

Violation Risk Factor and Violation Severity Level Justifications

Project 2024-03 Revisions to EOP-012-2

This document provides the drafting team's (DT's) justification for assignment of violation risk factors (VRFs) and violation severity levels (VSLs) for each requirement in EOP-012-3. 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 DT 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 |
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| 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 Justification for EOP-012-3, Requirement R1

The VRF did not change from the previously FERC approved EOP-012-2 Reliability Standard.

VSL Justification for EOP-012-3, Requirement R1

The Drafting Team made non-substantial changes to this Requirement. The VSL did not change from the previously FERC approved EOP-012-2 Reliability Standard.

VRF Justification for EOP-012-3, Requirement R2

The VRF did not change from the previously FERC approved EOP-012-2 Reliability Standard.

| VSLs for EOP-012-3, Requirement R2 | | | |
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| Lower | Moderate | High | Severe |
| <p>The Generator Owner did not have freeze protection measure(s) for its applicable unit(s) meeting the criteria in Requirement R2 for 5% or less of its applicable units.</p> <p>OR</p> <p>The Generator Owner did not have a Corrective Action Plan or a Generator Cold Weather Constraint (if applicable) to implement appropriate freeze protection measures for 5% or</p> | <p>The Generator Owner did not have freeze protection measure(s) for its applicable unit(s) meeting the criteria in Requirement R2 for more than 5%, but less than or equal to 10% of its applicable units.</p> <p>OR</p> <p>The Generator Owner did not have a Corrective Action Plan or a Generator Cold Weather Constraint (if applicable) for more than 5%, but less than or</p> | <p>The Generator Owner did not have freeze protection measure(s) meeting the criteria in Requirement R2 for more than 10%, but less than or equal to 20% of its applicable units.</p> <p>OR</p> <p>The Generator Owner did not have a Corrective Action Plan or a Generator Cold Weather Constraint (if applicable) for more than 10%, but less than or</p> | <p>The Generator Owner did not have freeze protection measure(s) meeting the criteria in Requirement R2 for more than 20% of its applicable units.</p> <p>OR</p> <p>The Generator Owner did not have a Corrective Action Plan or a Generator Cold Weather Constraint (if applicable) for more than 20% of its applicable units.</p> |

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| less of its applicable units. | equal to 10% of its applicable units. | equal to 20% of its applicable units. | |
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| VSL Justifications for EOP-012-3, Requirement R2 | |
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| <p>FERC VSL G1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p> | <p>This requirement was modified to capture the difference for generating units for which the Generator Owner first contractually committed to design criteria relevant to this Requirement on or before/after February 16, 2023. The VSL was modified to add Generator Cold Weather Constraint and did not have the unintended consequence of lowering 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>The proposed VSLs are not binary and do not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations.</p> |
| <p>FERC VSL G3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p> | <p>The proposed VSLs use the same terminology as used in the associated requirement and are, therefore, consistent with the requirement.</p> |
| <p>FERC VSL G4 Violation Severity Level Assignment Should Be Based on A Single</p> | <p>Each VSL is based on a single violation and not cumulative violations.</p> |

VSL Justifications for EOP-012-3, Requirement R2

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| Violation, Not on A Cumulative Number of Violations | |
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VRF Justification for EOP-012-3, Requirement R3

The VRF did not change from the previously FERC approved EOP-012-2 Reliability Standard.

VSL Justification for EOP-012-3, Requirement R3

There is no change to this Requirement. The VSL did not change from the previously FERC approved EOP-012-2 Reliability Standard.

VRF Justification for EOP-012-3, Requirement R4

The VRF did not change from the previously FERC approved EOP-012-2 Reliability Standard.

VSLs for EOP-012-3, Requirement R4

| Lower | Moderate | High | Severe |
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| The Generator Owner created a cold weather preparedness plan(s) but failed to maintain it. | The Generator Owner’s cold weather preparedness plan failed to include one of the applicable Parts within Requirement R4. | The Generator Owner had and maintained a cold weather preparedness plan(s) but failed to implement it. OR The Generator Owner’s cold weather preparedness plan failed to include two of the applicable requirement parts within Requirement R4. | The Generator Owner does not have a cold weather preparedness plan(s). OR The Generator Owner’s cold weather preparedness plan failed to include three or more of the applicable requirement parts within Requirement R4. |

VSL Justifications for EOP-012-3, Requirement R4

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| <p>FERC VSL G1 Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p> | <p>There is a word change from “implemented” to “created” in the Lower VSL which did not have the unintended consequence of lowering the current level of compliance. There are no changes to other levels of the VSLs.</p> |
| <p>FERC VSL G2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties <u>Guideline 2a</u>: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent <u>Guideline 2b</u>: Violation Severity Level Assignments that Contain Ambiguous Language</p> | <p>The proposed VSLs are not binary and do not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations.</p> |
| <p>FERC VSL G3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p> | <p>The proposed VSLs use the same terminology as used in the associated requirement and are, therefore, consistent with the requirement.</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> |

VRF Justification for EOP-012-3, Requirement R5

The VRF did not change from the previously FERC approved EOP-012-2 Reliability Standard.

VSL Justification for EOP-012-3, Requirement R5

There is no change to this Requirement. The VSL did not change from the previously FERC approved EOP-012-2 Reliability Standard.

VRF Justification for EOP-012-3, Requirement R6

The VRF did not change from the previously FERC approved EOP-012-2 Reliability Standard.

| VSLs for EOP-012-3, Requirement R6 | | | |
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| Lower | Moderate | High | Severe |
| The Generator Owner developed and implemented a Corrective Action Plan for a Generator Cold Weather Reliability Event, but it was not developed in accordance with the timeline specified in Requirement R6. | The Generator Owner developed and implemented a Corrective Action Plan for a Generator Cold Weather Reliability Event, but it failed to contain one of the elements in Requirement R6, Part 6.1. | <p>The Generator Owner developed and implemented a Corrective Action Plan for a Generator Cold Weather Reliability Event, but it failed to contain two of the elements in Requirement R6, Part 6.1.</p> <p>OR</p> <p>The Generator Owner submitted a Corrective Action Plan extension request in accordance with Requirement R6, Part 6.2 (if applicable), but it did not include one of the elements in Requirement R6, Part 6.2.</p> | <p>The Generator Owner developed a Corrective Action Plan for a Generator Cold Weather Reliability Event, but failed to implement it.</p> <p>OR</p> <p>The Generator Owner developed and implemented a Corrective Action Plan, but failed to contain three or more of the elements in Requirement R6, Part 6.1.</p> <p>OR</p> <p>The Generator Owner did not submit a Corrective Action Plan extension request in accordance with Requirement R6, Part 6.2 (if applicable).</p> <p>OR</p> <p>The Generator Owner submitted a Corrective Action Plan extension request in accordance with Part 6.2</p> |

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| | | | <p>(if applicable), but it did not include two or more of the elements in Requirement R6, Part 6.2.</p> <p>OR</p> <p>The Generator Owner did not document in a declaration any Generator Cold Weather Constraint(s), as required by Requirement R6, Part 6.3.</p> |
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| VSL Justifications for EOP-012-3, Requirement R6 | |
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| <p>FERC VSL G1</p> <p>Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p> | <p>This Requirement is modified to ensure that there is a process in place when develop and implement Corrective Action Plans. The proposed VSLs do not have the unintended consequence of lowering the level of compliance.</p> |
| <p>FERC VSL G2</p> <p>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>The proposed VSLs are not binary and do not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations.</p> |

VSL Justifications for EOP-012-3, Requirement R6

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| <p>FERC VSL G3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p> | <p>The proposed VSLs use the same terminology as used in the associated requirement and are, therefore, consistent with the requirement.</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> |

VRF Justification for EOP-012-3, Requirement R7

The VRF did not change from the previously FERC approved EOP-012-2 Reliability Standard.

VSLs for EOP-012-3, Requirement R7

| Lower | Moderate | High | Severe |
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| <p>The Generator Owner completed selected corrective action(s) in accordance with the 24 and 48 calendar month timelines provided in Requirement R7, Part 7.1 (Part 7.2), but failed to include in its Corrective Action Plan a timetable listing such action(s) in accordance with Requirement R7, Parts 7.1.1-7.1.2.</p> | <p>The Generator Owner included a timetable for implementing the selected corrective action(s) in its Corrective Action Plan in accordance with Requirement R7, Part 7.1 and completed actions in accordance with that timetable (Part 7.2), but it failed to list the updates to the cold weather preparedness plan as required in Requirement R7, Part 7.1.3.</p> | <p>The Generator Owner included in its Corrective Action Plan a timetable for implementing the selected corrective actions, completed actions in accordance with that timetable (Part 7.2), and submitted a Corrective Action Plan extension request in accordance with Requirement R7, Part 7.3 when the timetables for completion were projected to exceed the timelines in Part 7.1, but its request did not include one</p> | <p>The Generator Owner included in its Corrective Action Plan a timetable for implementing the selected corrective actions, completed actions in accordance with that timetable (Part 7.2), and submitted a Corrective Action Plan extension request in accordance with Requirement R7, Part 7.3 when the timetables for completion were projected to exceed the timelines in Part 7.1, but its request did not</p> |

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| | | <p>of the elements in Requirement R7, Part 7.3.</p> | <p>include two or more of the elements in Requirement R7, Part 7.3.</p> <p>OR</p> <p>The Generator Owner included in its Corrective Action Plan a timetable for implementing the selected corrective actions, and completed actions in accordance with that timetable (Part 7.2), but failed to submit a Corrective Action Plan extension request where the timetables for completing selected actions were projected to exceed the timelines in Part 7.1 (if applicable).</p> <p>OR</p> <p>The Generator Owner failed to complete corrective action(s) described in the Corrective Action Plan, and did not document in a declaration any Generator Cold Weather Constraint(s) that preclude the Generator Owner from implementing selected action(s) contained within the Corrective Action Plan.</p> |
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VSL Justifications for EOP-012-3, Requirement R7

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| <p>FERC VSL G1 Violation Severity Level Assignments Should Not Have the Unintended</p> | <p>The modification to make sure that Each Generator Owner shall have dated evidence that demonstrates it implemented each Corrective Action Plan, including updating actions or timetables, or has explained in a declaration why corrective actions are not being implemented in accordance with Requirement R7. The proposed VSLs do not have the unintended consequence of lowering the level of compliance.</p> |
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VSL Justifications for EOP-012-3, Requirement R7

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| <p>Consequence of Lowering the Current Level of Compliance</p> | |
| <p>FERC VSL G2 Violation Severity Level Assignments Should Ensure Uniformity and Consistency in the Determination of Penalties <u>Guideline 2a</u>: The Single Violation Severity Level Assignment Category for "Binary" Requirements Is Not Consistent <u>Guideline 2b</u>: Violation Severity Level Assignments that Contain Ambiguous Language</p> | <p>The proposed VSLs are not binary and do not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations.</p> |
| <p>FERC VSL G3 Violation Severity Level Assignment Should Be Consistent with the Corresponding Requirement</p> | <p>The proposed VSLs use the same terminology as used in the associated requirement and are, therefore, consistent with the requirement.</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> |

VRF Justification for EOP-012-3, Requirement R8

The VRF did not change from the previously FERC approved EOP-012-2 Reliability Standard.

| VSLs for EOP-012-3, Requirement R8 | | | |
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| Lower | Moderate | High | Severe |
| The Generator Owner submitted a Generator Cold Weather Constraint in accordance with Requirement R8, Part 8.1, but did not do so within the specified timeframe. | The Generator Owner failed to comply with one of the elements in Requirement R8, Parts 8.2 through 8.4. | The Generator Owner failed to comply with two of the elements in Requirement R8, Parts 8.2 through 8.4. | The Generator Owner failed to comply with three of the elements in Requirement R8, Parts 8.2 through 8.4. OR The Generator Owner declared but failed to submit a Generator Cold Weather Constraint in accordance with Requirement R8, Part 8.1. |

| VSL Justifications for EOP-012-3, Requirement R8 | |
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| <p>FERC VSL G1</p> <p>Violation Severity Level Assignments Should Not Have the Unintended Consequence of Lowering the Current Level of Compliance</p> | <p>The Drafting Team added Lower VSL and Moderate VSL to enforce that the Generator Owner should submit a Generator Cold Weather Constraint in accordance with Requirement R8, Part 8.1 within the specified timeframe and must comply with Requirement R8, Parts 8.2 through 8.4. The proposed VSLs do not have the unintended consequence of lowering the level of compliance.</p> |
| <p>FERC VSL G2</p> <p>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</p> | <p>The proposed VSLs are not binary and do not use any ambiguous terminology, thereby supporting uniformity and consistency in the determination of similar penalties for similar violations.</p> |

VSL Justifications for EOP-012-3, Requirement R8

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| <p>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 proposed VSLs use the same terminology as used in the associated requirement and are, therefore, consistent with the requirement.</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> |