes should be applied to every requirement to avoid unnecessary confusion and inconsistency.

Texas RE inquires as to how the new data retention schemes will be updated and implemented.

Appendices C and D

Texas RE has concerns with the proposed evidence retention schemes on the requirements listed below.

BAL-002-3 R1 – Texas RE suggests the retention be extended beyond the recommendation. If a Reportable Contingency Event occurred there is likely to be an extended Event Analysis time period which may go beyond the rolling 12 Calendar month timeframe. The shorter timeframe may influence the timing of a compliance evaluation

BAL-002-3 R2 – Texas RE suggests this could be changed from a rolling 48-month data retention period to a rolling 36-month data retention period. The review/maintain action is done “annually” so 36 month is reasonable.

CIP-002-5.1a R1 – This states a “Rolling three-year data retention period” but this is not a recommended evidence retention scheme. Should it be rolling 36-month data retention period?

CIP-014-2 R1 states a “This states a “Rolling three-year data retention period” but this is not a recommended evidence retention scheme. Should it be rolling 36-month data retention period?

This evidence retention scheme does not support “subsequent risk assessments” where a Transmission Owner has not identified applicable stations/substations and has to do an assessment “at least once every 60 calendar months”. In this case, more compliance monitoring may be needed to fully understand the risk posed.

EOP-005-3 R1 – The recommended new evidence retention of “current plan...” is contradictory to the requirement since the restoration plan is done annually. Texas RE suggests a rolling 12-Calendar month retention scheme is better suited for this requirement. Simply having the most current restoration plan is not the most effective and efficient approach for compliance (or

reliability) and may not reflect the entire timeframe necessary to attain reasonable assurance. R4 calls for changes to be submitted to the RC for approval within certain timeframes which indicates the most recent version may not have been what was used in other Requirements within the Standard which then could cause the entity to be in noncompliance.

EOP-006-3 R1 – Since the RC may receive TOP plans at different times, it may be confusing to just keep the latest version. Additionally since the RC has to approve the plan, there may be timing differences noted on what the “current plan” may be as stated in the data retention scheme. Additionally, R3 calls for the RC to review its restoration plan within 13 calendar months of the last review. Texas RE recommends a rolling 36-months data retention period, as the CEA could have reasonable assurance with a 36-month retention period.

EOP-008-2 R3 and R4 - Texas RE suggests this could be changed from a rolling 48-month data retention period to a rolling 36-month data retention period as the CEA could have reasonable assurance with a 36-month retention period.

EOP-011-1 R1 and R2 Texas RE suggests changing the recommended retention scheme from “current plan...” to a rolling 36-month data retention scheme. The rolling 36-month scheme would allow a clear view on the development, maintenance, and implementation of the Emergency Operating Plan. Simply having the current plan will not demonstrate the development and maintenance aspects of the Requirement and is insufficient to demonstrate compliance with those aspects.

EOP-011-1 R3, R4, R5, and R6 - Texas RE suggests this could be changed from a rolling 48-month data retention period to a rolling 36-month data retention period as auditors could have reasonable assurance with a 36-month retention period.

FAC-014-2 R5 – Texas RE noticed the Measure language is incorrect in Appendix D of the report.

IRO-001-4 R1, R2, and R3 - Texas RE supports the current split of data retention within this retention period since entities can demonstrate compliance in more ways than voice and audio recordings and in some cases, voice and audio recordings may not be sufficient. For example, in Requirement R1, an Operating Instruction is not limited to a voice command and could take the form of an email, facsimile, webEx, or a hard document. Texas RE also noticed the new evidence retention recommendation does not match one of the eight Recommended Data retention schemes.

IRO-002-5 R2 - A current document will not clearly demonstrate redundancy and diversely routed data exchange capabilities with entities. Texas RE recommends an evidence retention of rolling 12-calendar months or longer for this requirement.

IRO-002-5 R4 - A current document will not clearly demonstrate redundancy and diversely routed data exchange capabilities with entities. Texas RE recommends an evidence retention of rolling 12-calendar months or longer for this requirement.

IRO-008-2 R5 - Texas RE supports the current split of data retention within this requirement as entities can demonstrate compliance in more ways than voice and audio recordings and in

some cases, voice and audio recordings may not be sufficient. For example, notification by the Reliability Coordinator may not be confined to a voice/audio recording. Texas RE also noticed the new evidence retention recommendation does not match one of the eight Recommended Data retention schemes.

IRO-009-2 R2 - A current document will not clearly demonstrate redundancy and diversely routed data exchange capabilities with entities. Texas RE recommends an evidence retention of rolling 12-calendar months or longer for this requirement.

IRO-014-3 R4 - Texas RE supports the current split of data retention within this requirement as entities can demonstrate compliance in more ways than voice and audio recordings and in some cases, voice and audio recordings may not be sufficient. For example, notification by the Reliability Coordinator may not be confined to a voice/audio recording. Texas RE also noticed the new evidence retention recommendation does not match one of the eight Recommended Data retention schemes.

IRO-014-3 R7 - Texas RE supports the current split of data retention within this requirement as entities can demonstrate compliance in more ways than voice and audio recordings and in some cases, voice and audio recordings may not be sufficient. For example, notification by the Reliability Coordinator may not be confined to a voice/audio recording. Texas RE also noticed the new evidence retention recommendation does not match one of the eight Recommended Data retention schemes.

IRO-018-1(i) R1 - A current document will not clearly demonstrate redundancy and diversely routed data exchange capabilities with entities. Texas RE recommends an evidence retention of rolling 12-calendar months for this requirement.

MOD-027-1 R2 - A current document will not clearly demonstrate that the 10 year interval has been met (not to mention the phased-in implementation plan needs) or how Attachment 1 periodicity has been met without the previous information available for review. Simply attesting to a date is not credible or sufficient evidence to demonstrate compliance.

NUC-001-3 R7 and R8 – The new evidence recommendation of “current plan...” may not be sufficient since “proposed changes” in the requirements may have a timeline greater than 12 calendar months. Texas RE recommends an evidence retention of rolling 36-calendar months for these requirements.

PER-005-3 is not an effective Reliability Standard and should be updated to PER-005-2.

PRC-001-1.1(ii) R1 – Texas RE disagrees that this requirement’s retention be limited to the most current plan. Texas RE suggests this requirement is better suited to a rolling 36-month data retention scheme so auditors may have a better understanding of how the familiarity with protection systems has been accomplished.

PRC-001-1.1(ii) R2 – Texas recommends this requirement also have a rolling 36 month data retention scheme. Entities may not be able to demonstrate all the coordination efforts that have occurred with a short data retention scheme.

PRC-001-1.1(ii) R4, R5 – Texas RE would support a reduction of these requirements to an evidence retention of rolling 36 months to be in line with expectations and lower confusion.

PRC-001-1.1(ii) - The Measures shown in Appendix D of the report are incorrect. The current Data Retention schemes noted is incorrect as well as the Measures do not correspond to the Requirements. This Standard only has Measures for Requirement 3 and Requirement 6. Effectively the proposed data retention schemes warrant closer review

PRC-005-1.1(b) - Since the transition plan for PRC-005-6 lasts until 2027 and the Implementation Plan depends upon transitioning elements contained within a PSMP it would be prudent to match PRC-005-6 R1 that requires the previous and most current version.

PRC-005-6 R3 – This requirement has a recommended retention of a rolling 48 months. This retention period is shorter than the intervals specified for the majority of maintenance activities within the Standard. This will limit an auditor’s ability to verify maintenance activities were performed for at least some portion on the entity’s Protection System Components. Texas RE recommends the SER team perform a thorough review of the recommended retention to ensure the retention includes at least one performance of an activity for periodic requirements.

PRC-005-6 R4 – Since the requirement states that the PC shall conduct and document a UFLS design assessment at least once every five years, Texas RE recommends the SER team perform a thorough review of the recommended retention to ensure the retention includes at least one performance of an activity for periodic requirements.

PRC-006-3 R15 - Since the R4 states that the PC shall conduct and document a UFLS design assessment at least once every five years, and R15 references R4, Texas RE recommends the SER team perform a thorough review of the recommended retention to ensure the retention includes at least one performance of an activity for periodic requirements.

PRC-024-3 R6 - Since the Requirement calls for “an assessment at least once each calendar year, with no more than 15 months between assessments” the proposed rolling 12 Calendar month data retention scheme is insufficient to clearly demonstrate compliance. Texas RE recommends the SER team perform a thorough review of the recommended retention to ensure the retention includes at least one performance of an activity for periodic requirements..

PRC-017-1 R1 - Although not mentioned in the report, Texas RE recommends the SER team perform a thorough review of the recommended retention to ensure the retention includes at least one performance of an activity for periodic requirements.

TOP-001-4 R1 through R11 - Texas RE supports the current split of data retention within this retention period since entities can demonstrate compliance in more ways than voice and audio recordings and in some cases, voice and audio recordings may not be sufficient. Texas RE suggests a minimum of a rolling 24-month evidence retention period in order for the auditors to be able to verify compliance during engagements.

TOP-001-4 R13 and R14 have the incorrect requirement language in Appendix D of the report

TOP-001-4 R16, R17, and R18 - Texas RE supports the current split of data retention within this retention period since entities can demonstrate compliance in more ways than voice and audio recordings and in some cases, voice and audio recordings may not be sufficient. Texas RE suggests a minimum of a rolling 24-month evidence retention period in order for the auditors to be able to verify compliance during engagements.

TOP-001-4 R20 and R23 - Texas RE suggests a minimum of a rolling 24-month evidence retention period in order for the auditors to be able to verify compliance during engagements.

TOP-010-1(i) R1 - Texas RE supports the current split of data retention within this retention period since entities can demonstrate compliance in more ways than voice and audio recordings and in some cases, voice and audio recordings may not be sufficient. Texas RE suggests a minimum of a rolling 24-month evidence retention period in order for the auditors to be able to verify compliance during engagements.

TPL-001-4 R1 - Texas RE recommends the SER team perform a thorough review of the recommended retention to ensure the retention includes at least one performance of an activity for periodic requirements. This will ensure auditors have reasonable assurance that activities were performed.

TPL-007-1 R4 - Texas RE recommends the SER team perform a thorough review of the recommended retention to ensure the retention includes at least one performance of an activity for periodic requirements. This will ensure auditors have reasonable assurance that activities were performed.

TPL-007-1 R7 - Texas RE recommends the SER team perform a thorough review of the recommended retention to ensure the retention includes at least one performance of an activity for periodic requirements. This will ensure auditors have reasonable assurance that activities were performed since the requirement states there can be 60 calendar months between assessments.

Texas RE agrees with the current 3-year retention scheme for all CIP standards since there are several standards with different periodic requirements. Having a single 3-year retention for CIP provides consistency and makes tracking evidence easier for both registered entities and regional entities. Additionally, the 3-year retention scheme is an adequate timeframe to provide for sufficient evidence and provide the CEA with reasonable assurance of compliance.

Texas RE noticed the summarized information included in “Current Evidence Retention Scheme” table in Appendix A is inaccurate and misleading. For example, item 21 lists “Current OPA, Real-time Monitoring, and Real-time Assessments Since Last Audit” for TOP-003-3 R1 and IRO-010-2 R1. However, the evidence retention in the Reliability Standards states “Each Transmission Operator shall retain its dated, current, in force, documented specification for the data necessary for it to perform its Operational Planning Analyses, Real-time monitoring, and Real-time Assessments in accordance with Requirement R1 and Measurement M1 as well as any documents in force since the last compliance audit.” This is concerning as the SER report conveys more burdensome retention requirements than are actually included in the Standards.

Conclusion

While Texas RE agrees there is an opportunity to streamline the various evidence retention schemes, Texas RE strongly encourages the SER team to review all proposed data retention recommendations to ensure that nothing will contradict the auditing principles laid out in the Government Auditing Standards. Texas RE recommends the Report contain an objective of allowing CEAs to obtain reasonable assurance of compliance, which is an objective on the Government Auditing Standards. In order for Regional Entities to fulfill their obligations of their Regional Delegation Agreements, the CEAs need to be able to obtain sufficient evidence, use professional judgement, maintain independence, and obtain reasonable assurance with compliance.