Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program Mid-Year Report

August 14, 2024

**RELIABILITY | RESILIENCE | SECURITY**

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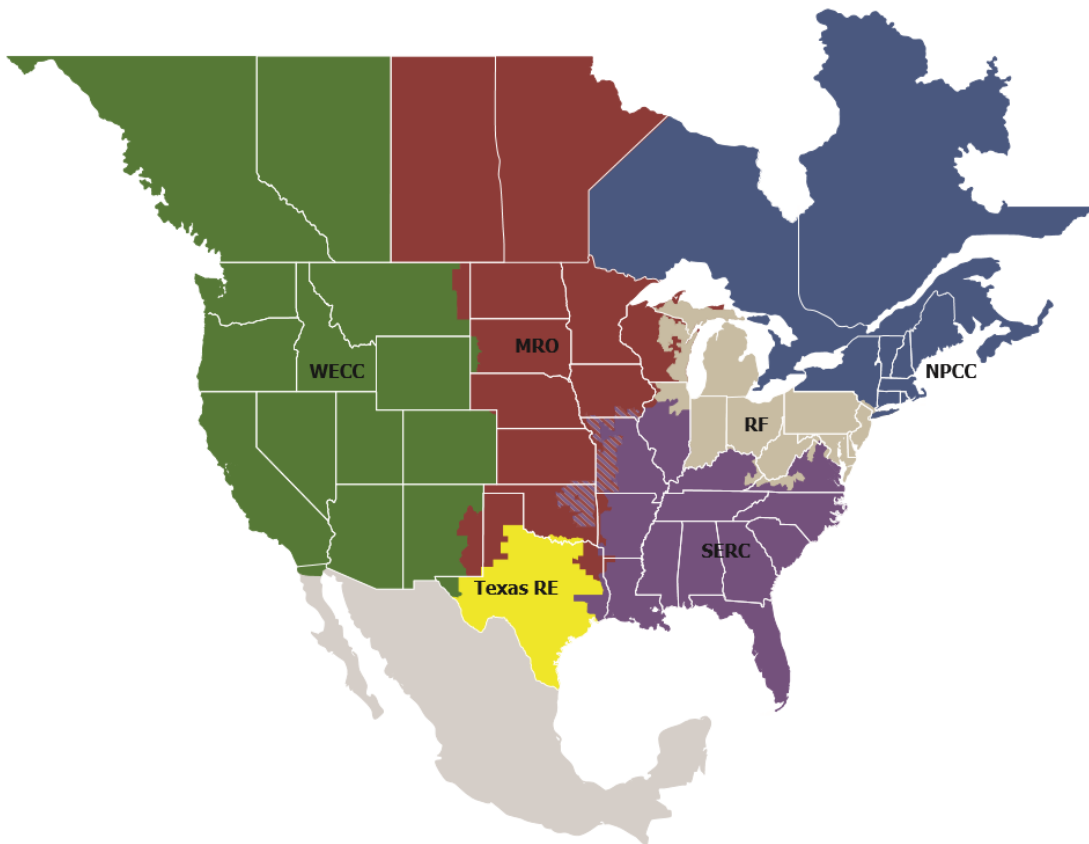
MRO	Midwest Reliability Organization
NPCC	Northeast Power Coordinating Council
RF	ReliabilityFirst
SERC	SERC Reliability Corporation
Texas RE	Texas Reliability Entity
WECC	Western Electricity Coordinating Council

Executive Summary

This report highlights key ERO Enterprise[1] Compliance Monitoring and Enforcement Program (CMEP) and Organization Registration and Certification Program (ORCP) activities that occurred in the first half of 2024 and provides information regarding those activities. NERC now issues two CMEP and ORCP Reports each year, releasing the Annual CMEP and ORCP Report in February and the Mid-Year CMEP and ORCP Report in August in order to enhance the usefulness of these reports to industry.[2]

In Q1 and Q2 2024, CMEP and ORCP activities throughout the ERO Enterprise reflected a focus on oversight activities and a continued implementation of a risk-based approach that has enabled the ERO Enterprise to focus resources on risks to the reliability of the BPS and risks specific to Registered Entities. In the first half of 2024, the ERO Enterprise:

- Completed the development of the work plan for Inverter-Based Resources and are working towards implementation;

- Conducted outreach through the use of small group advisory sessions and one-on-one sessions with Regional Entities to assist with the implementation of the Extreme Cold Weather Preparedness and Operations Standards;

- Solicited feedback from the Compliance and Certification Committee and Align User Group chairs in order to enhance Align and SEL functionality;

- Developed a common approach for evaluating Internal Controls and are piloting an activity to capture lessons learned before implementation;

- Conducted oversight of Regional CMEP and ORCP programs to ensure consistency and effectiveness;

- Received independent audit results for the NERC ORCP Audit and developed management action plans in response;

- Developed a consistent access management process and effective controls for data retention in Align and SEL;

- Conducted training for CMEP staff.

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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's prior practice has been to issue a Quarterly CMEP and ORCP Report for Q1 through Q3 and then an Annual CMEP and ORCP Report. In 2023 and beyond, NERC will issue a Mid-Year Report, covering Q1 and Q2, and an Annual Report, covering Q3 and Q4 and summarizing the entire year.

Chapter 1: ORCP and CMEP Activities in 2024

ORCP Activities

Registration Changes

Registration of GO and GOP entities continues to dominate the activity in this functional area. There are an accompanying number of deactivations of these same functions, indicating the purchase and sale of existing assets. The registration changes in other functions are reflected by much smaller numbers.

In the first half of 2024, the ERO Enterprise saw similar volume of registration changes relative to this time last year (147 in total, consisting of 107 additions and 40 deactivations), with a majority of changes involving the GO and GOP functions.
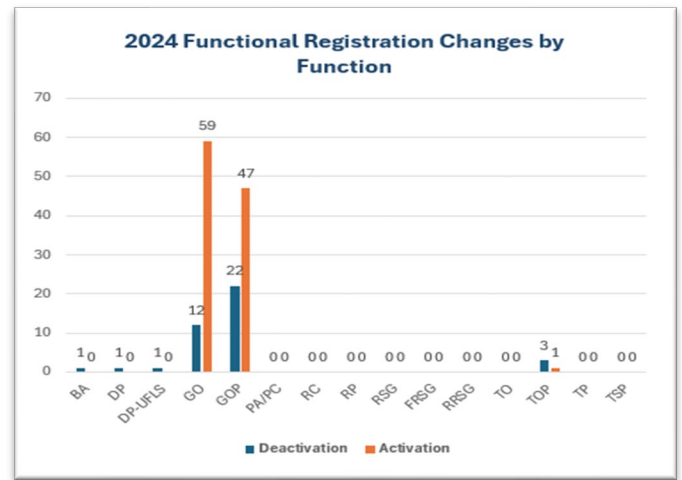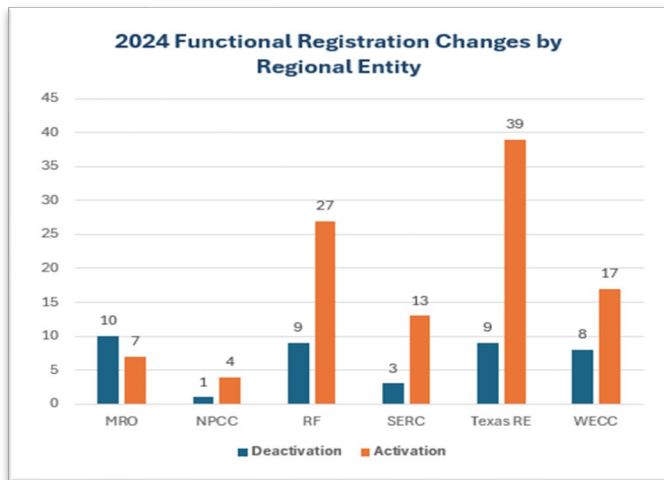
Figure 1: Functional Registration Changes by Regional Entity (Q1 and Q2 2024)

Figure 2: Functional Registration Changes by Function (Q1 and Q2 2024)

Registration of Inverter-Based Resources

Earlier this year, the NERC Board of Trustees approved proposed modifications of the registration criteria for Generator Owners and Generator Operators to include Inverter Based Resources (IBR). NERC subsequently filed those proposed changes with FERC, requesting an expedited review. On June 27, 2024, FERC issued an order approving NERC's proposed modifications, as discussed in more detail in the NERC Filings and FERC Orders of Note section below.

NERC, in collaboration with Regional Entities, issued a Request for Information (RFI) which was sent to registered Transmission Owners and Balancing Authorities, asking for information, including contact information, related to IBR-based resources which are connected to their respective systems. This RFI was distributed after the proposed ROP registration changes were approved by FERC. The purpose of this RFI is to enable more robust outreach by the ERO Enterprise to those entities which have not been subject to mandatory standards and are less familiar with these accompanying responsibilities.

Section 800 Data Request Regarding Cross-Border Operation of Bulk Power System Elements

In Q4 2023, NERC issued a Section 800 data request (DR) to the registered Generator Owners, Generator Operators, Transmission Owners, and Transmission Operators. The purpose of this assessment is to evaluate the extent to which elements that support the reliability of the United States' Bulk Power System (BPS) are managed or controlled from

a remote location, outside the United States. In 2024, NERC has continued analyzing this large data submittal with potential follow up to come at a later date.

Certification Completions

During the first half of 2024, two full certifications have been completed, with one remaining in-progress. Four full certification activities are being evaluated and have yet to be scheduled.

ERO Enterprise staff completed five certification reviews of already certified and operational entities. To date in 2024, ERO Enterprise staff have nine certification reviews that are in-progress. Twelve reviews are anticipated, or waiting on further information from Registered Entities, before reviews can be planned in more detail.

Certification Accomplishments

In Q1 2024, NERC updated the templates used for certification activities that are posted on the NERC public webpage. The CCC audit results for the certification program, as well as results NERC's oversight of how the Regional Entities implement the certification program, are leading to internal process changes involving scheduling and record keeping.

CMEP Activities

Align and SEL

The ERO Enterprise is committed to CMEP effectiveness and invests in the Align and SEL tools to improve security, automation, efficiency, harmonization, and consistency. In 2024, the ERO Enterprise is utilizing the Align Governance Model to support and improve the impact of these tools on the entire CMEP program, fostering collaboration on functionality, business value, and integration with existing CMEP committees.

NERC uses the Align and the Secure Evidence Locker webpage to communicate information on status of the systems, upcoming outages, links to important documentation, and Release Notes.[3]

In the first half of 2024, Align and SEL key initiatives included enhancements to release deployments, stakeholder discussions for prioritized Align and SEL feedback, and updates to a number of Align User Guides.

Release Deployments

The ERO Enterprise deployed three Align releases and one SEL release in the first two quarters of 2024 (Align Release Align 6.0.0, Align Release 6.1.0, Align Release 7.0.0, and SEL Release). The Align releases addressed several module improvements for the Align system, including Enforcement, Mitigation, IRAs, COPs, Audits and Spot Checks, Self-Certification, PDS, Technical Feasibility Exceptions, Internal Controls Assessments, and Request for Information functionality across several areas. The SEL release included updates for CEA users, expanding the reference ID field on the SEL submission portal page for entities; creation of a failed submission notification email to entities; and the inclusion of the validation reference ID in the submission confirmation email to entities. Detailed descriptions of changes related to each release are available in the corresponding Release Notes on the Align and SEL webpage (under Release Materials).

In the Release 6.0.0, the modifications include, but are not limited to, the following: validation updates for Canadian functionality; portlet updates to show statuses or information; updates on permissions associated to printing reports from Align forms; updates to the CMEP Activity Search module for CEA users; new columns added for Registered Entity users to better manage their work; correction to IRA and COP functionality; ability for Registered Entity to flag where evidence has been uploaded on PDS submittals; ability to issue RFIs earlier in process for PDS/Self-Certifications; ability to document Areas of Concerns, Recommendations, and Positive Observations on PDS/Self-Certifications; updated versions of Standards in the TFE module; and updates on attestation data fields.

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[3] Align and SEL Resource Center, available at https://www.nerc.com/ResourceCenter/Pages/Align-SEL.aspx.

In the Release 6.1.0, the modifications include, but are not limited to, the following: corrections to the SEL Reference IDs generated in Align forms; updates for ERP Questionnaires (specific to NERC administration); fixes for filtering and sorting throughout all modules; corrections to the RFI recipient lists and updates to the emails related to RFIs issue from Enforcement, Mitigation, Periodic Data Submittals, Self-Certification, and Technical Feasibility Exceptions.

In the Release 7.0.0, the modifications include, but are not limited to, the following: notifications for dispositions; improved CEA ability to move mitigation record activities between Complete and Verification status; improvements to Periodic Data Submittals; updates to creating Self-Certification distributions; enhancements for CEAs to identify Findings as part of Self-Certification reviews; ensuring PDS and Self-Certification responses are not blank before the entity submits the activity for CEA review; and consolidating Self-Certification responses to the requirement rather than by requirement part.

Individual Regional Entity and CCC Discussions for Prioritized Align Feedback
In October 2023, the Align User Group (AUG) chairs initiated individual meetings with each Regional Entity and CCC representatives to discuss feedback with using Align, focusing on their input related to efficiency, work arounds, pain points, and showstoppers within Align and SEL. These discussions have continued regularly throughout 2024 with two meetings occurring in 2024. The purpose of these meetings is to provide subject matter experts (SMEs) the ability to provide real-time feedback on the current usage of Align and SEL so that the SMEs can identify potential focus areas for future prioritization discussions with the AUG and Product Management Team. These meetings help the ERO Enterprise with prioritizing potential improvements to the Align experience. Further, based on feedback from these meetings, as well as feedback from Regional Entities as the 2024 CMEP Annual Workshop, the AUG chairs will plan refresher training to be conducted in Q3 and Q4 of 2024 for Registered Entity and Regional Entity staff.

Updated Align User Guides
In Q2 2024, NERC published updated Align User Guides for CEA (Regional Entity) and Registered Entity user roles. The Align User Group solicited User Group updates in Q4 2023.

The Release 4.5 User Guides, specific to Inherent Risk Assessment and Compliance Oversight Plan modules in Align, were updated to address typos, new screenshots to reflect updated functionality, detailing and clarifying various steps, and adding a Revision History table to capture future edits.

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. The ERO Enterprise continues to support Standard Drafting Team projects, including those related to previously provided feedback including CIP-002, FAC-008, CIP-014, CIP-008, and the proposed Requirements within the CIP Reliability Standards regarding Internal Network Security Monitoring.

Additionally, in 2024 the ERO Enterprise is providing feedback on Interconnection Reliability Operating Limits and Inverter-Based Resources.

Interconnection Reliability Operating Limits
In late 2021, the ERO Enterprise initiated an activity to review Reliability Coordinators (RC) Interconnection Reliability Operating Limit (IROL) methodologies. This review included all RCs in the United States as well as several RCs from Canada. This activity was designed to evaluate consistency among the RCs in the criteria used to identify and operate to IROLs. The team expects to publish the report in Q3.

Inverter-Based Resources

In Order 901,[4] FERC directed NERC to modify several Standards to better address Inverter-Based Resources (IBRs). These drafting projects impact BES IBRs as well as non-BES IBRs that NERC is currently has a workplan for addressing. NERC Compliance Assurance staff is working closely with NERC Standards staff to use the appropriate tools to provide purposeful and staggered dates when entities will need to begin complying with those modified Standards.

Small Group Advisory Sessions

On May 6, 2024, the ERO Enterprise hosted a webinar for Registered Entities preparing to implement the Extreme Cold Weather Preparedness and Operations Standards. The webinar was attended by approximately 500 individuals and covered compliance monitoring approaches and questions from Registered Entities pertaining to EOP-012-2, EOP-011-4 and TOP-002-5.

The ERO Enterprise then hosted one-on-one sessions with Registered Entities discussing their specific questions and sharing compliance monitoring approaches to the Extreme Cold Weather Preparedness and Operations Standards. The ERO Enterprise hosted 26 of these sessions from May 7-10, 2024, which included Registered Entities from every Regional Entity.

Based upon all the questions received during the general session and individual Registered Entity sessions, the ERO Enterprise developed responses to these questions and will publicly post a Frequently Asked Questions document.

Internal Controls

The ERO Enterprise leverages a risk-based compliance monitoring and enforcement approach that considers internal controls when evaluating a Registered Entity's residual risk. Internal controls concepts are foundational and impact the assessment of reliability and security risk of a Registered Entity and extent of CMEP activities. These concepts were featured prominently during NERC's 2024 Spring CMEP workshop. Additionally, the ERO staff continue to collaborate on the development of tools and a common process for identifying, documenting and assessing internal controls during each CMEP activity. The ERO Enterprise has planned an activity to pilot key internal controls principles and capture lessons learned as a foundation for broader implementation.

CMEP Implementation Plan

The risk elements in the 2024 CMEP Implementation Plan (CMEP IP) were similar to the 2023 risk elements that reflect the maturation of the risk-based approach to compliance monitoring. The changes included a new physical security risk element, and the expansion of the cold weather risk element to extreme weather which includes both hot weather and space weather events such as the solar storms seen during the month of May 2024. There were also changes in the requirements of certain Reliability Standards to enhance focus on those risk elements with the intent of ensuring that there is positive progress in those areas. Some of the most monitored standards such as EOP-011-2 R8, CIP-008-6 R2 and CIP-010-4 R1 reflect that focus. There will continue to be an analysis of standards monitored during engagements to verify that the areas of focus identified in the CMEP IP are showing up in those engagements to better measure the progress of our risk-based approach. Using data from Align should provide a lot of value as it relates to the maturation of the program and should ensure engagement with our Regional Entity partners as it relates to emerging and identified risks.

ERO Enterprise Training and Outreach

In the first half of 2024, the ERO Enterprise provided numerous outreach opportunities to industry stakeholders and training to ERO Enterprise staff 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:

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[4] Reliability Standards to Address Inverter-Based Resources, Order No. 901, 185 FERC ¶ 61,042 (2023), available at https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20231019-3157.

- CMEP's role in risk mitigation

- BES risk perspectives

- Techniques for gathering and sharing information

- Risk identification

- Scope determination exercise

- Monitoring exercise

- Enforcement

- IBR Registration

- Align Oversight Activity results

- Align best practices

CMEP Workshop

In April 2024, NERC conducted the Annual ERO Enterprise CMEP Staff Workshop in Atlanta. Over 270 ERO Enterprise CMEP staff attended the workshop. The theme for the 2024 workshop was "One CMEP" with continued focus on the transformation of the CMEP. The workshop included a NERC-led exercise with a strong focus on entity risk identification, scope determination, monitoring and enforcement. A key focus of the workshop was to understand BES risk perspectives and role of CMEP in risk mitigation. The workshop also covered topics that are essential to the successful implementation of risk-based compliance monitoring such as understanding the importance of internal controls, as well as techniques used for gathering and sharing entity information. 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. NERC staff provided information on IBR registration and how that will impact the CMEP role across the ERO Enterprise. NERC staff also provided results of the Align oversight activity which was conducted last year, and shared best practices for use of Align. 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 2024, NERC staff conducted Team Member Training and Team Leader Training 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 32 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). There are additional sessions of these courses that will be conducted in Q4 of 2024.

Program Alignment Process

The NERC CCC Consistency Reporting Tool Task Force (CRTF) was formed in 2023 and supports the CCC's role in assisting the ERO address consistency issues, as envisioned by NERC when the ERO Enterprise Program Alignment Effort was initiated in 2017. On May 22, 2024, NERC in collaboration with the CCC Consistency Reporting Tool Task Force, released a webinar to increase awareness of the ERO Enterprise Program Alignment Process and the associated Consistency Reporting Tool. NERC implemented the Consistency Reporting Tool using a third-party application, EthicsPoint, which allows stakeholders to submit consistency issues—anonymously, if desired. Following this webinar, there were three items submitted through the Consistency Reporting Tool during Q1 and Q2 of this year. Below is the short description of each item received.

1. Timing of the completion of Asset verification form

2. Validation of one and only one RC, BA and TOP through Asset verification forms

3. Audit schedule posting by the Regional Entities

The ERO Enterprise is currently reviewing to determine if a consistency issue exists, and what the appropriate recommendation would be, if necessary.

NERC Filings and FERC Orders of Note

FERC issued an order in May 2023[5] approving NERC's amended IBR registration work plan ("IBR Work Plan").[6] In March 2024, NERC filed for FERC approval to update its ROP Registry Criteria to include a new category of Generator Owners ("Category 2 GOs") and Generator Operators ("Category 2 GOPs") that (i) either have or contribute to an aggregate nameplate capacity of great than or equal to 20 MVA, or (ii) are connected through a system designed primarily for delivering such capacity to a common point of connection at a voltage great than or equal to 60 kV.[7] As required by FERC, NERC submitted its IBR Work Plan quarterly progress update in May 2024, detailing next steps in identifying IBR facilities that could be candidates for registration under the proposed Registry Criteria pending approval by FERC.[8] NERC will continue providing quarterly updates to FERC on the IBR Work Plan. On June 27, 2024, FERC issued an order approving NERC's proposed revisions to the Registry Criteria.[9]

In January 2024, NERC submitted a standards development plan ("Order No. 901 Work Plan") that provides a detailed, comprehensive plan for how NERC will develop new or revised Reliability Standards to address FERC-identified reliability gaps related to IBRs.[10] NERC plans to submit Reliability Standards addressing each of the IBR-related reliability gaps in accordance with the three-year staggered timeframe directed by FERC. NERC will prioritize the development of responsive Reliability Standards on this timeline:

• Reliability Standards to address performance requirements and post-event performance validation for Registered IBRs by November 4, 2024;

• Reliability Standards to address data sharing and model validation for all IBRs by November 4, 2025; and

• Reliability Standards to address planning and operational studies requirements for all IBRs by November 4, 2026.

Other CMEP Activities
Facility Ratings Call to Action Update

Because Facility Ratings play a significant role in planning and operating the BPS, the ERO Enterprise has been actively engaged in identifying and mitigating 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 call to action, the ERO Enterprise committed

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[5] Order approving NERC IBR Work Plan, RD22-4, available at
https://elibrary.ferc.gov/eLibrary/filelist?accession_num=20231128-3056

[6] NERC IBR Work Plan as Amended on March 13, 2023, RD22-4, available at
https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20230313-5249.

[7] NERC Proposed ROP Revisions regarding IBR Registry Criteria, RR24-2, available at
https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20240319-5204.

[8] NERC IBR Work Plan Progress Update, RD22-4, available at
https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20240510-5257.

[9] Order Approving Revisions to North American Electric Reliability Corporation Rules of Procedure and Requiring Compliance Filing, 187 FERC ¶ 61,196 (2024), available at https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20240627-3033.

[10] NERC Informational Filing regarding the development of Reliability Standards responsive to Order No. 901, RM22-12, available at https://elibrary.ferc.gov/eLibrary/filelist?accession_number=20240117-5076.

to using a risk-based approach to examine all Registered Entities with FAC-008 obligations. Since then, the ERO Enterprise has completed a monitoring engagement or enforcement activity related to Facility Ratings for 100% of High and Medium Inherent Risk Generator Owners and Transmission Owners. The ERO Enterprise continues to process identified noncompliance involving Facility Ratings, has shared common themes of Facility Ratings noncompliance, and continues to monitor Facility Ratings as part of compliance monitoring engagements to ensure that the call to action results in sustainable Facility Ratings programs.

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. In the charts below, NERC provides CMEP information showing (1) IRA/COP completion percentage; (2) compliance monitoring engagement by type; (3) inventory reduction in older noncompliance; (4) details regarding the volume, discovery method, and most frequently reported incoming noncompliance; (5) 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.

IRA/COP Completion

NERC continues to use risk based trends and oversight indicators to better inform CMEP processes. During the first half of 2024, there is positive trend of analysis of risk which is shown in the number of IRA/COP completed versus the audits planned for that period.

IRA/COP Completion Percentage Q1-Q2 2024
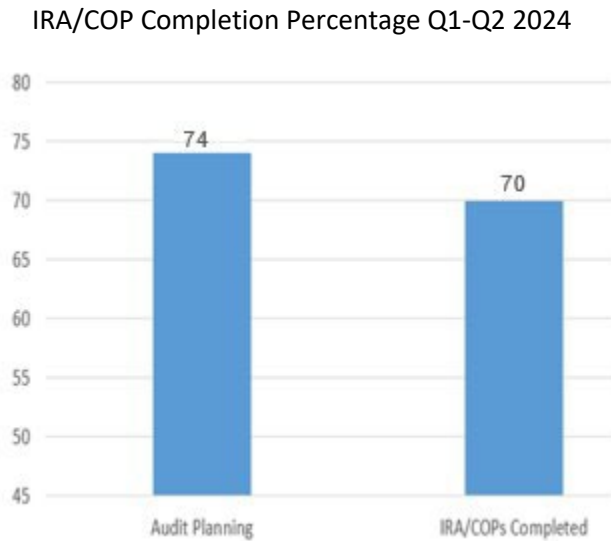
Figure 3: IRA/COP Completion Percentage

Compliance Monitoring

The ERO Enterprise monitors the maturity and effectiveness of the CMEP program primarily through engagements. Below is a breakdown of those activities by type for the first half of 2024.

Compliance Monitoring by type Q1-Q2 2024
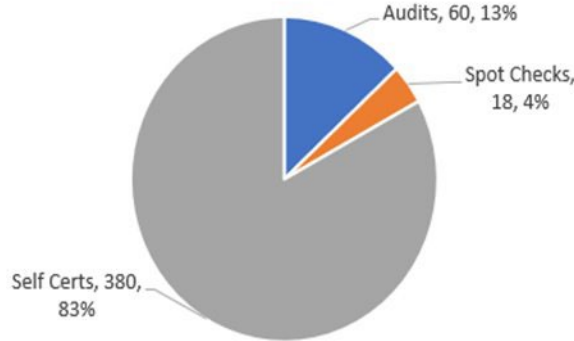
Figure 4: Compliance Monitoring by Type in 2024

Inventory Reduction

The ERO Enterprise continues to focus on eliminating backlogs of processing noncompliance. During the first half of 2024, the ERO Enterprise has reduced its 2023 and older inventory of noncompliance by nearly 22%.

Figure 5: Reduction in Older Noncompliance Inventory in 2024

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 and planned monitoring 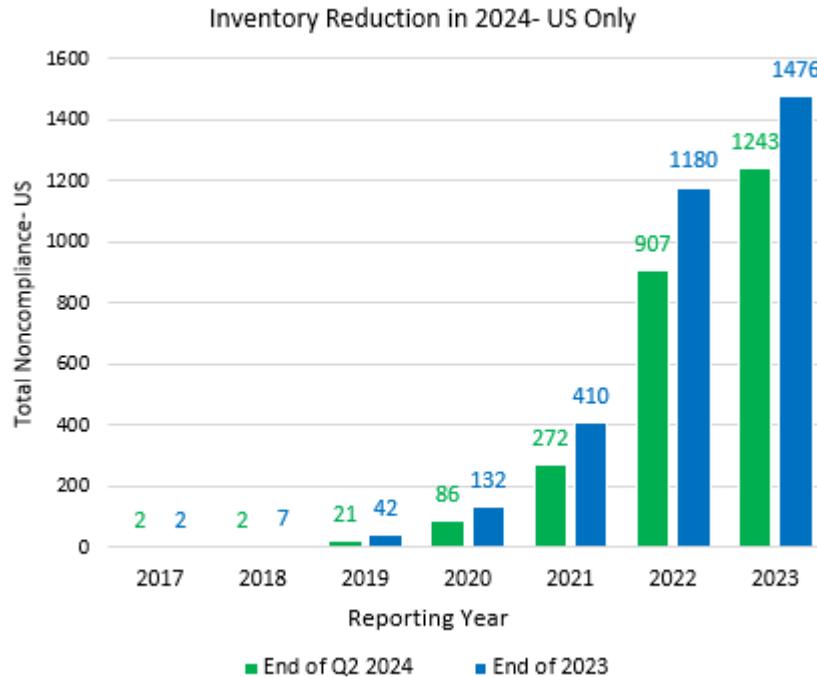activities and engagements. The volume of newly reported noncompliance can impact Regional Entity noncompliance inventory and processing timeframes.

> In the first half of 2024, the ERO Enterprise received over 800 possible noncompliance. Based on that volume, the ERO Enterprise volume for the 2024 may be similar to what was reported in 2023.

Noncompliance Reported to EROE
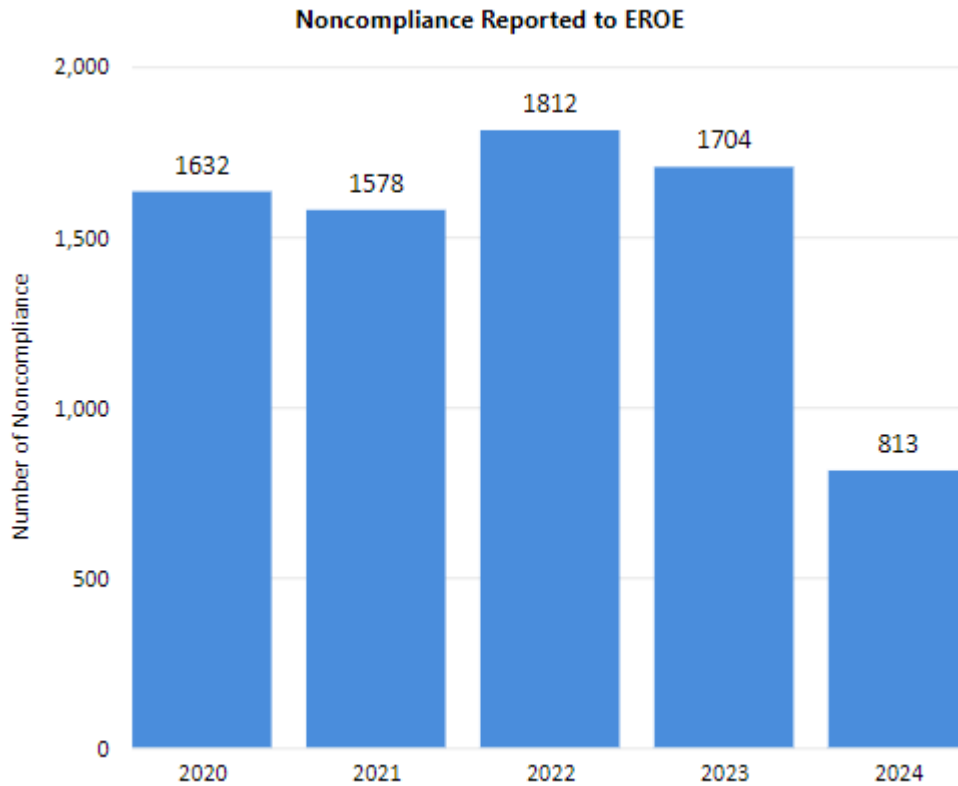
Figure 6: Number of Reported Noncompliance by Year

The ERO Enterprise looks for high levels of self-reported and self-logged noncompliance as indicators that registered entities have good detective controls. 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.

> Nearly 90% of the reported noncompliance in Q1-Q2 2024 were identified by the Registered Entities' detective controls.

Discovery Method for Reported Noncompliance in Q1-Q2 2024

Audit 4.1%
Self-Certification 5.2%
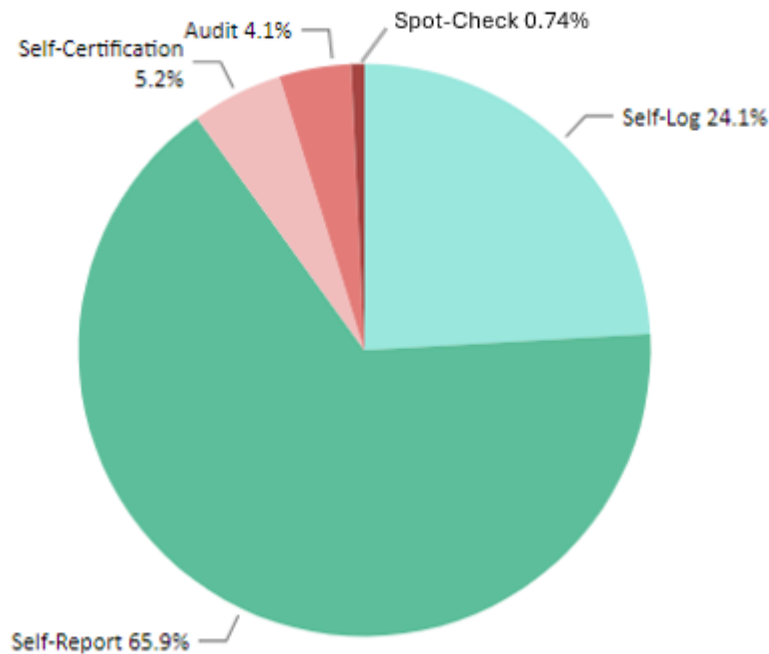Spot-Check 0.74%
Self-Log 24.1%
Self-Report 65.9%

Figure 7: Discovery Method for Reported Noncompliance (Q1 and Q2 2024)

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 2024, the most frequently reported CIP noncompliance are similar to 2023, with CIP-007, CIP-010, CIP-003 and CIP-004 on the top four most reported CIP Standards. These Standards involve high frequency conduct.

Top 10 Reported CIP Noncompliance in Q1-Q2 2024

Standard	R1.	R2.	R3.	R4.	R5.	R6.	Total
CIP-007	4	49	7	6	21		87
CIP-010	62	10	2	3			77
CIP-003	24	46	5				75
CIP-004		13	6	29	20	7	75
CIP-006	17	34					51
CIP-002	6	19					25
CIP-011	21	2					23
CIP-005	8	3					11
CIP-013	1	9					10
CIP-008		5	1				6
CIP-009	1	4	1				6
Total	144	194	22	38	41	7	446
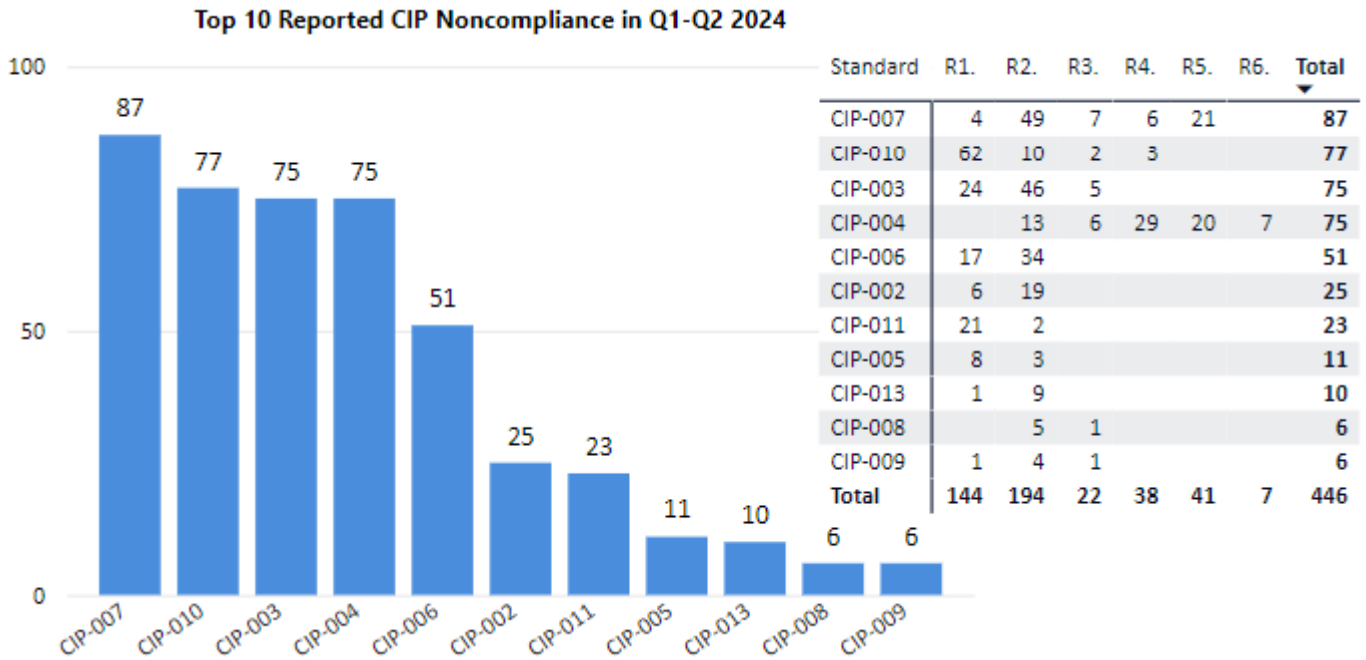
Figure 8: Top 10 Most Reported CIP Standards (Q1 and Q2 2024)

In the first half of 2024, the most frequently reported noncompliance involving the O&P Standards are also similar to 2023, with FAC-008, MOD-025 and PRC-005 in the top three most reported Standards. Facility Ratings noncompliance (FAC-008) continue to be one of the top three highest reported O&P standards in the past five years. Given the significant role of Facility Ratings in planning and operating the BPS, the ERO Enterprise continues to actively monitor FAC-008 issues and take actions to mitigate reliability risk to the BPS.

Top 10 Reported OP Noncompliance in Q1-Q2 2024

| Standard	R1.	R2.	R3.	R4.	R5.	R6.	R7.	R8.	Total
PRC-005	1		47		1				49
FAC-008	2	9				36		1	48
MOD-025	23	25							48
VAR-002	4	10	6	5					25
MOD-026		10	1	2		5			18
EOP-011	1	1	1		1		5	7	16
PRC-019	10	5							15
MOD-027		7	1			6			14
MOD-032		12	1						13
PRC-004	5	1			3	2			11
Total	46	80	57	7	11	43	5	8	257
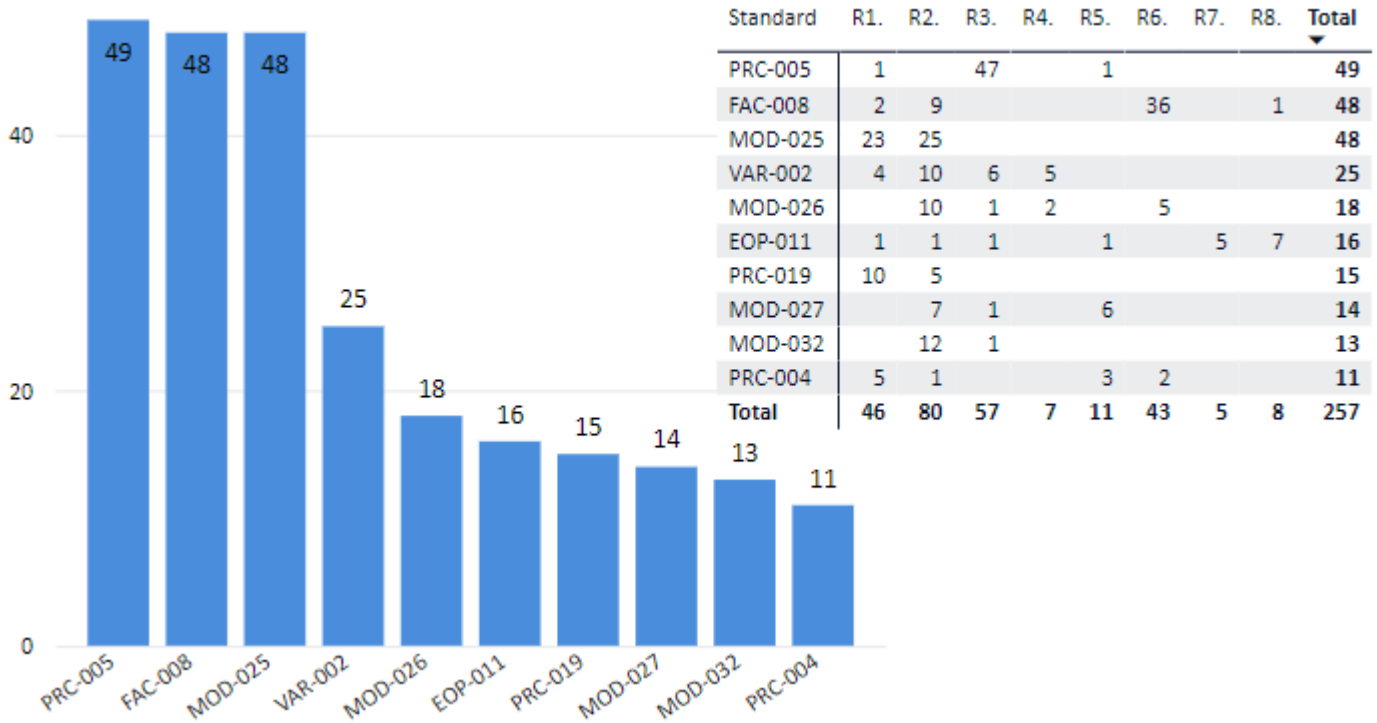
Figure 9: Top 10 Most Reported O&P Standards (Q1 and Q2 2024)

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. During the first half of 2024, less than 14% 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).
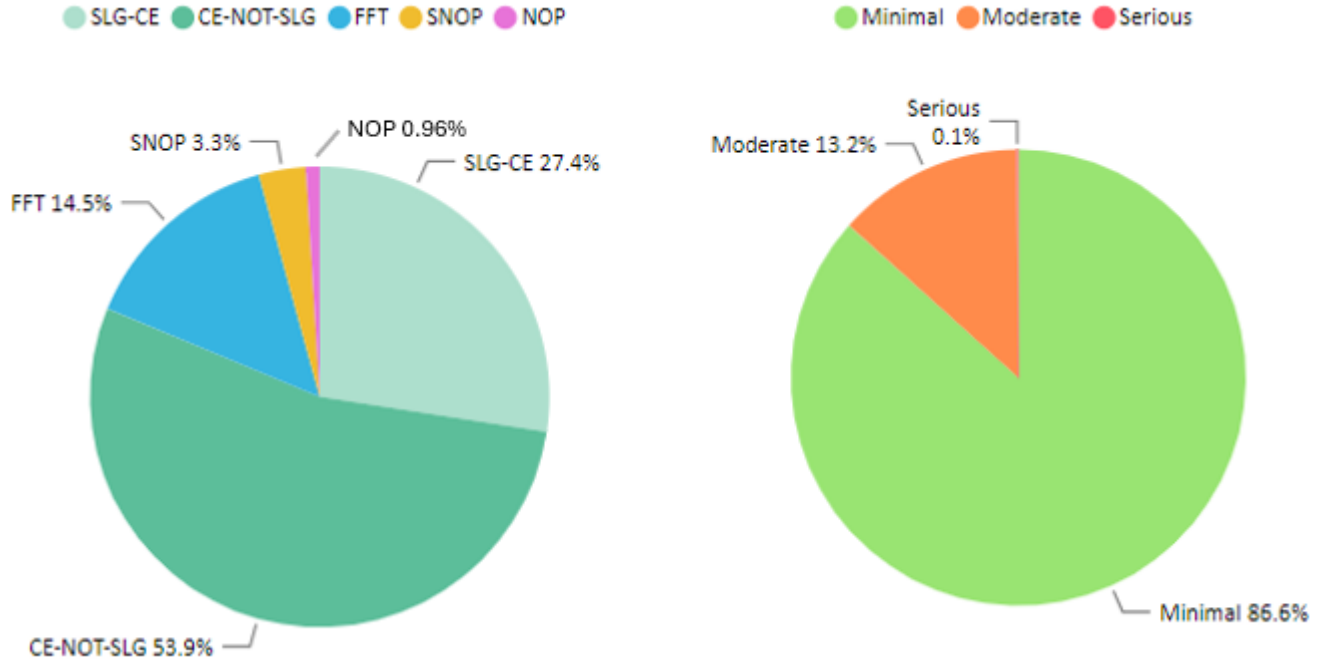
Figure 10: Risk and Disposition Method of Noncompliance Processed in 2024

Similar to 2023, CIP-007 and FAC-008 were the top CIP and O&P Standards filings for the first half of 2024 that were assessed as moderate risk.

Top 10 Moderate and Serious Risk Filed/Submitted Standards

Top 10 Moderate and Serious Risk Filed/Submitted Standards By Requirement

Standard	R1.	R2.	R3.	R4.	R5.	R6.	R13.	R20.	R23.	Total
CIP-007	2	6	1	5	3					17
CIP-004				5	9					14
CIP-010	11	2		1						14
FAC-008			1			5				6
CIP-003		5								5
CIP-002	4									4
CIP-011	4									4
TOP-001							2	1	1	4
VAR-002	1	2	1							4
CIP-005	2	1								3
CIP-009	1	2								3
PRC-019	3									3
Total	28	18	3	11	12	5	2	1	1	81
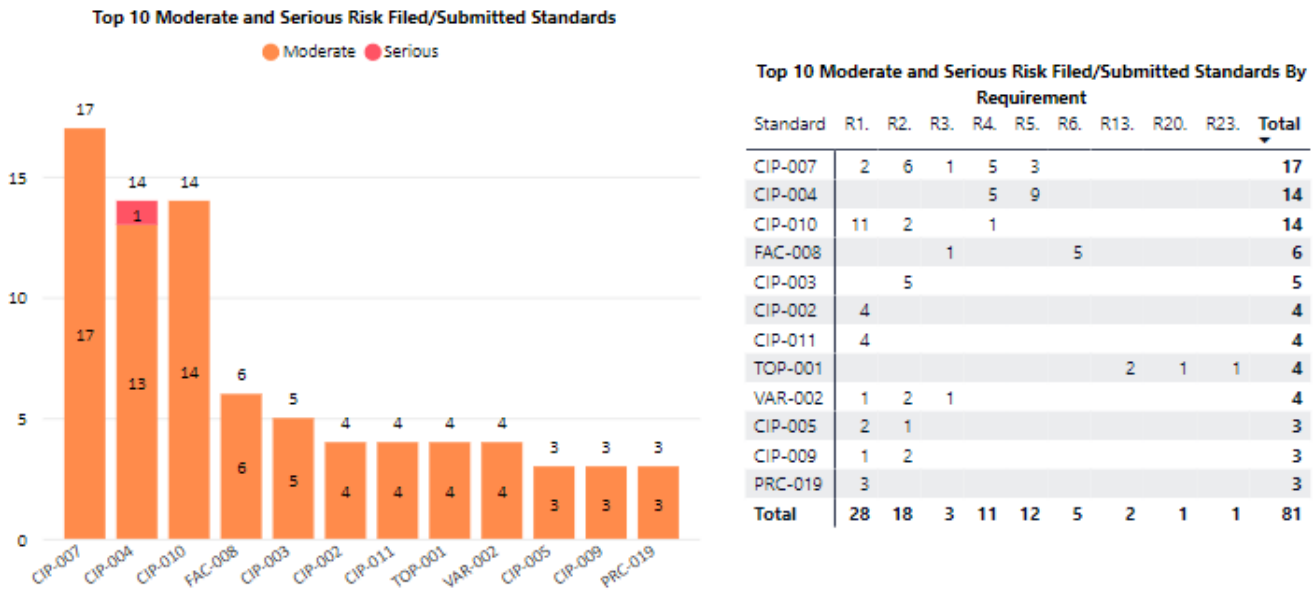
Figure 11: Serious and Moderate Risk Noncompliance Processed in 2024

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 Regional Entities.

Timeframe for Completed Mitigation for the Reported Noncompliance in the Past 5 years
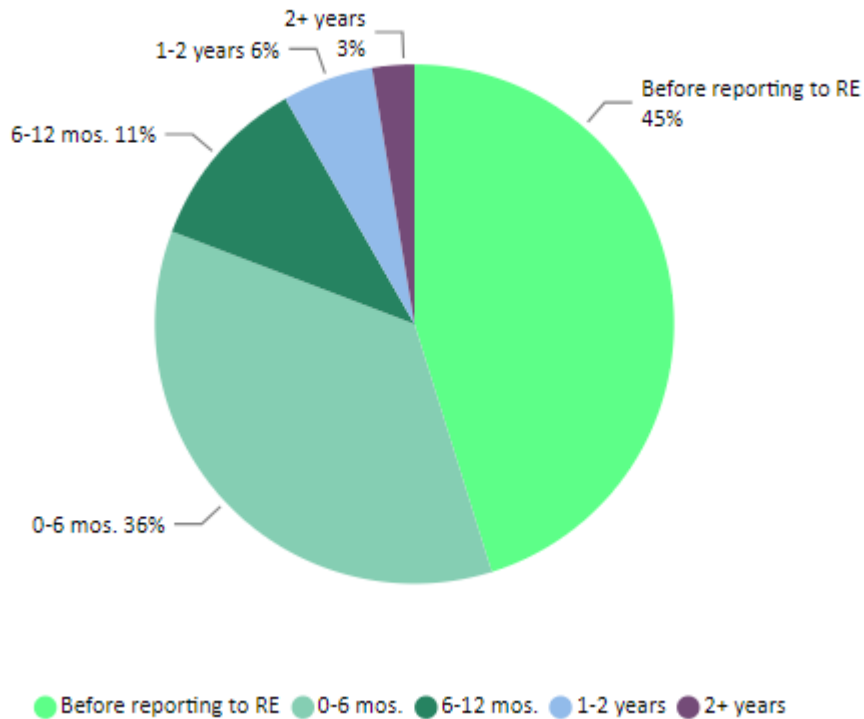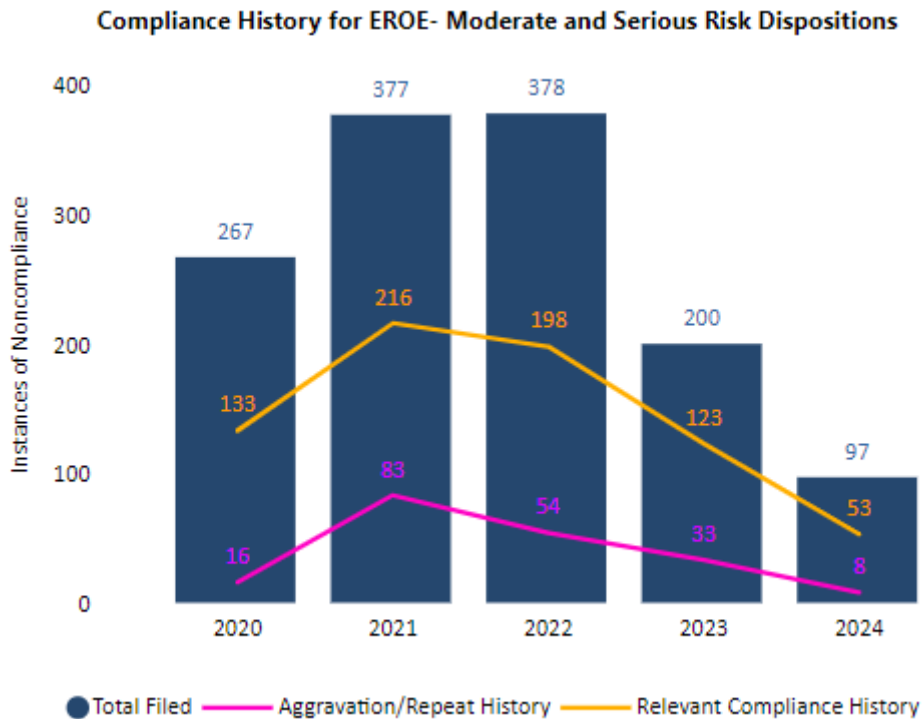

Figure 12: Mitigation of Noncompliance

The ERO Enterprise monitors compliance history[11] and repeat noncompliance with similar conduct[12]. 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 Registered 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 aggravation of a monetary penalty or disposition method) remains a small percentage of all filed moderate and serious risk noncompliance, at around 14% for the last five years.

Figure 13: Compliance History for Moderate and Serious Risk Noncompliance

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[11] Defined as relevant prior violation of the same or similar Reliability Standard and Requirement.
[12] Defined as a prior violation that stemmed from similar actions or conduct.

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.[13] 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 2024, NERC CMEP and ORCP staff performed a variety of activities designed to support identified priorities:

- Align and Secure Evidence Locker Oversight Activity
- Self-logging Program Review;
- Streamlined Disposition Methods
- Certification Oversight Activity
- Compliance Audit monitoring
- Event Reviews

Align and Secure Evidence Locker Oversight Activity

NERC periodically performs oversight of the usage of Align and the ERO Enterprise Secure Evidence Locker by the ERO Enterprise and registered entities. In addition to continued monitoring of Align and SEL usage, specific program reviews are deployed to adequately evaluate oversight priorities. In 2024, based on NERC's review, the ERO Enterprise is establishing consistent access management programs and developing effective controls to ensure data retention. The results of this oversight were presented at the 2024 CMEP Spring Workshop. The main result is that all Regional Entities had some level of access management process in place, but there is a need for NERC IT, NERC CMEP departments and Regional Entities to refine and formalize a process to ensure consistency. NERC will develop an access management guideline that will include expectations regarding access request, changes removals, reviews; role based provisioning definitions; periodic reviews frequency; and points of contact/approvers.

Self-Logging Program Review

In Q4 2023, NERC completed its review of the Self-Logging Program and shared the results with the Regional Entities in January 2024. NERC provided a general report detailing the results of the review which included action items for both NERC and the Regional Entities. NERC also provided individual Regional Entity specific feedback letters.

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[13] Criteria for Annual Regional Entity Program Evaluation, CCC Monitoring Program – CCCPP-010-7 (2022), available at https://www.nerc.com/comm/CCC/Related%20Files%202013/CCC%20Criteria%20for%20Annual%20Regional%20Entity%20Program%20Evaluation%20v7.pdf.

Streamlined Disposition Methods

The FFT and CE programs are important elements of the ERO Enterprise's risk-based CMEP and represent streamlined dispositions.[14] The FFT program resolves noncompliance posing minimal or moderate risk to the reliability of the BPS and the CE program resolves noncompliance posing minimal risk. Since FERC initially approved the FFT and CE programs in 2012 and 2015, respectively,[15] the ERO Enterprise's use of the programs has continued to increase. As part of the oversight of these 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.[16] In Q1 and Q2 of 2024, NERC evaluated FFT and CE evidence provided by Regional Entities in response to data requests NERC submitted in Q4 2023.

Compliance Audit Monitoring

In completing NERC Compliance Assurance's review of Regional Entities' compliance audits conducted during 2023 to verify compliance results (Findings), NERC staff reviewed a sample of monitoring engagements to verify findings specific to CIP-008-6 R1 and R2 and EOP-011-2 R7 and R8. Based on NERC staff's review, Regional Entities reached reasonable conclusions. NERC also identified opportunities for maturing the integration of practices and controls into monitoring processes. NERC Compliance Assurance provided results of the review to Regional Entities in June 2024.

NERC Compliance Assurance is reviewing sampled audits initiated by Regional Entities in 2024. The primary objectives of reviewing the compliance monitoring activities included (1) determining if another party could reasonably reach the same conclusions; (2) assessing the use of tools, processes, and procedures; and (3) evaluating audit methodology to ensure consistency of compliance monitoring activities. In addition, the activity includes evaluating whether the Regional Entities met the requirements of the NERC Rules of Procedure regarding the timeliness of 270-day intent to audit notifications, 90-day Audit Notification Letters and adhered to audit team lead requirements (i.e., team leader training requirements). NERC began this activity in Q2 2024 and expects to complete it in Q1 2025.

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[14] For a 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.

[15] *N. Am. Elec. Reliability Corp.*, Order Accepting with Conditions the Electric Reliability Organization's Petition Requesting Approval of New Enforcement Mechanisms and Requiring Compliance Filing, 138 FERC ¶ 61,193 (2012); *N. Am. Elec. Reliability Corp.*, Order on Compliance Filing, 143 FERC ¶ 61,253 (2013); *N. Am. Elec. Reliability Corp.*, Order on Compliance Filing, 148 FERC ¶ 61,214 (2014); *N. Am. Elec. Reliability Corp.*, Docket No. RC11-6-004 (Nov. 13, 2015) (delegated letter order).

[16] NERC refers to this as the Annual FFT and CE Programs Review. For FY2023, NERC and FERC reviewed a sample of FFTs and CEs posted from October 2022 through September 2023.