

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Organization Registration and Certification Program and Compliance Monitoring and Enforcement Program Semiannual Report

August 16, 2023

RELIABILITY | RESILIENCE | SECURITY



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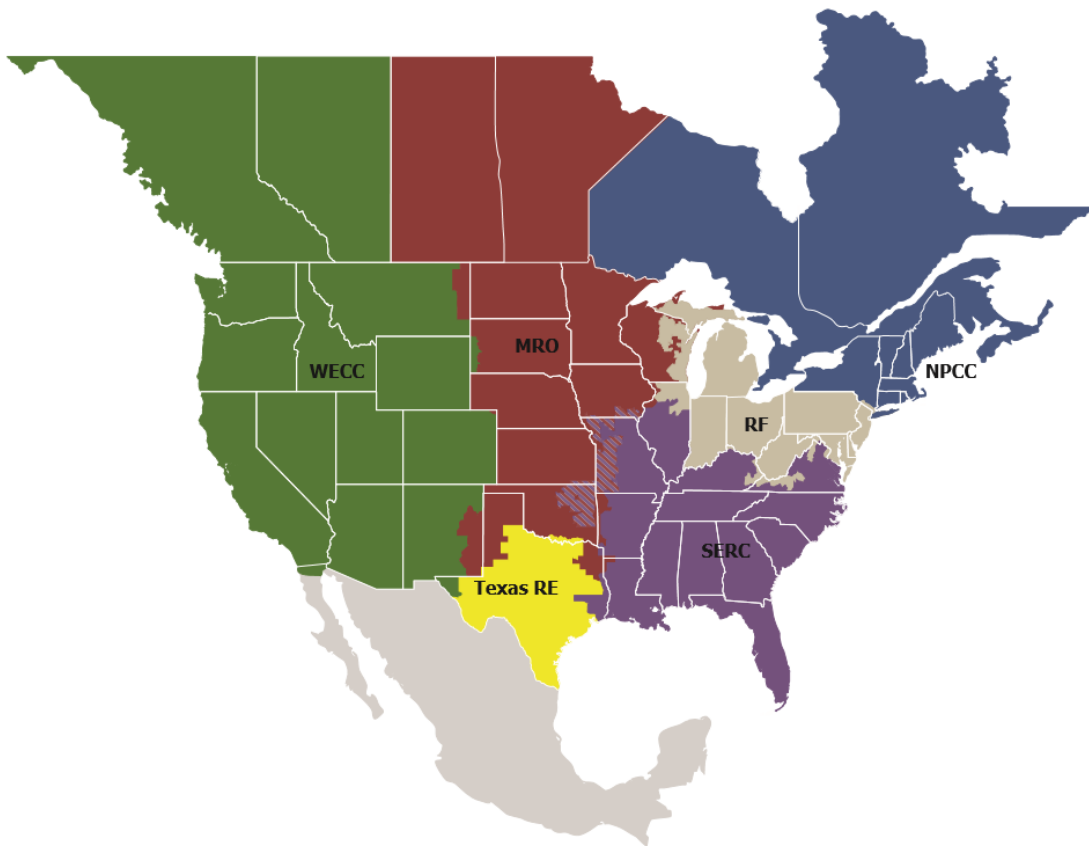
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Preface

Electricity is a key component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six Regional Entities, is a highly reliable, resilient, and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Reliability | Resilience | Security
Because nearly 400 million citizens in North America are counting on us

The North American BPS is made up of six Regional Entities as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one Regional Entity while associated Transmission Owners/Operators participate in another.



MRO	Midwest Reliability Organization
NPCC	Northeast Power Coordinating Council
RF	ReliabilityFirst
SERC	SERC Reliability Corporation
Texas RE	Texas Reliability Entity
WECC	Western Electricity Coordinating Council



Executive Summary

This report highlights key ERO Enterprise¹ Organization Registration and Certification Program (ORCP) and Compliance Monitoring and Enforcement Program (CMEP) activities that occurred in the first half of 2023 and provides information regarding those activities.² The ORCP and CMEP work in concert to reduce risks to the reliability and security of the electric grid by (1) identifying and registering BPS users, owners, and operators, and (2) monitoring and enforcing those entities' compliance with mandatory NERC Reliability Standards.

In Q1 and Q2 2023, ORCP and CMEP activities throughout the ERO Enterprise reflected continuing implementation of a risk-based approach that has enabled the ERO Enterprise to focus resources on risks to the reliability and security of the BPS and risks specific to registered entities. Most significantly, in the first half of 2023 ERO Enterprise ORCP and CMEP staff activities worked on developing the Inverter-Based Resources Work Plan, completing tasks for the Management Action Plans resulting from the ORCP and CMEP audits, and providing CMEP feedback to Reliability Standards. In addition, ORCP and CMEP staff concentrated on oversight activities, outreach and training, and staff training. The following is a brief overview of these activities, which are discussed in greater detail throughout this report.

NERC ORCP and CMEP staff are committed to continuous improvement and providing useful information in this report. To that end, NERC sought industry feedback on the reports. At its April 2023 meeting, the Compliance and Certification Committee (CCC) provided helpful feedback that NERC used in drafting this report. CCC members shared that they often use the information in the report as an input to self-evaluations of risk. CCC members stated that they appreciate the updates on the Management Action Plans associated with the NERC Internal Audit audits of the ORCP and CMEP. CCC members shared that it would be helpful to note when NERC considers CCC surveys or feedback and noted the importance of ensuring that the meaning or message behind charts and figures is clear.

ORCP and CMEP Activities

In the first half of 2023 ERO Enterprise ORCP and CMEP staff worked on developing the Inverter-Based Resources Work Plan, completing tasks for the Management Action Plans resulting from the ORCP and CMEP audits, and providing CMEP feedback to Reliability Standards. These activities are ongoing and will help ensure the reliability and security of the BPS by ensuring that appropriate entities are registered and subject to Reliability Standards, that ERO Enterprise ORCP and CMEP activities are effective, and that Reliability Standards are effective in supporting continued safe, secure and reliable operations.

Oversight Activities

NERC considers criteria developed by the CCC to measure the effectiveness and adherence of the REs to the CMEP, as detailed in CCC procedure document CCCPP10-7.³ Considering the criteria, as well as the results of recent NERC Internal Audits evaluations, NERC CMEP and ORCP staff continued to conduct a variety of activities, including an Align and Secure Evidence Locker (SEL) oversight activity, the annual Find, Fix, Track and Report (FFT) and Compliance Exception (CE) review, Compliance Audit monitoring activity, and review of functional registrations.

¹ The "ERO Enterprise" refers to the affiliation between NERC and the six Regional Entities for the purpose of coordinating goals, objectives, metrics, methods, and practices across statutory activities. The operation of the ERO Enterprise does not conflict with obligations of each organization through statutes, regulations, and delegation agreements. The activities discussed in this report relate to compliance monitoring and enforcement performed in connection with United States registered entities. A high-level discussion of Oversight of CMEP activities in Canada is included in Chapter 2.

² NERC now issues two ORCP and CMEP Reports each year, releasing the Annual ORCP and CMEP Report in February and the Semiannual ORCP and CMEP Report in August in order to enhance the usefulness of these reports to industry.

³ In accordance with Section 402.1.2 of the NERC Rules of Procedure, the CCC develops criteria for use by NERC in evaluating the goals, tools, and procedures employed by the CMEP of each Regional Entity. The criteria developed in November 2022 is available at <https://www.nerc.com/comm/CCC/Related%20Files%202013/CCC%20Criteria%20for%20Annual%20Regional%20Entity%20Program%20Evaluation%20v7.pdf>.

Outreach and Training

In the first half of 2023, the ERO Enterprise provided numerous outreach opportunities to industry stakeholders through workshops, monthly newsletters, assist visit programs, webinars, [podcasts](#), and other events. These outreach events focused on a variety of topics, including cold weather preparedness and winterization, Program Alignment Tool, feedback on semi-annual reports, and Facility Ratings.

ERO Enterprise ORCP and CMEP Staff Training

ERO Enterprise staff provide training and educational opportunities concerning Reliability Standards, compliance monitoring and enforcement processes, and other supporting reliability functional areas to other NERC staff, Regional Entity staff, and industry participants at various events through the year. These programs enhance the knowledge and capabilities of the ERO Enterprise and industry in identifying and addressing risk, thereby improving the reliability and security of the BPS.

Chapter 1: ORCP and CMEP Activities in 2023

ORCP Activities

The purpose of the Organization Registration Program is to identify entities that are responsible for compliance with Reliability Standards and register them. Organizations that are registered are included on the NERC Compliance Registry (NCR) and are responsible for knowing the content of and for complying with all applicable Reliability Standards.

The purpose of the Organization Certification Program is to ensure that a new entity (i.e., an applicant to be a Balancing Authority, Reliability Coordinator, or Transmission Operator) has the tools, processes, training, and procedures to demonstrate the ability to meet the requirements of all the Reliability Standards applicable to the function(s) for which it is applying, thereby demonstrating the ability to become certified and then operational. The decision to certify changes to an already operating and certified Registered Entity is a collaborative decision between the affected Regional Entities and NERC.

Registration Changes

In the first half of 2023, the ERO Enterprise continued to see a significant volume of registration changes – 127 in total, consisting of 75 additions and 52 deactivations – with the majority of such changes involving the Generator Owner (GO) and Generator Operator (GOP) functions.

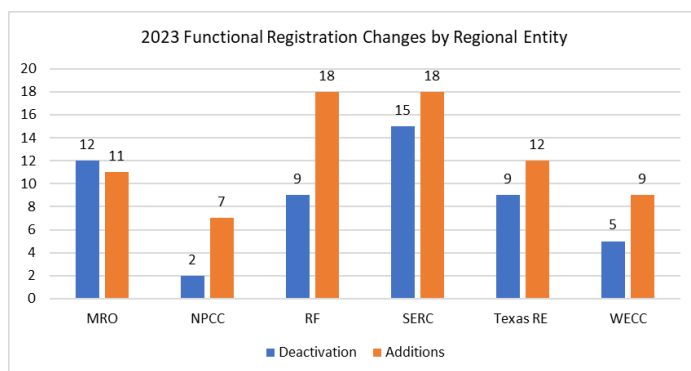


Figure 1: Functional Registration Changes by Regional Entity (Q1 and Q2 2023)

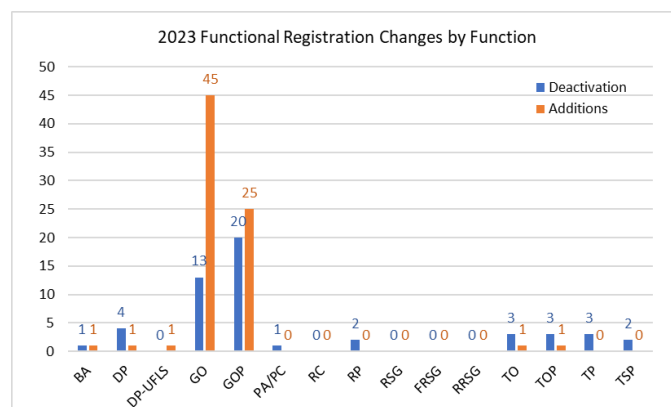


Figure 2: Functional Registration Changes by Function (Q1 and Q2 2023)

Inverter-Based Resources Work Plan

On November 17, 2022, [FERC ordered NERC](#) to develop a work plan to identify and register entities that own and operate Inverter-Based Resources (IBRs) that are connected to the BPS, but not currently required to register with NERC under the bulk electric system (BES) definition, that have an aggregate, material impact on the reliable operation of the BPS.

On February 15, 2023, NERC filed its [work plan](#) providing NERC’s proposed approach to identify and register owners and operators of IBRs connected to the BPS but not registered with NERC. In that work plan, NERC proposed to coordinate with Regional Entities and stakeholders to develop a new registered entity function within the NERC Rules of Procedure for unregistered IBRs. This proposed new class of registered entity would ensure that owners and operators of unregistered IBRs are included in the NERC Compliance Registry. The work plan reflected NERC’s proposed initial parameters for the new class of entity initially entitled “Generator Owner-Inverter-Based Resources” or “GO-IBRs.”

On March 3, 2023, FERC issued a [Request for Information \(RFI\)](#) directing clarification of whether NERC's proposal intended to include both owners and operators of unregistered IBRs. On March 13, 2023, NERC [amended its filing](#) and confirmed that the proposed new registered entity function would include both ownership and operational characteristics. On May 18, 2023, FERC issued [an Order](#) approving the registration work plan.

NERC continues work on modifying the NERC Rules of Procedure to accommodate these changes as well as soliciting feedback from industry stakeholders on suggested changes. NERC will continue to provide updates to FERC every 90 days as required in the November 2022 Order, with the next update due on August 16, 2023.

ORCP Audit Results

In Q2 2023, NERC Internal Audit issued its [final audit report](#) for the NERC ORCP Audit. The ORCP audit results included ten observations directly related to the Registration function. Four of those observations related to user access and user maintenance of the CORES application and its underlying technologies. NERC IT and NERC Registration collaborated on the development and implementation of Management Action Plans (MAPs) to resolve these deficiencies.

One observation identified the omission of notification of ERO data retention requirements to those deactivated entities removed from the NERC registry. NERC has corrected this deficiency.

The remaining five observations relate to an incomplete understanding of Regional Entity processes or inadequate level of oversight. The responsive MAPs focus on improving understanding of these practices and developing additional oversight actions to ensure consistency across the ERO Enterprise.

CMEP Activities

Compliance Monitoring is the process used to assess, investigate, evaluate, and audit registered entities to measure compliance with NERC Reliability Standards. Standards are developed, adopted, and approved through the Reliability Standards Development program and placed into effect pursuant to FERC orders or to applicable authorities in other North American jurisdictions.

Compliance Enforcement is the process by which the ERO Enterprise ensures mitigation of confirmed violations of mandatory NERC Reliability Standards and issues sanctions as appropriate. Sanctions are determined pursuant to the NERC Sanction Guidelines, which considers several factors to determine a monetary penalty that is appropriate given the seriousness of the violation(s). As part of these efforts, NERC can also issue directives to immediately address and deter new or further violations, irrespective of their presence or status (i.e., confirmed or alleged). Entities found in violation of any Reliability Standard must mitigate the noncompliance, including preventing recurrence.

In the first half of 2023, the ERO Enterprise continued its engagement with registered entities through compliance monitoring and enforcement activities. The ERO Enterprise pursues these efforts in order to effectively and efficiently reduce risks to the reliability and security of the BPS.

Align and the Secure Evidence Locker

In Q2 2023, the ERO Enterprise transitioned to the [new Align Governance Model](#). This new model was designed to foster ongoing collaboration across the ERO Enterprise about Align tool functionality, expenditures and business value, as well as to provide close integration with existing CMEP committees.

Through consultation between the Product Management Team, the Align User Group⁴, and NERC IT, the ERO launched a new version of the [Align and SEL website](#). On May 1, 2023, the new site became active, and it contains key existing information as well as important links and documents for end users. The site also contains new features such as links to training sessions and webinars; release notes to inform users of changes to the Align and SEL tools; and outage information. The ERO Enterprise also continues to seek input from industry regarding Align and the SEL through venues such as focused discussions with the CCC.

On April 18, 2023, the ERO Enterprise successfully deployed Release 4.5.1 of Align. Items in this update to Align resolved documented bugs and enhancements to existing functionality for various Align modules. Detailed descriptions of these changes are available in the Release 4.5.1 release notes on the Align and SEL website (under Release Materials).

In Q1 2023, the ERO Enterprise successfully completed the migration of open enforcement action data from the legacy systems for the final Regional Entity and completed the migration of closed historical data from the legacy systems for three of the six Regional Entities. The ERO Enterprise will complete migration of the closed historical data for the remaining Regional Entities by the end of Q3 2023. Once the ERO Enterprise has completed migrations, the Regional Entities without Canadian data will be able to decommission their legacy systems.

In Q2 2023, the ERO Enterprise successfully deployed new capabilities to integrate Canadian provinces (Saskatchewan and Manitoba) into the Align tools. In Q3 and Q4 of 2023, the ERO Enterprise will integrate additional Canadian Provinces (British Columbia, Alberta, Nova Scotia, and New Brunswick) into the Align tools.



⁴ The Align User Group consists of representatives from each Regional Entity and NERC, representatives from the CCC and other industry subject matters experts invited by the CCC as appropriate, and a NERC Align functional administrator and a NERC Align business engagement analyst.

While the ERO Enterprise continues to fully transition to the use of Align and SEL for Audits and Spot Checks, Align and the SEL are being used for Self-Certification activities, which comprise the majority of Compliance Monitoring Activities to date.

Compliance Monitoring Engagements by Type

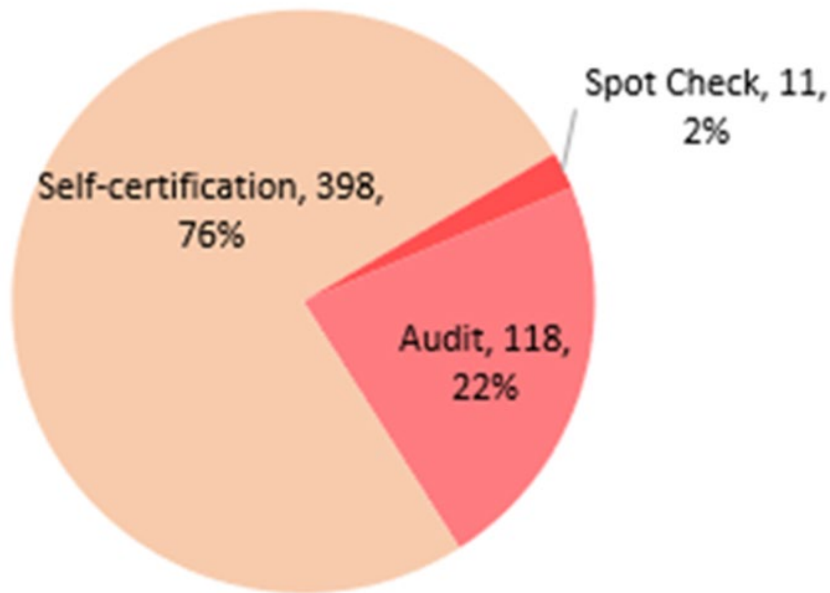


Figure 3: Compliance Monitoring Engagements by Type

CMEP Audit Management Action Plans

In 2022, NERC Internal Audit conducted CMEP audits of NERC and each of the six Regional Entities. The audits sought to assess the effectiveness of the Regional Entities' implementation of the CMEP and determine whether they meet the standards defined in Section 400 of the NERC Rules of Procedure and the corresponding annual CMEP Implementation Plan.

During the recent CMEP audits, NERC IA reviewed Enforcement activities, including: analysis; tracking; reporting; dispositions; penalty program and reviews; Self-Logging program; sanctions and Remedial Action Directives; and hearing and appeal procedures. The audits observed improvement opportunities including (1) NERC Enforcement oversight of applications to and eligibility for Self-Logging program, and (2) eliminating backlogs of processing potential noncompliance. As explained below, in Q2 NERC initiated an oversight activity related to the Self-Logging Program. In addition, ERO Enterprise Enforcement Group asked the CCC to pose questions to industry to help assess the value of the Self-Logging Program. The CCC scheduled a focused discussion on this topic at its July meeting.⁵ The focused group discussion concept allows the CCC to solicit targeted feedback from industry on various topics that are important to the success of the ERO Enterprise model. With Align now in full operation, NERC and the CCC are interested in seeing how industry perspectives may have evolved with respect to the Self-Logging Program.

⁵ July 2023 CCC meeting agenda package at pp. 10-11, available at <https://www.nerc.com/comm/CCC/Agenda%20Highlights%20and%20Minutes%202013/Compliance%20and%20Certification%20Committee%20Agenda%20Package%20July%202023.pdf>.

The ERO Enterprise continues to focus on eliminating backlogs of processing noncompliance. In the first half of 2023, the ERO Enterprise has reduced its inventory of noncompliance reported in 2019 or earlier by nearly 40%. Looking at noncompliance reported in 2021 or earlier, the ERO Enterprise has reduced its open inventory by approximately 30%.

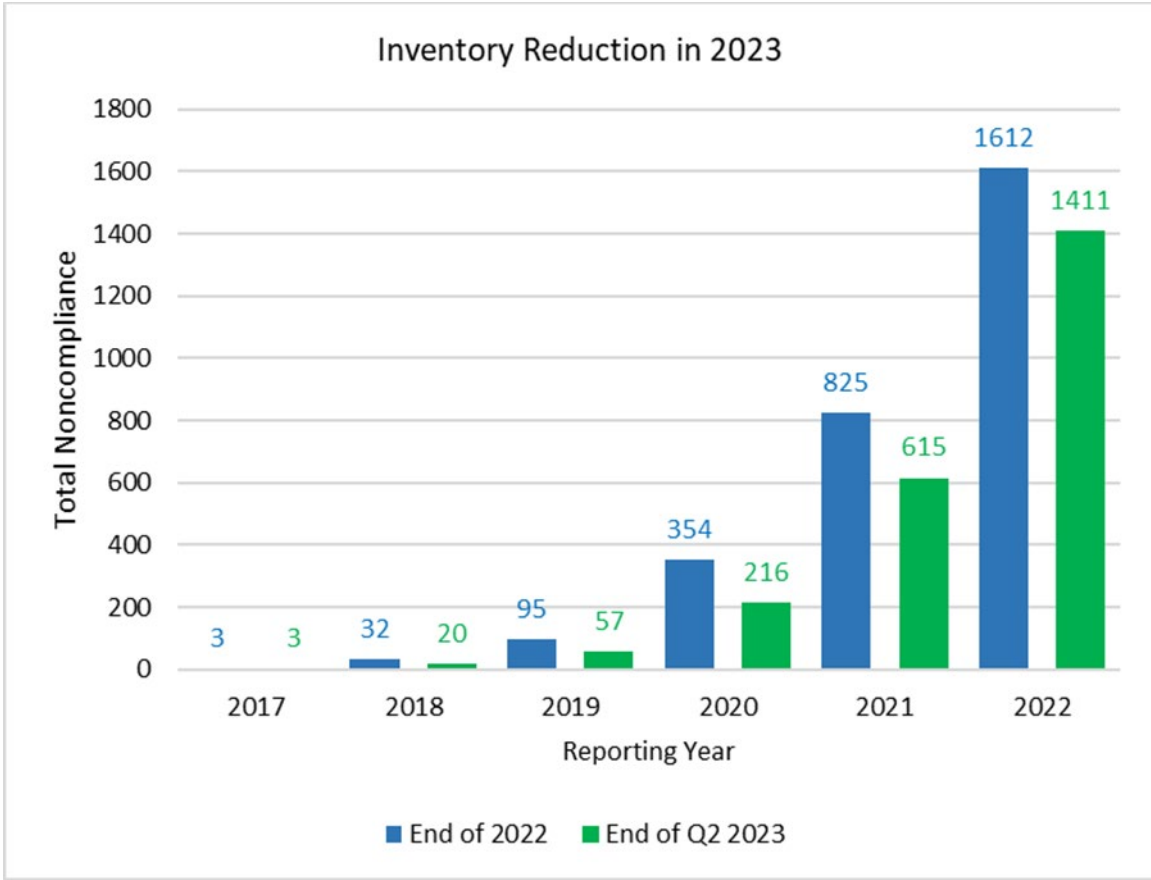


Figure 4: Reduction in Older Noncompliance Inventory in 2023

CMEP Feedback to Standards

The ERO Enterprise recognizes the importance of providing compliance experiences and practices to assist in evaluating the efficacy of the Standards in supporting continued safe, secure and reliable operations. In the first half of 2023, the ERO Enterprise provided feedback on FAC-008, CIP-013, and CIP-014, CIP-008, and the proposed Requirements within the CIP Reliability Standards regarding Internal Network Security Monitoring.

FAC-008 Standards Authorization Request

On March 22, 2023, NERC and Texas RE submitted a Standard Authorization Request (SAR) to the Standards Committee (SC), proposing a number of improvements to certain requirements of FAC-008-5 to ensure that Facility Ratings, including all equipment that comprises the Facilities, are periodically reviewed for accuracy based on equipment and conditions in the field, drawings, and other data and information.⁶

⁶See https://www.nerc.com/comm/SC/Agenda%20Highlights%20and%20Minutes/SC_Agenda_Package_March%202022_2023.pdf and https://www.nerc.com/comm/SC/Agenda%20Highlights%20and%20Minutes/SC_Agenda_Package_April_19_2023.pdf for the SC agenda and minutes including the SAR and SC decision on the SAR.

On April 19, 2023, the SC discussed the proposed stated improvements in the SAR. The SC approved a motion to delay action on the SAR pending the development of further technical justification for the proposed project by the Reliability and Security Technical Committee (RSTC).

CIP-013 Supply Chain Risk Management

NERC collaborated with the Regional Entities to formulate a CIP-013 sub-team to review FERC feedback and develop an action plan to address supply chain risk management concerns. As result of this collaboration, NERC developed a draft SAR addressing the lack of specificity in CIP-013 R1 to properly identify and assess supply chain security risks and the lack of triggers requiring the activation of an entity's supply chain risk management plan. NERC is currently working on final revisions to the SAR, which it plans to submit to the SC in Q3 2023.



CIP-014-3 Physical Security

Due to an increase in reports of physical attacks on electric substations, FERC issued an order in Docket No. RD23-2-000 directing NERC to evaluate the effectiveness of the Physical Security Reliability Standard CIP-014-3 in mitigating the risks to the BPS associated with physical attacks. In Q2 2023, NERC issued a [report assessing CIP-014-3](#) that identified continuing inconsistency in registered entity risk assessments performed to identify critical infrastructure. NERC found that CIP-014 required revision to assure an adequate and consistent approach in evaluating instability and in identifying infrastructure critical to the operation of the BPS. Subsequently, NERC staff submitted a regulatory-initiated SAR with proposed project revisions as detailed in the NERC report on CIP-014-3. This SAR was accepted by the Standards Committee on June 22, 2023. On June 29, 2023, NERC and FERC opened up registration for the [Joint Physical Security Technical Conference](#) that NERC recommended in its CIP-014-3 report.

CIP-008 Incident Reporting and Attempt to Compromise

ERO Enterprise CMEP staff conducted a study to determine the effectiveness of the current CIP-008 Standard and found inconsistencies in the application of the Standard. As a result, the CIP-008 Standards Drafting Team (SDT) (Project 2022-05) convened in Q1 2023 to modify the Reliability Standards and associated definitions to provide a minimum expectation for thresholds to support the definition of attempt to compromise. After further input and collaboration with ERO Enterprise CMEP staff and FERC staff, the SDT submitted a revised CIP-008 SAR to the Standards Committee that recommends minor changes to better guide their efforts going forward. In Q2 2023, the Standards Committee voted to postpone a decision on the SAR and tasked the SDT with providing summary responses to industry comments.

Internal Network Security Monitoring

NERC convened a team consisting of ERO Enterprise CMEP staff and security engineers to address [FERC Order 887](#), issued in Q1 2023 to address FERC concerns related to Internal Network Security Monitoring (INSM). The team drafted and submitted a SAR, which the Standards Committee approved in Q1 2023. The SAR comment period and SDT nominations have concluded and the SDT has convened ([Project 2023-03](#)). NERC collaborated with ERO Enterprise CMEP staff prior to develop and issue a [data request](#) regarding INSM to industry in late Q2 2023 and the team has developed a framework and action plan for completing the feasibility study required by the FERC Order.

Other CMEP Activities

Facility Ratings Call to Action Update

Facility Ratings play a significant role in planning and operating the BPS. The ERO Enterprise has been actively engaged in identifying and working to mitigate challenges associated with Facility Ratings programs. In November 2021, the ERO Enterprise shared its call to action to address potential risks associated with incorrect Facility Ratings. The call to

action supports the development and sustainment of registered entity risk-based Facility Ratings programs and resolution of Facility Ratings noncompliance using existing tools. In the November 2021 call to action, the ERO Enterprise committed to using a risk-based approach to examine all registered entities with FAC-008 obligations. Since that time, the ERO Enterprise has completed a monitoring engagement or enforcement activity related to Facility Ratings for 100% of High Inherent Risk Generator Owners and Transmission Owners.

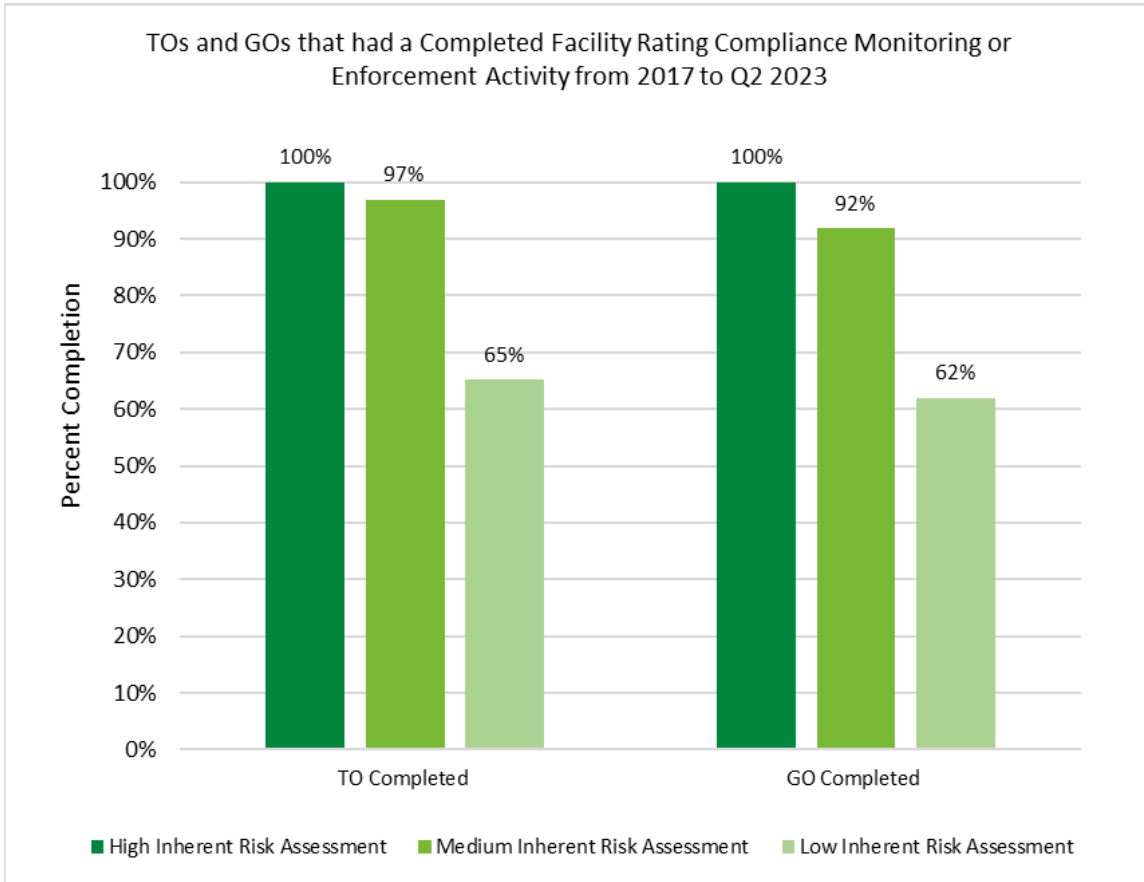


Figure 5: Facility Rating CMEP Activities by Function and Inherent Risk

CMEP Information and Trends

NERC has historically provided a variety of CMEP information in its quarterly, semiannual, and annual reports to highlight trends and other useful information to industry. As described in more detail below in Chapter 3, the CCC has noted that its members use this CMEP information for a variety of purposes. In the charts below, NERC provides CMEP information showing (1) details regarding the volume, discovery method, and most frequently reported incoming noncompliance; (2) the risk and disposition method of filed noncompliance, the timing of mitigation completion, and levels of compliance history and aggravating compliance history for filed serious and moderate risk noncompliance.

Newly Reported Noncompliance

The number of newly reported noncompliance received by the ERO Enterprise each year varies based on a variety of factors including, but not limited to, newly enforceable Standards, compliance audit schedules, and mitigation activities. The volume of newly reported noncompliance can impact Regional Entity noncompliance inventory and processing timeframes.

In the first half of 2023, the ERO Enterprise received 909 possible noncompliance. Based on that volume, the ERO Enterprise will likely receive by the end of 2023 approximately the same amount of noncompliance as was reported in all of 2022.

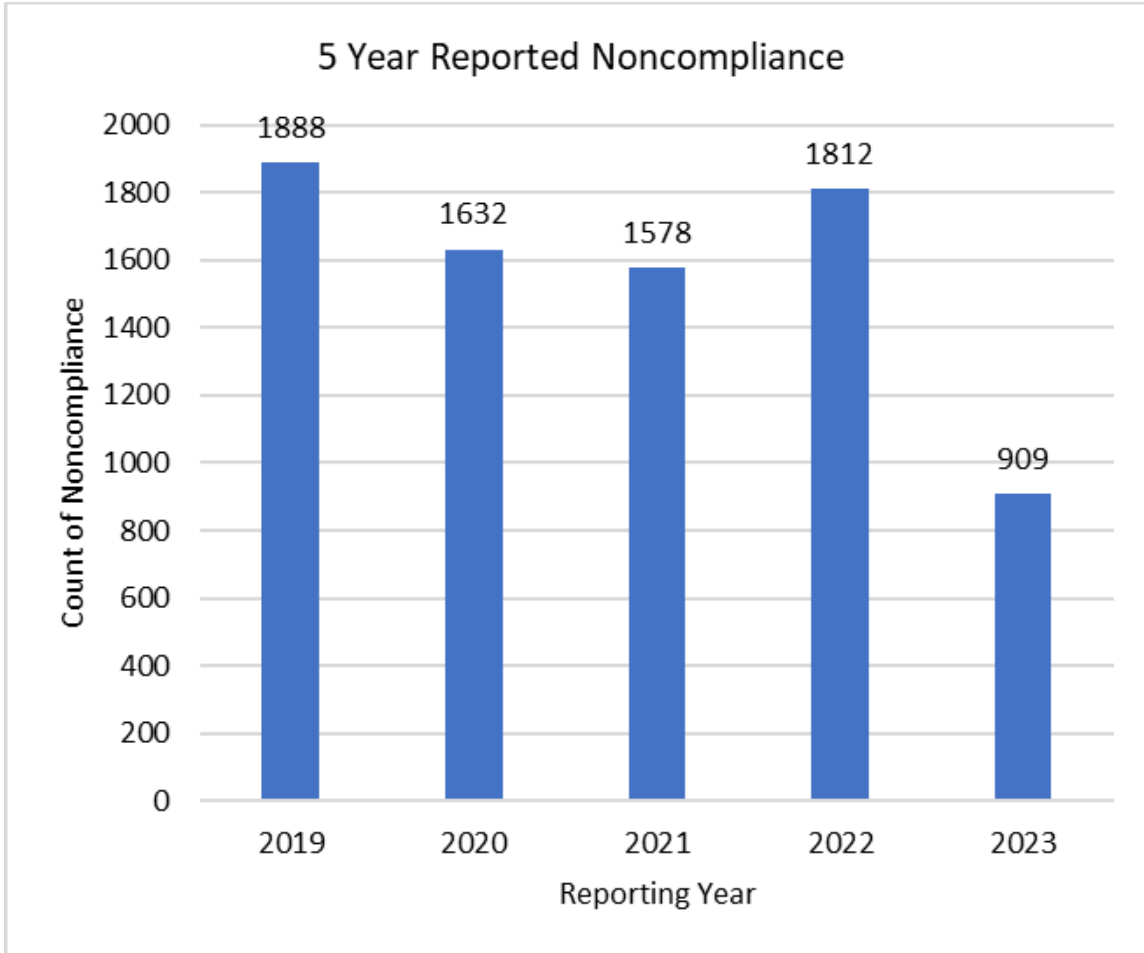


Figure 6: Number of Reported Noncompliance by Year

The ERO Enterprise looks for high levels of self-reported and self-logged noncompliance as indicators that registered entities have good detective controls and strong cultures of compliance. The ERO Enterprise has developed a [Registered Entity Self-Report and Mitigation Plan User Guide](#) that provides guidance describing the type and quality of information that registered entities should submit in a Self-Report or Self-Log and in mitigating activities to allow Regional Entities to effectively evaluate a potential noncompliance.

Registered entities self-reported or self-logged over 80% of the reported noncompliance in the first half of 2023, demonstrating positive cultures of compliance and the value of risk-based enforcement.

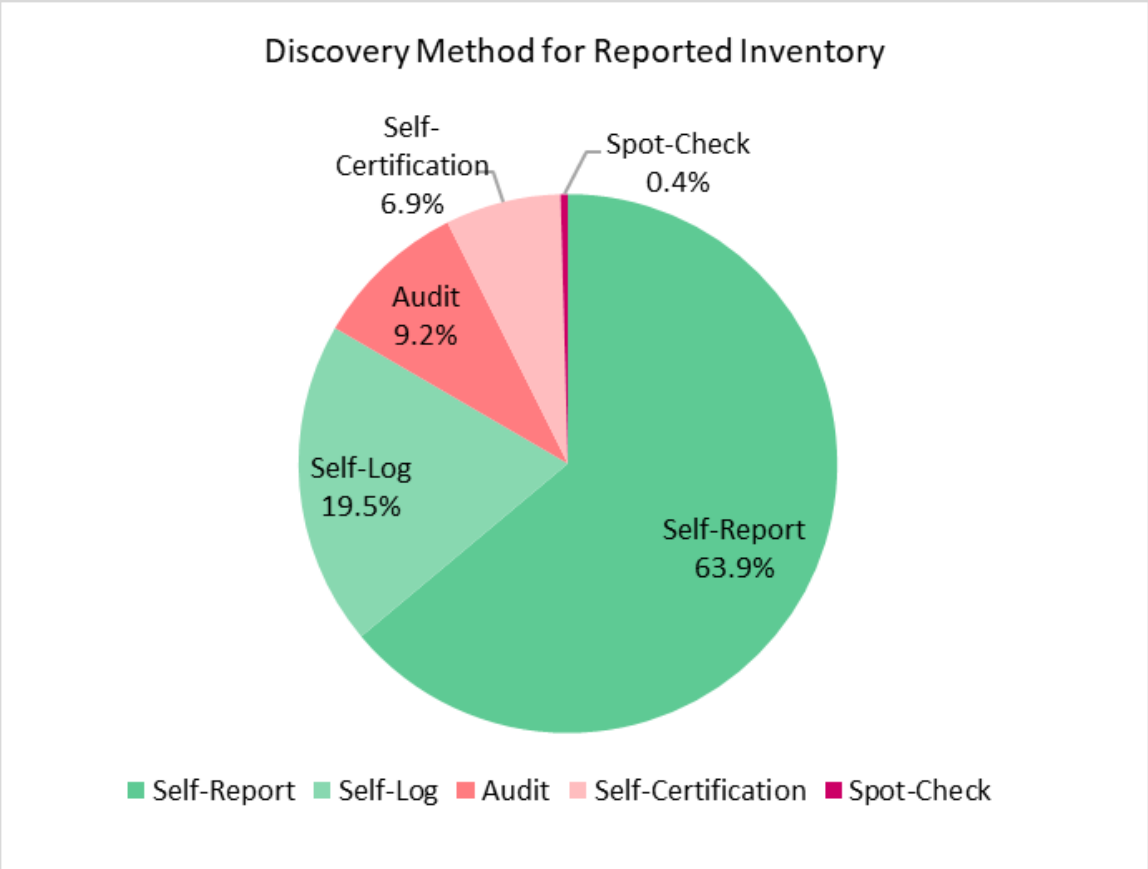


Figure 7: Discovery Method for Reported Inventory (Q1 and Q2 2023)

The ERO Enterprise provides information regarding the most reported CIP and O&P Standards in each year to give registered entities visibility into the Standards and Requirements that may warrant additional attention while simultaneously noting Standards that involve high frequency conduct in which higher noncompliance volumes are not unexpected.

In the first half of 2023, the most frequently reported noncompliance involving the CIP Standards mirrors prior years, with CIP-004, CIP-007, and CIP-010 in the top three most reported Standards. These Standards involve high frequency conduct.

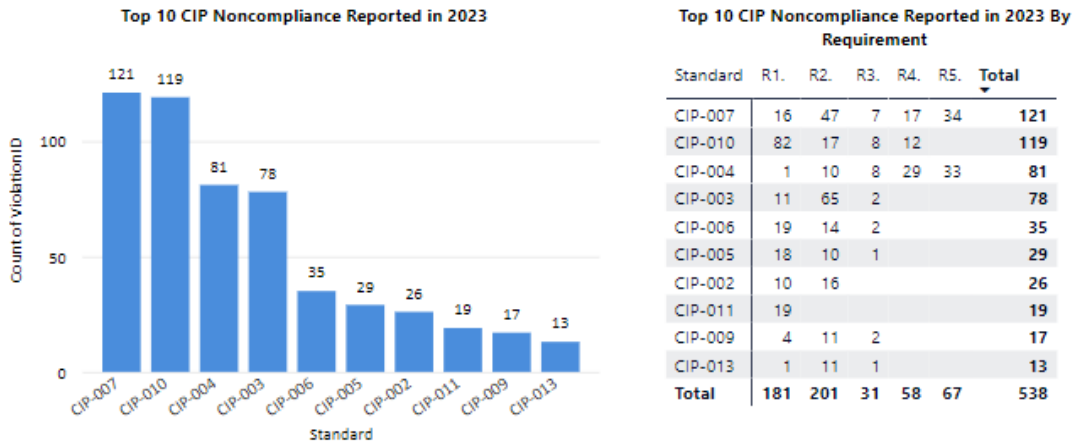


Figure 8: Top 10 Most Reported CIP Standards (Q1 and Q2 2023)

In the first half of 2023, the most frequently reported noncompliance involving the O&P Standards mirrors prior years, with FAC-008, MOD-025, PRC-005, PRC-024, and VAR-002 in the top five most reported Standards. Noncompliance involving FAC-008 has appeared to increase in volume compared to 2022, moving from the fourth most reported Standard to the first most reported Standard. The ERO Enterprise will monitor this activity and take action and conduct outreach with industry as needed.

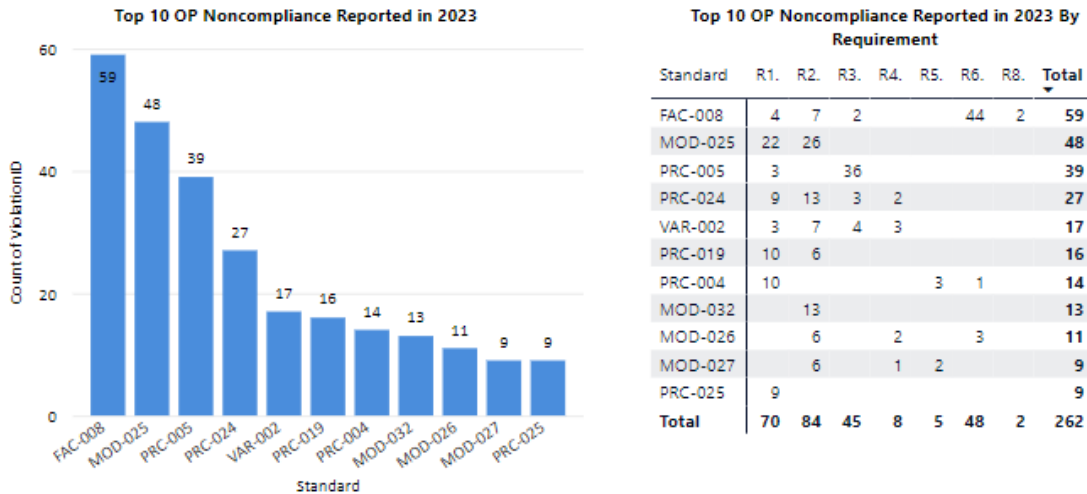


Figure 9: Top 10 Most Reported O&P Standards (Q1 and Q2 2023)

Noncompliance Processing

The ERO Enterprise provides information regarding the risk levels and disposition methods of filed noncompliance to keep registered entities informed of enforcement trends. In the last few years, between 70-80% of filed noncompliance has been assessed as minimal risk and processed as Compliance Exceptions.

During the first half of 2023, 17% of the noncompliance were moderate and serious risk issues, which were disposed of as FFTs, Spreadsheet Notices of Penalty (SNOPs) and full Notices of Penalty (NOPs).

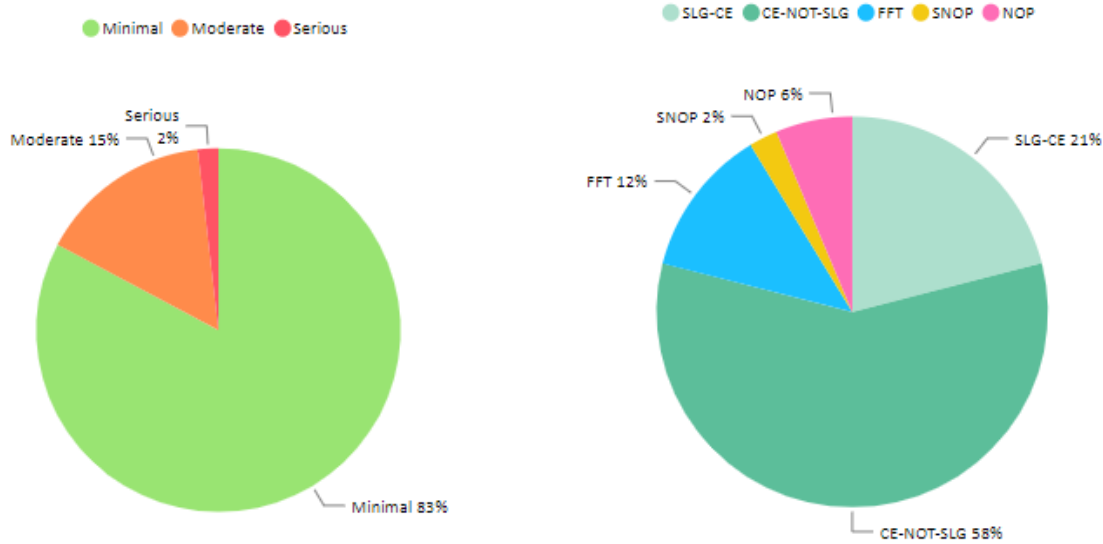


Figure 10: Risk and Disposition Method of Noncompliance Processed in 2023

Of the serious and moderate risk noncompliance filed in the first half of 2023, CIP Standards represented seven of the top ten Standards. Noncompliance involving CIP-007 and CIP-010 continue to be the most violated Standards for serious and moderate risk CIP noncompliance. Noncompliance involving Facility Ratings (FAC-008/FAC-009) and PRC-005 were the most violated Standards for serious and moderate risk O&P noncompliance.

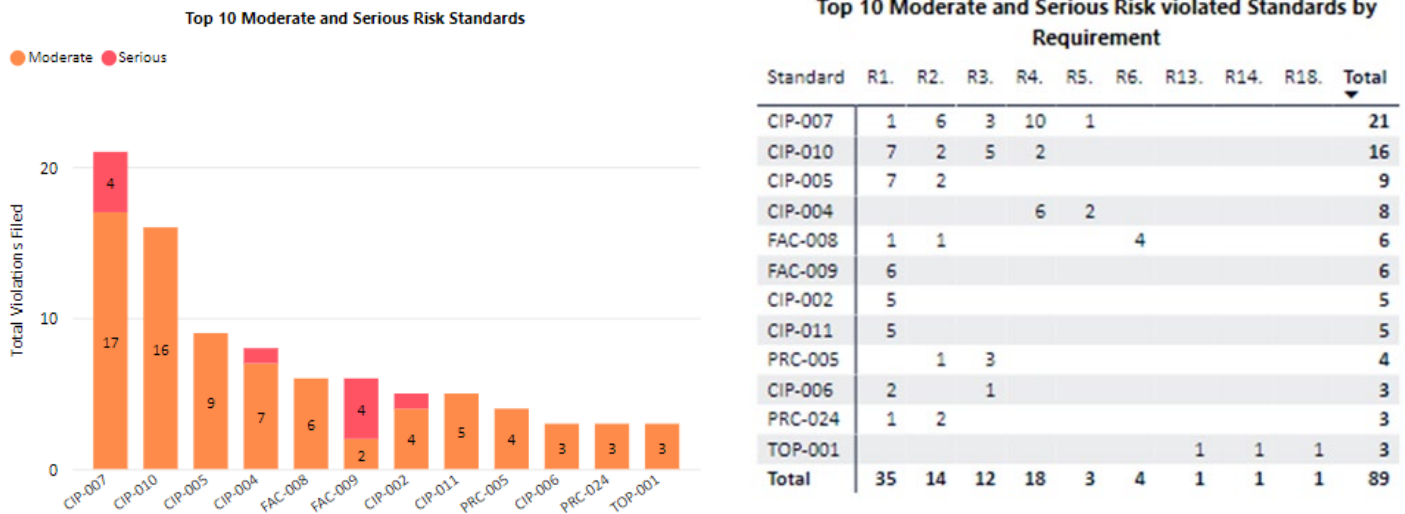


Figure 11: Serious and Moderate Risk Noncompliance Processed in 2023

The ERO Enterprise provides information regarding the time to complete mitigation activities to track trends in how long it takes registered entities to complete their mitigation activities. The ERO Enterprise would take further action, such as outreach to registered entities, if the time to mitigate noncompliance started to significantly increase.

Registered entities continue to mitigate noncompliance quickly. Over the last five years, approximately 80% of completed mitigation occurred within six months of a noncompliance being reported to a Regional Entity, and approximately 90% of completed mitigation occurred within one year of the noncompliance being reported to a Regional Entity.

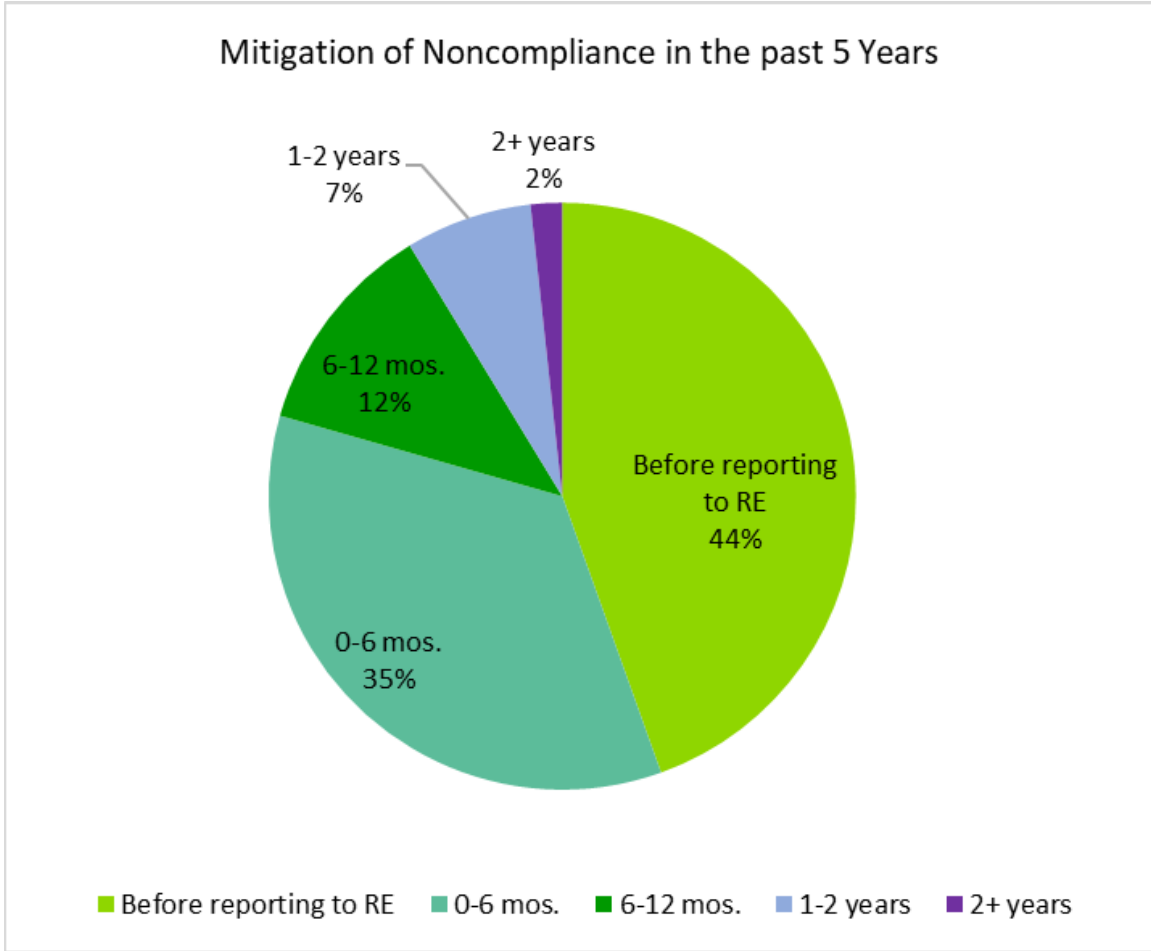


Figure 12: Mitigation of Noncompliance

The ERO Enterprise monitors compliance history (defined as a relevant prior violation of the same or similar Reliability Standard and Requirement) and repeat noncompliance with similar conduct (defined as a prior violation that stemmed from similar actions or conduct). The ERO Enterprise monitors these cases to further explore the relationship of prior mitigation to repeat noncompliance and to identify any additional areas of focus and future actions.

The figure below shows all filed moderate and serious risk noncompliance in the past five years including those with relevant compliance history and those with compliance history involving similar conduct. Noncompliance with similar conduct is a subset of the wider group of repeat noncompliance, in which the entity’s current noncompliance involves similar conduct or a similar cause as prior violations of the same or similar Standard and Requirement. Such situations could result in aggravation of the disposition method or aggravation of a penalty for the current noncompliance.

The ERO Enterprise will continue to analyze the information as the year progresses and highlight any notable trends in future reports.

Moderate and serious risk noncompliance with aggravating compliance history (e.g., prior noncompliance with the same or similar root cause as the instant noncompliance that results in aggravating of a monetary penalty or disposition method) remains a small percentage of all filed moderate and serious risk noncompliance, averaging less than 20% of the last five years.

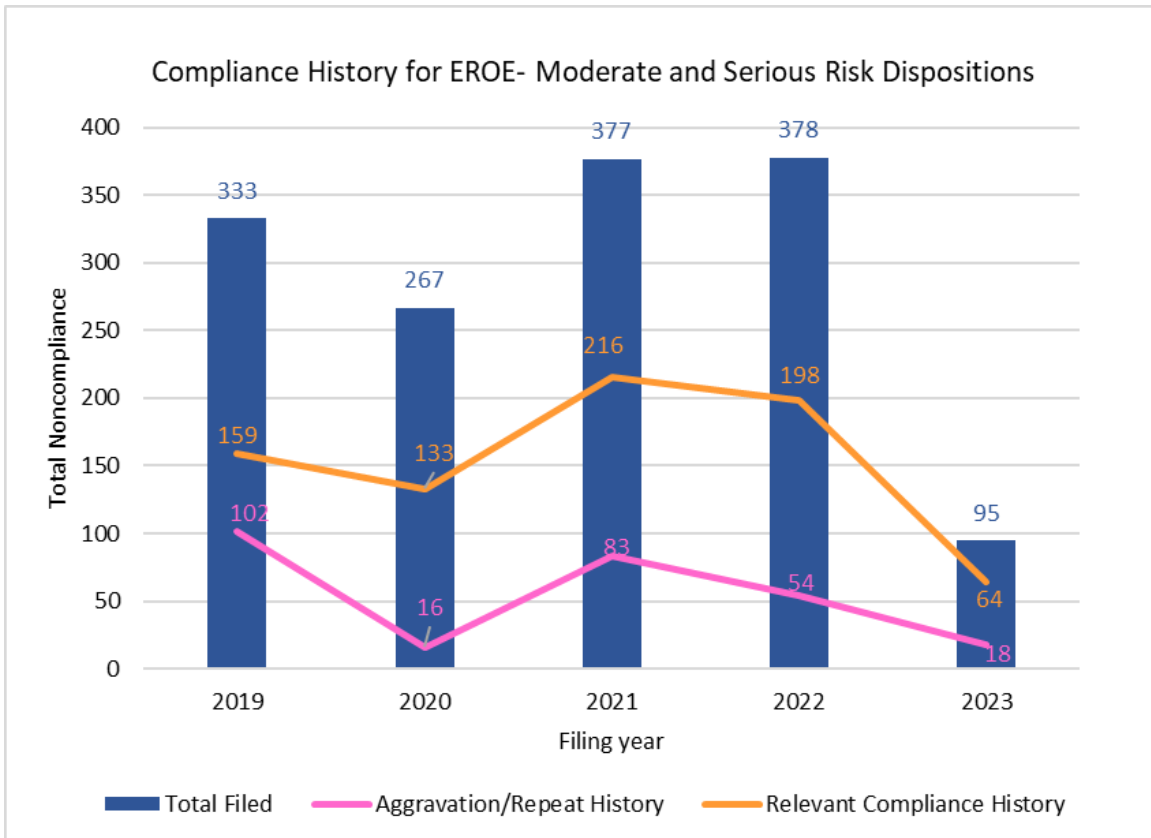


Figure 13: Compliance History for Moderate and Serious Risk Noncompliance

Chapter 2: Oversight Activities

Overview

NERC considers criteria developed by the Compliance and Certification Committee (CCC) to measure the effectiveness and adherence of the Regional Entities to the CMEP, as detailed in CCC procedure document [CCCPP-010-7](#). As NERC develops the objectives used for performing oversight for the various components of compliance monitoring and enforcement, NERC factors in the criteria identified in CCCPP-010-7.

NERC's oversight activities indicate that the Regional Entities are implementing risk-based compliance monitoring according to the program guidelines, and efforts have been successful to improve alignment on various components of risk-based compliance monitoring. Additionally, compliance monitoring oversight activities included identifying ERO Enterprise-wide improvement to inform future training and oversight priorities while monitoring Regional Entity program effectiveness.

In the first half of 2023, NERC CMEP and ORCP staff performed a variety of activities designed to support identified priorities:

- Align and Secure Evidence Locker Oversight Activity
- Annual FFT CE Programs Review;
- Self-logging Program Review; and
- Compliance Audit monitoring.

Align and Secure Evidence Locker Oversight Activity

NERC Compliance Assurance and Enforcement staff is conducting a joint CMEP oversight activity of Regional Entity usage of Align and the SEL. The primary objectives of this activity is to evaluate whether Regional Entities have conducted appropriate access provisioning and maintenance of Regional Entity user databases and ensure sufficient controls are in place. NERC is also seeking to establish best practices for performing oversight of these tools and identify any potential gaps in NERC's capability to evaluate usage. This activity is in progress and NERC expects to complete it in Q3 2023.

Annual FFT and CE Programs Review

The FFT and CE programs are important elements of the ERO Enterprise's risk-based CMEP and represent streamlined alternatives to the enforcement process outlined in Section 5.0 of the CMEP.⁷ The ERO Enterprise's use of the FFT and CE programs has continued to increase since FERC initially approved the programs. As part of oversight of the FFT and CE programs, NERC Enforcement and FERC staff conduct a joint review of a sample of FFTs and CEs submitted by Regional Entities and posted by NERC each fiscal year.⁸ In Q1 and Q2 2023, NERC evaluated FFT and CE evidence provided by Regional Entities in response to data requests and provided feedback to each Regional Entity on its implementation of the programs.

Self-logging Program Review

In Q2 2023, NERC initiated a Self-Logging Program Review to evaluate the consistency of each Regional Entity's practices and to ensure compliance with the NERC CMEP and the Self-Logging Program User Guide. As discussed in NERC's Management Action Plan in response to the NERC CMEP Audit, NERC Enforcement has committed to reviewing the Self-Logging Program to identify any enhancements or changes to the program.⁹ The results of this oversight activity may inform the ERO Enterprise Enforcement Group's evaluation of the Self-Logging Program. The

⁷ For further description of NERC's enforcement processes, CEs, and FFTs, see NERC Rules of Procedure, App. 4C §§ 4.8, 4A.0, 4A.1, & 4A.2, respectively, available at

https://www.nerc.com/AboutNERC/RulesOfProcedure/NERC%20ROP%20effective%2020220825_with%20appendicies.pdf.

⁸ For FY2022, NERC and FERC reviewed a sampling of FFTs and CEs posted from October 2021 through September 2022.

⁹ NERC's Management Action Plan in response to the CMEP audit is available at https://www.nerc.com/gov/bot/ERC/relateddocs/NERC%20CMEP%20audit%20report_FINAL_011223_PR.pdf.

purpose of this review is to evaluate the effectiveness of the Self-Logging Program and recommend improvements, if any, to enhance the program and promote consistency across the ERO Enterprise. NERC Enforcement plans to complete this review by Q4 2023.

Compliance Audit Monitoring

NERC Compliance Assurance is reviewing sampled audits initiated by Regional Entities in 2022. The scope of the activity includes evaluating whether the Regional Entities met the requirements of the NERC Rules of Procedure regarding the timeliness of Audit Notification Letters and adhered to audit team composition requirements (i.e., auditor team member training requirements). The primary objective of this oversight activity is to gain assurance that Regional Entities continue to implement key components of compliance audits as required. NERC will also seek to gain further assurance of effectiveness during the transition from legacy tools to Align and the SEL. NERC began this activity in Q2 2023 and expects to complete it in Q3 2023.

Distribution Provider Registration Oversight Plan

In 2023, NERC Registration intends to focus its oversight on Regional Entity registration practices for the Distribution Provider (DP) function, including Underfrequency Load Shedding (UFLS)-Distribution Provider. This effort will result in an improved understanding of Regional Entity practices of data collection and retention, application of registration criteria, and Regional Entity differences, if any. NERC Registration will develop action plans from these efforts to improve accuracy and consistency of DP registration practices across the ERO Enterprise.

Chapter 3: Outreach and Training

Overview of Outreach

In the first half of 2023, the ERO Enterprise provided numerous outreach opportunities to industry stakeholders through workshops, monthly newsletters, assist visit programs, webinars, [podcasts](#), and other events. These outreach events focused on a variety of topics, including – but not limited to – the following:

- Cold weather preparedness and winterization;
- Program Alignment Tool;
- Feedback on semi-annual Reports; and
- Facility Ratings

Cold Weather Preparedness General Session Webinar and One-on-One Sessions

On March 7, 2023, the ERO Enterprise hosted a webinar for registered entities preparing to implement the Cold Weather Preparedness Standards. The webinar focused on questions and compliance monitoring approaches related to EOP-011-2 R7 and R8, IRO-010-4 R1.3, and TOP-003-5 R1.3.

The ERO Enterprise then hosted one-on-one discussions with registered entities preparing to implement the Cold Weather Preparedness Standards. The ERO hosted 26 one-on-one sessions throughout the week, which included entities from every Regional Entity.

Cold Weather Level 3 Alert

On May 15, 2023, NERC issued a Level 3 Essential Actions alert, [Cold Weather Preparations for Extreme Weather Events III](#). The purpose of the Level 3 Alert is to increase the readiness of Reliability Coordinators, Balancing Authorities, Generator Owners, and Transmission Operators for mitigating operational risk for winter 2023–2024 and beyond. This is NERC’s first Level 3 Alert, which is the highest severity level in NERC’s alert classification structure.

The alert contains a set of eight specific actions that NERC determined to be essential for certain segments of owners, operators or users of the grid to undertake to ensure its reliable operation. Entities registered under the functional groups denoted in the alert are required to acknowledge receipt of the alert by May 22, 2023, and respond to the Essential Actions and a series of questions related to their preparedness by October 6, 2023. NERC advises that all registered entities – not just those required to respond – review the alert on the NERC’s website for applicability to their operations. NERC also posted [materials](#) from a [May 5 webinar](#) on the topic.

Program Alignment Tool

In response to reports of inconsistency between Regional Entities in CMEP matters, NERC employed EthicsPoint, a third-party program alignment tool used in many industries, to encourage open discussions by providing a venue to communicate anonymously and establishing a workflow tracking reported issues and documenting them so they are not lost or forgotten. NERC has observed and received feedback indicating the tool is underutilized, so NERC conducted outreach to encourage use of the tool. As part of this outreach, NERC presented on the tool to the Compliance and Certification Committee (CCC), providing information on both the tool itself and the process that the tool supports. Additionally, NERC released the Episode 5 of the ERO compliance podcast “Currently Compliant,” focusing on the ERO Consistency Reporting Tool and how NERC uses the EthicsPoint software to allow the industry to report inconsistency issues within the ERO Enterprise.

Feedback on Semi-annual Reports

In Q2 2023, NERC staff sought feedback from the CCC regarding the semi-annual reports. CCC members noted that helpful content included information regarding the Appendix 4A audits and Management Action Plans (MAPs). CCC members also indicated that they would appreciate additional content regarding (1) registration and the impact of

the Inverter-Based Resources (IBRs) going forward, (2) lessons learned and process improvements resulting from post-CMEP activity surveys of registered entities, and (3) clarification regarding disposition of Facility Rating noncompliance and the timing of completion of mitigation activities. CCC members reported that their organizations use the semi-annual reports for a variety of purposes, including evaluation of their risk profiles, education of staff and management regarding Standards with higher risk noncompliance, and validation of resource needs, among other purposes.

Facility Ratings

On May 24, 2023, ERO Enterprise hosted a webinar on Facility Rating Management. The webinar highlighted the recent [Themes and Best Practices for Sustaining Accurate Facility Ratings report](#). Various industry and ERO Enterprise speakers discussed management best practices and other facility rating mitigation approaches that could benefit registered entities' facility rating programs. Stream the [webinar](#) and access the [presentation](#) or visit [CMEP's One-Stop Shop](#) on the NERC website.



Overview of ERO Enterprise Staff Training

NERC CMEP staff provide training to ERO Enterprise staff through workshops, instructor-led training events, eLearning opportunities, and oversight of the training and education activities of the Regional Entities. These opportunities focus on identifying gaps in staff knowledge and capabilities related to the risk-based CMEP. ERO Enterprise staff provide training and educational opportunities concerning Reliability Standards, compliance monitoring and enforcement processes, and other supporting reliability functional areas to other NERC staff, Regional Entity staff, and industry participants at various events through the year. These programs enhance the knowledge and capabilities of the ERO Enterprise and industry in identifying and addressing risk, thereby improving the reliability of the BPS.

CMEP Workshop

In April 2023, NERC conducted the Annual ERO Enterprise CMEP Staff Workshop in Atlanta. The workshop consisted of one and a half days of General Sessions and one day of Track Sessions. Over 200 ERO Enterprise CMEP staff attended the workshop. The theme for the 2022 workshop was "Are We Agile Enough" with continued focus on the transformation of the CMEP. The workshop included a NERC-led mock audit with a strong focus on entity risk and internal controls, tools, documentation, and examples of agility in the CMEP process. A key focus of the workshop was to ensure CMEP staff clearly understood the need for, and the reasons behind, agility in CMEP monitoring activities. NERC staff demonstrated real life scenarios on how CMEP activities can be agile. The workshop also covered topics that are essential to the successful implementation of risk-based compliance monitoring such as a focus on entity practices and controls, as well as technical training related to certain Reliability Standards. Understanding entity practices and controls assists in ensuring a reliable and secure BPS, and requires CMEP staff to ask questions that go beyond basic compliance. Having a clear understanding of practices and controls assists the ERO Enterprise in better understanding the risk an entity poses, how the entity may perform in the future, and provides valuable feedback to the entity. Technical training consisted of higher priority O&P and CIP specific topics. To receive credit for specific sessions, and associated competencies, the attendees were required to demonstrate an understanding of the material by successfully completing learning assessments in the ERO Enterprise Learning Management System (LMS).

Training for Audit Team Lead, Certification Team Lead, and Compliance Investigator

In May 2023, NERC staff conducted Team Member Training (TM) and Team Leader Training (TL) in accordance with Sections 402.9, 403.7.5, and 502.2.2.7, and Appendix 4C of the NERC Rules of Procedure. NERC conducted these sessions over one week concurrently with Certification Team Leader Training and Compliance Investigator Training. A total of 29 ERO Enterprise CMEP personnel attended these training sessions. To receive course credit, and

certificate if applicable, the attendees were required to demonstrate an understanding of the material by successfully completing learning assessments in the ERO Enterprise Learning Management System (LMS).