

Compliance Monitoring and Enforcement Program Annual Report

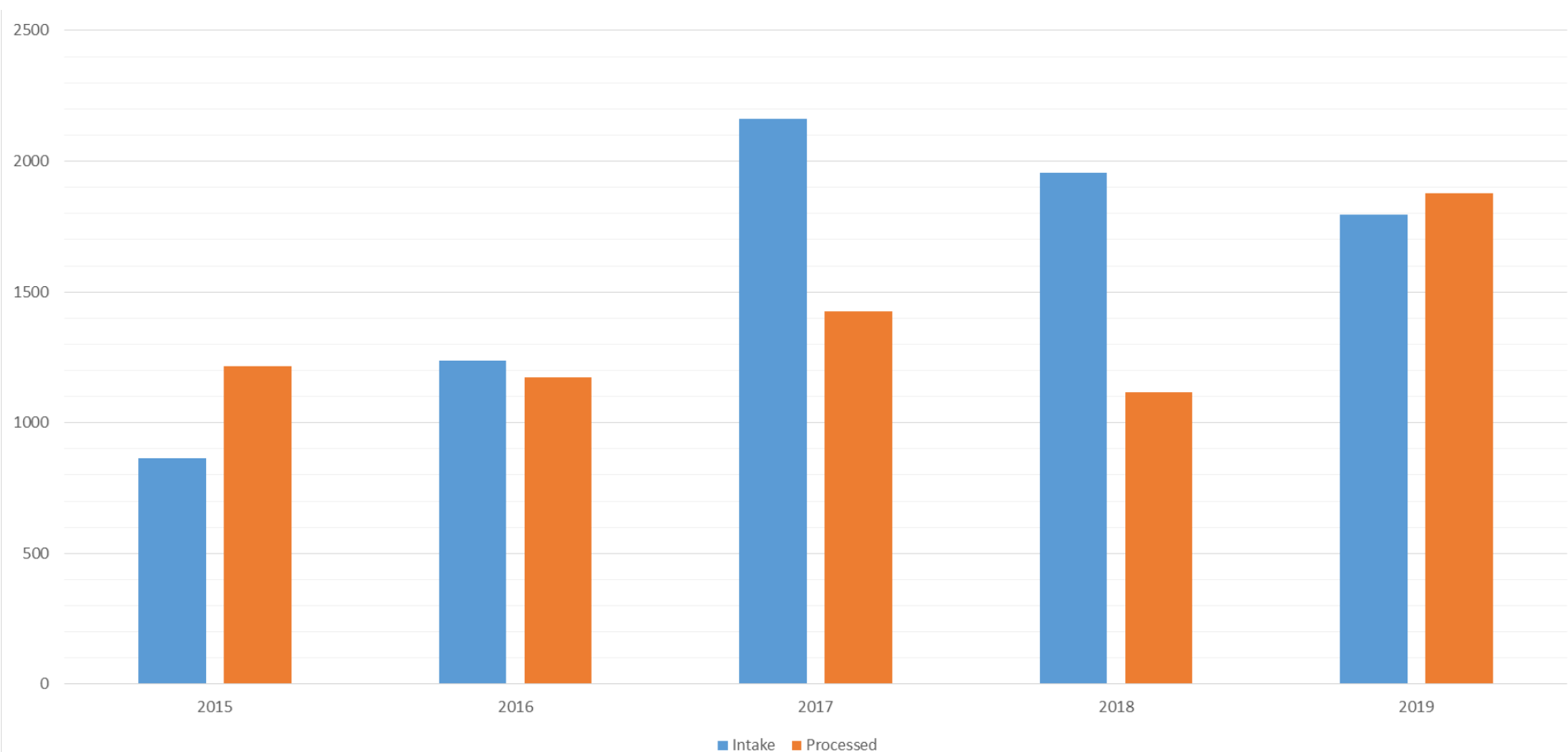
Ed Kichline, Senior Counsel and Director of Enforcement Oversight
Steven Noess, Director of Regulatory Programs
Compliance Committee Meeting
February 5, 2020

RELIABILITY | RESILIENCE | SECURITY

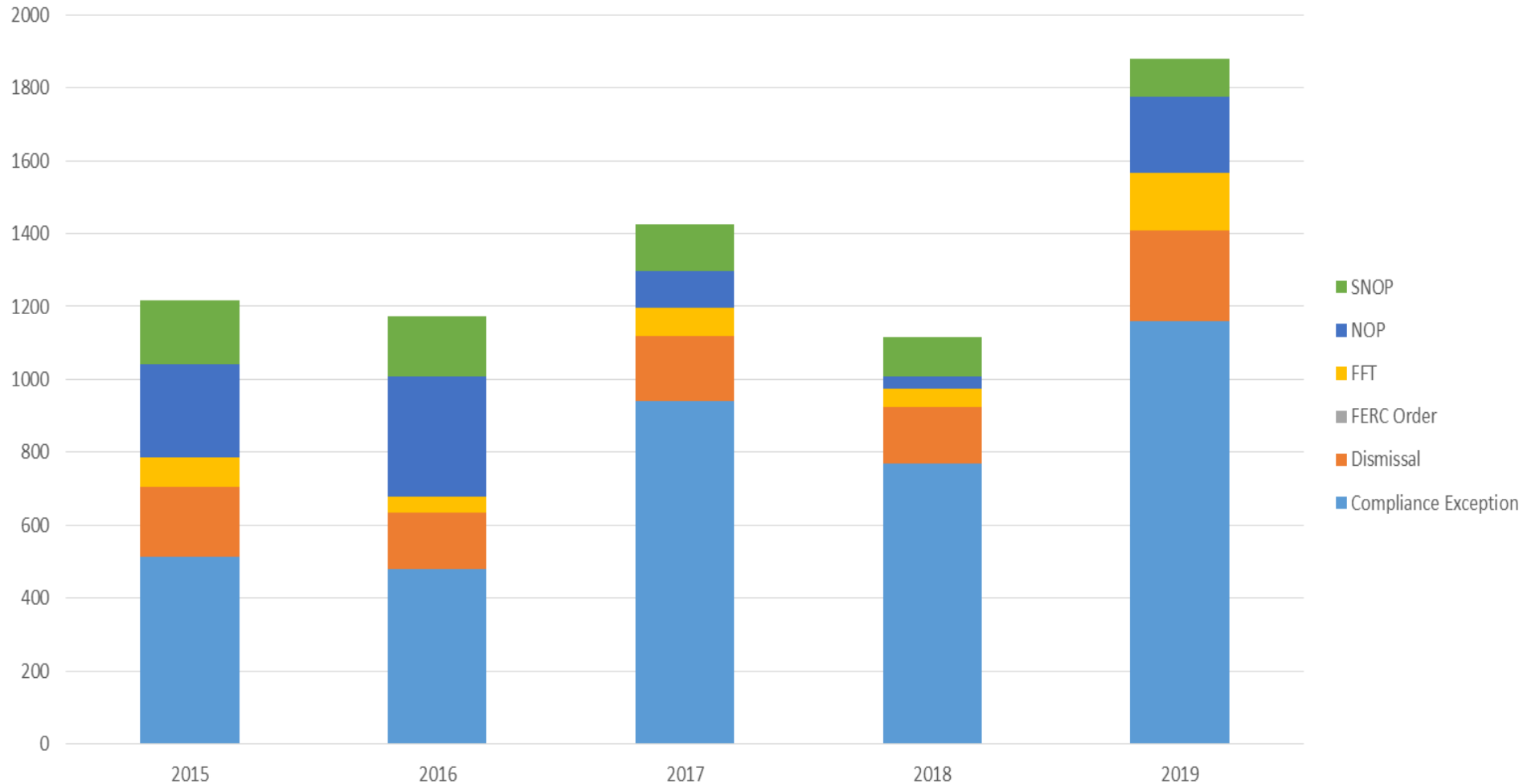


- Enforcement metrics include violation aging and mitigation completion
- 14% of ERO Enterprise caseload was greater than two years old at end of year
 - Down from 20% at the end of Q3
- Comprehensive picture of incoming violations and violation processing
- Details on the oldest violations and associated mitigation

Fewer Reported Violations and Increased Processing in 2019



More Resolved Noncompliance Across all Levels of Risk in 2019



- Dealing with increase in noncompliance with new Reliability Standards
 - PRC and MOD Standards, especially for variable generation resources
 - CIP Version 5 applicable to more entities and more assets
- Resolving lower risk noncompliance while working on higher risk violations
- Focusing on timely mitigation for all noncompliance
- Ensuring comprehensive mitigation for highly technical CIP violations

- 352 violations over two years old
 - 64 registered entities
- 25 violations over two years old with ongoing mitigation
 - 12 registered entities
 - 4 of the 25 violations currently assessed as serious risk
 - 2 registered entities
- Over 90% have completed mitigation
 - Mitigation completion as measure of reduced risk
- Over 80% are CIP violations
 - Greater complexity with new technologies and CIP Version 5

- Ongoing engagement with registered entities
 - Understanding extent of violations and assisting the design of robust controls to prevent recurrence
- Sharing lessons learned and mitigation best practices
 - Effective solutions to the most common causes of violations
 - Outreach on new Reliability Standards and preventive controls to reduce the number of violations
- Streamlining efforts
 - Efficient risk assessment and resolution for all noncompliance

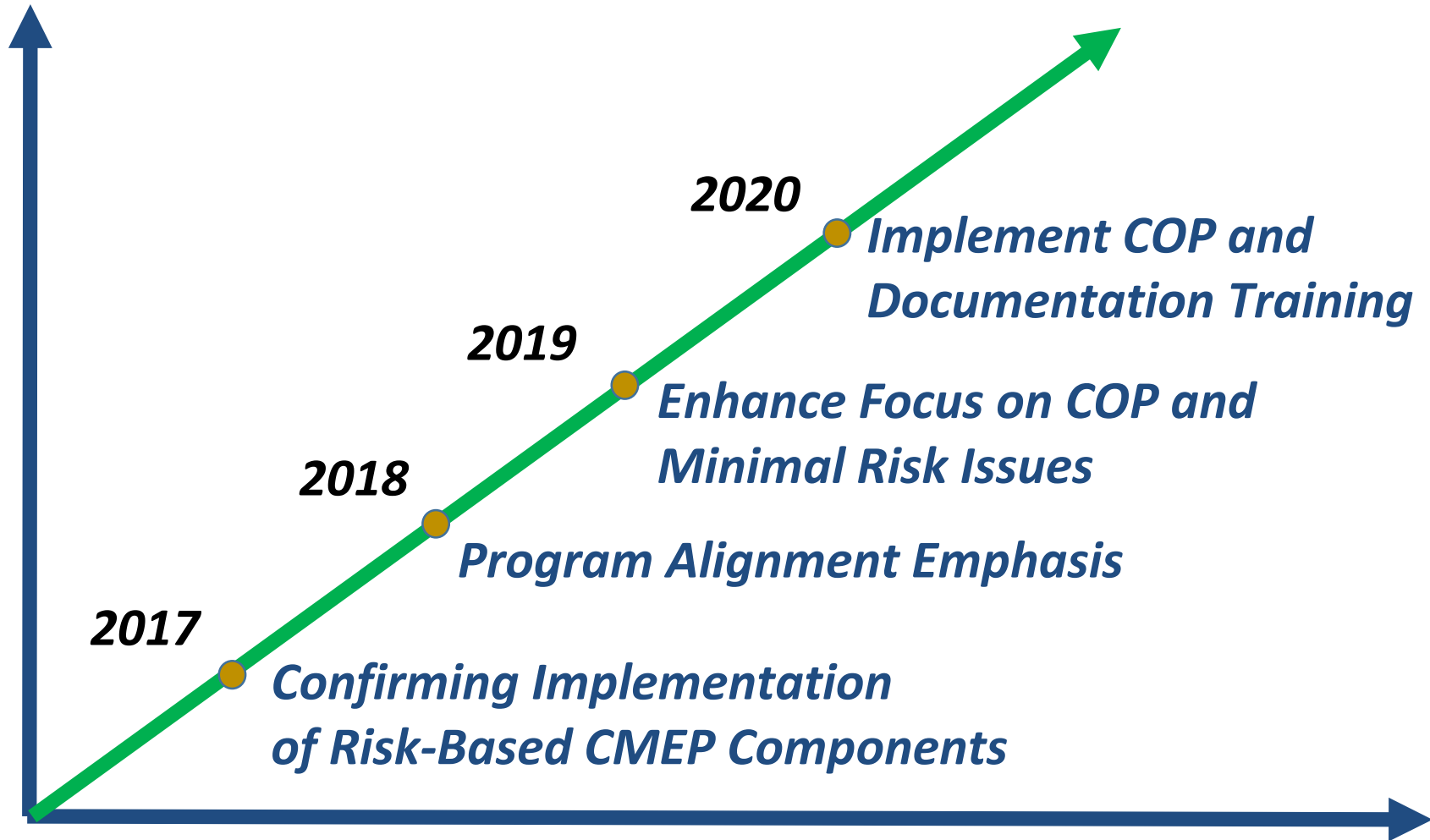
- CIP Notices of Penalty
 - Resolving the oldest, more complex violations
- Vegetation Management Notices of Penalty
 - Growth into the Minimum Vegetation Clearance Distance, sometimes leading to a contact
- Facility Ratings Notices of Penalty
 - Many resulting from registered entity reviews of equipment and facilities

- CMEP activities indicate widespread discrepancies
 - Documented Facility Ratings versus actual field conditions
 - Many are significant, causing increased risk to bulk power system reliability
 - Performance correlation between strong entity controls and proactive field validation
- ERO Enterprise and NATF have coordinated
 - Avoid duplication
 - Ensure common understanding of issue and share best practices
- ERO Enterprise developing CMEP Practice Guide (expected release by Q2 2020)
- Emphasis on training for CMEP staff and outreach for industry
- 2020 CMEP Implementation Plan

- 2020 Risk Element

- Where records are not kept up to date, inaccurate models and damaged equipment can result. Failing to keep accurate inventories of responsibilities and equipment following asset transfers, addition of new equipment, or mergers and acquisitions, is causing incomplete entity programs in Facility Ratings and vegetation management.

Standards	Requirements	Rationale
CIP-002-5.1a	R1, R2	Ensuring entities maintain complex programs which handle large amounts of data, e.g., accurate inventories of equipment, following asset transfers, addition of new equipment, etc.
CIP-010-2 (-3 eff 7/1/2020)	R1	
FAC-003-4	R1, R2, R3, R6, R7	
FAC-008-3	R6	
PRC-005-6	R3	





**Enhanced
Analysis**



**Targeted
Oversight**



**Prioritized
Monitoring**



**Single
Report**

- Tailors compliance monitoring activities based on entity-specific factors
- Oversight strategy for a registered entity
- Provide comparative assessments to shape oversight planning and resource allocation of ERO Enterprise staff
- Emphasis on understanding internal controls and other performance considerations
- Shared with the registered entity



Enhanced Analysis

Inherent risk assessment – quantitative entity data such as what you own or operate

Performance assessment – qualitative entity data such as internal controls, culture of compliance, compliance history, event data

- Will communicate the Regional Entity's current understanding of an inherent risk and performance profile
- Will include selected Risk Categories for monitoring



Provides considerations for an entity's continuous improvement

Provides focus for Regional Entity for its compliance monitoring activities

Targeted Oversight

Asset/System Identification

Entity Coordination

Identity Management and Access Control

Emergency Operations Planning

Operating During Emergencies/Backup and Recovery

Training

Asset/System Management and Maintenance

Asset/System Physical Protection

Long-term Studies/Assessments

Operational Studies/Assessments

Modeling Data

System Protection

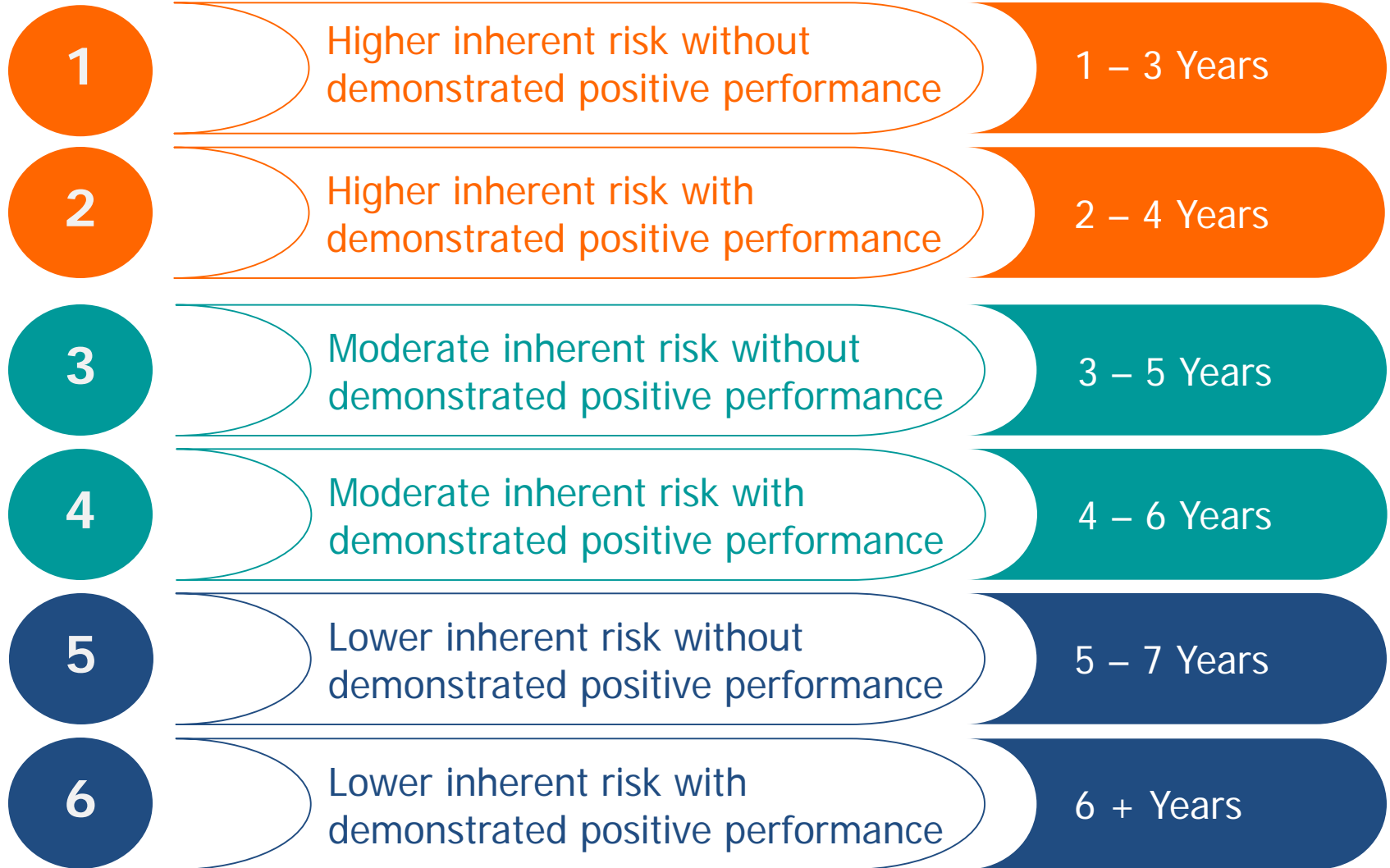
Normal System Operations

- Will include a target monitoring frequency selected based on inherent risk and performance profile



Identifies target interval for oversight, primary monitoring tools, and informs annual planning

Prioritized Monitoring



- Establish target intervals for engagements based off of inherent risk and performance profile

Category 1

The target monitoring interval for a higher risk entity without demonstrated positive performance is once every 1 – 3 years.

A Regional Entity will use one or a combination of the following CMEP Tools:

- Audit (on or off-site)
- Self-Certifications
- Spot Check

Category 2

The target monitoring interval for a higher risk entity with demonstrated positive performance is once every 2 – 4 years.

A Regional Entity will use one or a combination of the following CMEP Tools:

- Audit (on or off-site)
- Self-Certifications
- Spot Check



Single Report

1. Purpose
 2. Analysis and Results
 3. Oversight Strategy
- App. A: IRA Results Summary
- App. B: Standards and Requirements for Monitoring

- ERO Enterprise CMEP Business Practice Enhancements
 - Re-evaluate access/possession/retention of entity documents and data
 - Separating CMEP planning, business workflow, and work papers versus evidence location
 - Proactive and disciplined destruction policy
 - Clarify workflow and work paper documentation expectations
- Focus of CMEP staff training in 2020
 - April CMEP staff workshop
 - Emphasized during oversight
- Outreach and training for industry during rollout



Questions and Answers