Introduction to NPCC

Fall 2019 Workshop

Scott Nied
November 20, 2019
Newport, RI
Agenda

• Overview of NPCC and NERC
• Risk Based Oversight Framework
• Audit and Enforcement Process
• NPCC Stats and Real World
About NPCC

• 501 (c) (6) NFP
• 8 BOD Sectors (2 members/sector)
  – 7 Stakeholder, 1 Independent
• Registered Entities (NERC)
  – 205
  – NERC/FERC (Statutory - NERC collects from LSE on MWH basis)
• Members of NPCC (Directory/Criteria)
  – 56 General, 62 Full
  – Criteria (Non Statutory-Full Member BA collects)
NPCC

• 20% of EI load
• NEL NPCC: 46% US and 54% Canadian sources
• 70% of Canadian NEL is within NPCC
• 1.2 million square miles
• Population of 55 million
Mission of NPCC

Why?
The purpose of NPCC is to promote and enhance the reliable and efficient operation of the international, interconnected Bulk Power System in Northeastern North America

How?
By leveraging people and actions…

What?
Assess, Educate, Guide, Inform…so that we all can Grow!
NERC Regions

Western Electricity Coordinating Council

Texas Reliability Entity

Midwest Reliability Organization

Northeast Power Coordinating Council

ReliabilityFirst Organization

SERC Reliability Corporation

Florida Reliability Coordinating Council
North American Interconnections
Interconnection Data

- **Eastern**: 575 GW peak, 650 GW of Nameplate Generation
  - NPCC 110 GW Winter peak, 165 GW Nameplate Capacity
- **WECC**: 147 GW peak, 284 GW Nameplate
- **Quebec**: 38 GW peak, 46 GW Nameplate
- **ERCOT**: 68 GW peak, 77 GW Nameplate

(Data is approximate)
Electric Reliability Governance

Federal Energy Regulatory Commission
The Energy Authority and Governing Body

North American Electric Reliability Corporation
Certified as the “Electric Reliability Organization” for the continental United States

Regional Reliability Organizations
Compliance Monitoring & Enforcement of Standards
Perform regular and scheduled compliance audits, random spot checks, and specific for-cause investigations
Key Aspects of NERC

The North American Electric Reliability Corporation (NERC) develops and implements reliability standards in accordance with FERC-approved procedures. NERC does not enforce these reliability standards directly; rather, it delegates enforcement to the Regional Reliability Organizations.

**Key Programs**
- **Reliability** - address events and identifiable risks, thereby improving the reliability of the bulk power system
- **Assurance** - provide assurance to the public, industry, and government for the reliable performance of the bulk power system
- **Learning** - promote learning and continuous improvement of operations and adapt lessons learned for improvement of bulk power system reliability
- **Risk-based Approach** - focus attention, resources, and actions on issues most important to bulk power system reliability
Statutory Role – Regional Entity Division (NERC Funded)

- Monitor and Enforce National and Regional Reliability Stds
- Participate in National Standard Development Process
- Develop Regional Stds via the RRSDP using common attributes
- Organization Registration and Certification
- Assess Reliability and Performance (Zoom – next slide)
- Coordinate System Planning, Design, and Operation
- Training/Education, Situation Awareness, Event Analysis
Zoom In: Assess Reliability and Performance

• This is the NPCC Task Forces
• Seasonal Assessments, Resource Adequacy
• Distributed Energy Resources
  – NERC TF, DERs play into NERC LTRA
• MMWG – Eastern Inter Base Cases
• SP-7 Misoperations
• Governor Response
• Essential Reliability Services (ERS)
Non-Statutory Role - Criteria Services Division (Not NERC Funded)

- Develop More Stringent Regional Criteria
- Criteria Compliance And Enforcement Program (CCEP)
  - Reporting Full Members Self Certify to a subset (non-monetary sanctions)
- Different Obligations for:
  - Full Members
  - General Members
  - Non-Members
  - 56 General, 62 Full
Reliability Based Impact Methodology

NPCC Criteria Document A10

- *Classification of Bulk Power System Elements*
- Bus Basis: Transient Stability and Steady State Stability tests for 3 phase faults
- Goal: Determine if there is a “significant adverse impact” outside of the “local area”
- Loss of synchronism of gen, tripping due to power swings, SPS operating when not required, voltage levels, thermal loading
- Pass the test: Everything connected to Bus must meet Criteria
- Result: The A10 List of BPS Facilities (a list of busses)
Criteria - Bottom Up Approach

• Criteria define the principles to be followed
• Task Forces and Working Groups develop
• Reviewed by Committees
• Posted for comments
• Members approve
• Members are bound
Key Dates in History

1965 - NE Blackout
1966 - NPCC Formed
1968 - NERC Established
1977 - NYC Blackout
2003 - NE Blackout
2016 – Risk Based Concepts for CMEP Fully Implemented
Spotlight- EPA of 2005

- Amends the FPA in Section 215
- FERC given electric reliability oversight
- Mandated a self-regulating ERO
- Mandatory Rel Stds subject to FERC review
- Urged agreements with Canada and Mexico
- Laid out RDA framework for the ERO
- New Section 216 of FPA added to impose $ penalties
Risk Based Oversight Framework

- Registered Entity Functions
- ERO & Regional Characteristics
- Events
- RISC

Risk Elements

Inherent Risk Assessment

Internal Controls Evaluation

Oversight Tool Selection

Scope and Focus for Entities not participating in ICE

Entity Compliance Oversight Plan
# 2019 Risk Elements in ERO CMEP IP

<table>
<thead>
<tr>
<th>2016-2018 Risk Elements</th>
<th>2019 Risk Elements</th>
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<tbody>
<tr>
<td>Critical Infrastructure Protection</td>
<td>Improper Management of Employee and Insider Access</td>
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<tr>
<td>Extreme Physical Events</td>
<td>Insufficient Long-Term Planning Due to Inadequate Models</td>
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<tr>
<td>Maintenance and Management of BPS Assets</td>
<td>Insufficient Operational Planning Due to Inadequate Models</td>
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<tr>
<td>Monitoring and Situational Awareness</td>
<td>Spare Equipment with Extended Lead Time</td>
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<tr>
<td>Protection System Failures</td>
<td>Inadequate Real-time Analysis During Tool and Data Outages</td>
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<tr>
<td>Event Response/Recovery</td>
<td>Improper Determination of Misoperations</td>
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<tr>
<td>Planning and System Analysis</td>
<td>Inhibited Ability to Ride Through Events</td>
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<tr>
<td>Human Performance</td>
<td>Gaps in Program Execution</td>
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Inadequate Real-Time Analysis During Tool and Data Outages (NERC IP 2019 Zoom In)

<table>
<thead>
<tr>
<th>Standard</th>
<th>Requirements</th>
<th>Inactive/Future Enforcement Date (if applicable)</th>
<th>Entities for Attention</th>
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Gaps in Program Execution
(NERC IP 2019 Zoom In)

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Risk Based Oversight Framework

- Risk Elements:
  - Registered Entity Functions
  - ERO & Regional Characteristics
  - Events
  - RISC

Initial Scope

IRA
Inherent Risk Assessment

ICE
Internal Controls Evaluation

Scope and Focus for Entities not participating in ICE

CMEP Tools
Oversight Tool Selection

Entity Compliance Oversight Plan
Benefits of ICE

- Enhanced attainment of BES reliability, Corporate Goals and Objectives;
- Greater alignment of staff performance to Key Performance Indicators;
- Improved operational performance (i.e., exceeding standards and requirements);
- Enhanced entity communication and interaction across organizational business functions;
- Targeted BES reliability risk-focused scoping;
- Reduction in audit duration;
- Improved risk and control awareness;
- Internal Control Design evaluation including:
  - Functional and Business Process Assessment;
  - Risk Identification, Mitigation & Remediation;
  - Design and Gap Analysis
  - Non-binding Recommendations for Internal Control Design Enhancement.
- ICE Training and Outreach.
Audit Process

- 120 days prior - NPCC sends formal audit notification letter/package (ANL) with milestones for entity response
- Applicable standards/requirements
- RSAWs/Proof due 90 days after ANL which is 30 days prior to on-site arrival
- RSAWs/Proof due 90 days after ANL sent for off-site audit
- Note: 6 Months in advance >>>> NPCC will inquire about voluntary ICE
Audit Preparation by Entity

Prepare RSAWs and list supporting proof/documents

- Procedures, reports, logs, recordings
- The more information you supply to satisfy the auditor requests, the more time he has to review
- Pre-Audit - A lot of work is done by entity and NPCC prior to the onsite visit or offsite phone call.
- Evidence Tracking Sheet
Continuing in 2019

• “Controls” are being assessed during the engagement.
  – NERC expectation
  – Will address in Areas of Concerns, Recommendations, or Positive Observances.
Mitigation/Enforcement Process

• NERC Compliance Monitoring and Enforcement Program

• NERC Appendix 4C
The Enforcement Queue

Leading methods of discovery

- Self Reports 85%–75%
- Audit Findings
- Self Certifications
Disposition Methods

1. Dismissal
2. Compliance Exception
   - Minimal Risk, $0, minimal paperwork
   - Not considered a “possible violation”; instead “potential non-compliance”
   - Do not verify mitigation
3. FFT
   - Moderate risk, $0 penalty still
   - Still efficient and focuses resources, a bit more paperwork
   - Not considered a “confirmed violation”; but still a “possible violation” is sent
   - Verify mitigation
4. SNOP/Full NOP
   - $ Involved
   - Short Settlement Form
We Need to Determine the Risk

• Lesser Risk violations qualify for less serious enforcement paths
• Smaller penalties or no penalties
• Quicker turnaround for NPCC Staff, NERC, and FERC, and the entity.
• Less paperwork, Quicker Disposition for Entity
• Lets everyone focus on a more reliable BES
What helps determine Risk?

- Well written Self Reports
- Well written audit reports, completed RSAWs
- SR: Step by step description of the issue and the Root Cause
- SR: Explanation of steps taken to mitigate
- SR: Explanation of compensating measures
- April 1, 2019: NPCC Self Report Guides
Self Report Guidance

Compliance Enforcement

NPCC conducts enforcement activities in accordance with Appendix 4B and Appendix 4C of the NERC Rules of Procedure.

- Appendix 4B – Sanction Guidelines of the North American Electric Reliability Corporation
- Appendix 4C – Uniform Compliance Monitoring and Enforcement Program

NPCC reviews and assesses all issues of non-compliance with NERC Reliability Standards to:
- Determine the degree of risk posed to the Bulk Electric System
- Ensure that the non-compliance issue is properly mitigated
- Determine the path of disposition
- Calculate any possible sanction.

LATEST NEWS

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<tr>
<td>NPCC Self Report Guidance for CIP and O&amp;P</td>
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LATEST DOCUMENTS

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<td>⚪</td>
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Settlement

• Registered Entities may request settlement negotiations at any time up to the point of NERC filing a “Notice of Penalty”
• Settlement Process provides for negotiation opportunity
• Emphasis for settlement is on reliability of the bulk power system
Factors associated with Penalties

• Risk to bulk power system (Primary Factor)
• Violation Risk Factor/Violation Severity Level
• Discovery Method
• Violation Duration
• Settlement
• Compliance History
More Factors

• Aggravating
  – Intentional / concealment / impeding the investigation
  – Management involvement/knowledge of bad behavior

• Mitigating
  – Admission

• Both
  – Cooperation
  – Internal Compliance Program
Cooperation is Expected

– Timely and accurately responding to questions and inquiries
– Keeping NPCC updated if answers will not be by expected date
– Appropriate staff resources and availability
– Candor/Disclosure
  • All facts; not just favorable facts
  • Providing NPCC with information unhelpful to your entity without a specific question asking for that information
Internal Compliance Program

- Lack of an ICP or poor ICP can lead to aggravating penalty
- Excellent ICP can lead to penalty credits
- Scaled to company size
NPCC actions focus on...

• Thorough understanding - 5W1H
• Root Cause
• Wide view in mitigation activities
• Prevent recurrence
• Assess, Educate, Guide, Inform
2019 Noncompliance Leaders

Total

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2019 Incoming

Discovery Method in 2019

- Audit: 23%
- Self-Certification: 9%
- Self-Report: 65%
- Spot-Check: 1%
- Self-Logged: 2%
Real World

- March: $2.5 million penalty in WECC for CIP
  - Saved by a White Hat
- FAC-003-4 penalties
- IRO-009-2. IROL.
- TOP-001-4, R13. IRO-008-2, R4. 30 minute RTA
- FAC-008
One Stop Shop

Standards

NERC Reliability Standards are developed using an industry-driven, ANSI-accredited process that ensures the process is open to all persons who are directly and materially affected by the reliability of the North American bulk power system; transparent to the public; demonstrates the consensus for each standard; fairly balances the interests of all stakeholders; provides for reasonable notice and opportunity for comment; and enables the development of standards in a timely manner. NERC’s ANSI-accredited standards development process is defined in the Standard Processes Manual and guided by reliability and market interface principles.

NERC Reliability Standards define the reliability requirements for planning and operating the North American bulk power system and are developed using a results-based approach that focuses on performance, risk management, and entity capabilities. The Reliability Functional Model defines the functions that need to be performed to ensure the Bulk Electric System operates reliably and is the foundation upon which the Reliability Standards are based.

The Standards Committee (SC) oversees and prioritizes NERC’s standards development activities. The Standards Committee also coordinates NERC’s development of Reliability Standards with the North American Energy Standards Board’s (NAESB) wholesale electric business practices. Standards drafting teams, which are made up of industry volunteers and supported by NERC staff, work collaboratively to develop requirements using results-based principles that focus on three areas: measurable performance, risk mitigation strategies, and entity capabilities.

Program Contacts

Subscribe to Standards Mailing List

Program Links

ANIS Accreditation

BES Notification and Exception Process

CIP V5 Transition

NAESB Coordination Efforts

Standard Processes Manual

Quality Review

Calendar

View Standards Events

Standards, Compliance, and Enforcement Bulletins

Standards, Compliance, and Enforcement Bulletin - May 14–20, 2018
Thank you!

• The main workshop starts here at 10 AM.

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