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# 2012 NPCC Compliance Monitoring and Enforcement Program (CMEP) Implementation Plan

October 21, 2011

**NOTE:**

The 2012 ERO CMEP Implementation Plan and the 2012 Actively Monitored Reliability Standards List are posted at:

<http://www.nerc.com/commondocs.php?cd=3>

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## NPCC Implementation of ERO Compliance Monitoring and Enforcement Program

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Reliability and accountability are basic tenets of the Compliance Monitoring and Enforcement Program (CMEP). The objective of the North American Electric Reliability Corporation (NERC) and NPCC is to achieve the highest possible level of reliability for the Bulk Power System (BPS). NERC, as the FERC-certified Electric Reliability Organization (ERO), together with NPCC, is accountable to government regulators and industry stakeholders. The CMEP is critically important in supporting reliability and accountability, since effective compliance is a necessary, yet insufficient, activity for assuring the highest levels of reliability. The CMEP covers not only monitoring and enforcement activities, but also education, training and informational activities designed to assist the industry in achieving and sustaining effective compliance and enhanced reliability. The CMEP also complements other critical ERO activities aimed at improving reliability such as: facilitating the industry in the development and improvement of Reliability Standards, providing reliability assessments, and identifying lessons learned from events analysis that can assist the industry in enhancing reliability. There is clear ERO and industry accountability for the development of Reliability Standards in accordance with the 2005 Federal Power Act<sup>1</sup> and FERC Order No. 672<sup>2</sup>, which duly recognize the collective expertise, experience and judgment needed to develop and improve Reliability Standards. NERC continues to refine and improve the annual CMEP and Actively Monitored List (AML) by focusing its efforts and resources on those areas that pose the greatest risk to reliability of the BPS.

As a reminder to all Registered Entities, NERC Rules of Procedure<sup>3</sup> state that all Bulk Power System users, owners, and operators are required to comply with all applicable ERO governmental authority-approved Reliability Standards at all times. Regional Reliability Standards and regional variances approved by NERC and the applicable ERO governmental authority are enforceable and apply to all Registered Entities responsible for meeting those Reliability Standards within the Regional Entity boundaries, whether or not the BPS user, owner, or operator is a member of the Regional Entity.

The CMEP is developed under Section 215(c) of the Federal Power Act<sup>4</sup> to establish and enforce Reliability Standards for the BPS, subject to review by FERC and in general accordance with the “Principles for an Electric Reliability Organization that can Function on an International Basis.”<sup>5</sup> The CMEP is designed to improve reliability through the effective and efficient enforcement of Reliability Standards.

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<sup>1</sup> Section 215(d)(2) of the Federal Power Act located at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109\\_cong\\_bills&docid=f:h6enr.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=109_cong_bills&docid=f:h6enr.txt.pdf)

<sup>2</sup> *Rules Concerning Certification of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement of Electric Reliability Standards*, 114 FERC ¶ 61, 104 (2006) at P 324 located at [http://www.nerc.com/files/final\\_rule\\_reliability\\_Order\\_672.pdf](http://www.nerc.com/files/final_rule_reliability_Order_672.pdf).

<sup>3</sup> See Rules of Procedure, Section 401.2 at <http://www.nerc.com/page.php?cid=18|169>.

<sup>4</sup> *Federal Power Act*, 16 U.S.C. 824o. a.3 (2005). Located at [http://www.nerc.com/fileUploads/File/AboutNERC/HR6\\_Electricity\\_Title.pdf](http://www.nerc.com/fileUploads/File/AboutNERC/HR6_Electricity_Title.pdf)

<sup>5</sup> Bilateral Electric Reliability Oversight Group, August 3, 2005 (the “Bilateral Principles”).

FERC Order No. 672 provides the framework for the ERO and its corresponding certification process. On July 20, 2006, FERC certified NERC as the ERO<sup>6</sup>. FERC regulations provide that an ERO must submit an assessment of its performance three years from the date of certification by the Commission, and every five years thereafter. On September 16, 2010 FERC recertified NERC as the ERO<sup>7</sup> following the three-year assessment.

To help fulfill its responsibilities under its rules filed with regulatory authorities, NERC, as the international ERO, has delegated authority to qualified Regional Entities (such as NPCC) to monitor and enforce compliance with Reliability Standards by users, owners, and operators of the BPS. This delegation is governed by a Regional Delegation Agreements (RDA) that has been approved by the appropriate regulatory authorities. NERC and NPCC are responsible for carrying out the CMEP. NPCC submits its regional CMEP Implementation Plan to NERC for approval based on the requirements of this document.

NERC and NPCC recognize that there are important reliability matters that require prompt communication to industry. NERC has used the Alerts/Advisory<sup>8</sup> process to rapidly inform the industry of such matters. The Implementation Plan strongly encourages the applicable Registered Entities to proactively address such communications as a way of demonstrating good utility practice and a strong culture of compliance and reliability excellence.

The 2012 NPCC CMEP Implementation Plan is based on the 2012 ERO CMEP Implementation Plan and the 2012 Actively Monitored Reliability Standards List that are available on the NERC web site at: <http://www.nerc.com/commondocs.php?cd=3>. These NERC documents contain valuable information that explains the key principles that are being used in the 2012 CMEP. Among the information contained in the NERC documents are detailed descriptions of the risk-based compliance monitoring approach that is being introduced in 2012 ; the 2012 implementation plan development methodology and a description of the Reliability Standards subject to 2012 CMEP implementation.

It is recommended that these documents, in conjunction with this NPCC-specific implementation plan, be reviewed and utilized together to assure that the registered entity has a complete understanding of the 2012 ERO Compliance Monitoring and Enforcement Program.

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<sup>6</sup> ERO Certification Order at P 3.

<sup>7</sup> *North American Electric Reliability Corporation, Reliability Standards Development and NERC and Regional Entity Enforcement*, “Order on the Electric Reliability Organization’s Three-Year Performance Assessment,” 132 FERC ¶ 61,217 (2010 at P 1.

<sup>8</sup> See Events Analysis: Alerts at <http://www.nerc.com/page.php?cid=5|63>.

## CMEP Discovery Methods

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### Compliance Audits

The Reliability Standards selected for compliance audit are determined based on the 2012 Implementation Plan Methodology. NPCC will provide to the registered entity the scope of the compliance audit with the audit notification letter. The audit scope will be based on the outcome of an NPCC entity risk assessment. The entity assessment does not place an entity into a tier as described in the 2012 ERO CMEP Implementation Plan. Only Reliability Standard Requirements are placed into tiers. The intervals for compliance audits is three years for entities registered as a Reliability Coordinator, Balancing Authority, or Transmission Operator, and is six years for entities registered for all other functions<sup>9</sup>. Registered Entities may be audited more frequently as needed based upon the results of risk and performance based assessments performed by the Regional Entities as well as the facts and circumstances surrounding.

NPCC has the authority to expand an audit to include other Reliability Standards and Requirements, but cannot reduce the scope without NERC's consent. NPCC shall consider past performance, including historical violation trends across the Region and those specific to the registered entity, and changes to compliance responsibility resulting from mergers, acquisitions, corporate re-organizations, open investigations and other factors that in the judgment of NPCC's audit staff should be considered as part of the normal planning required for a compliance audit and consistent with generally accepted audit practices.

*NPCC audit teams are authorized and obligated to expand the scope of a compliance audit to include Tier 2 and Tier 3 Requirements and any other requirements they may deem necessary based on the results of the Registered Entity Profile Assessment or the audit team's collective professional judgment. Audit scope expansion can occur at any point during the process, from the initial review of the Registered Entity Profile Assessment through the close of the audit.*

The scope of the registered entities' compliance audits will include a review of all mitigation plans<sup>10</sup> that are open during the on-site audit, as discussed in the CMEP. NPCC must provide the compliance audit team with the status, documentation and evidence for all mitigation plans that are to be reviewed.

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<sup>9</sup> See Rules of Procedure, Section 403.11.1 at

[http://www.nerc.com/files/NERC\\_Rules\\_of\\_Procedure\\_EFFECTIVE\\_20110412.pdf](http://www.nerc.com/files/NERC_Rules_of_Procedure_EFFECTIVE_20110412.pdf)

<sup>10</sup> See Appendix 4C of the NERC RoP at Sections 3.1.4.3 and 6.6:

[http://www.nerc.com/files/Appendix4C\\_Uniform\\_CMEP\\_20110101.pdf](http://www.nerc.com/files/Appendix4C_Uniform_CMEP_20110101.pdf)

Should an expanded scope be required based upon significant issues discovered during the on-site portion of the audit process, the audit team will have the discretion to schedule a follow-up spot check for reviewing the registered entity's compliance with the Reliability Standards and Requirements forming the expanded scope. The audit team will issue a new 30-day notification letter for a spot check in order to allow the registered entity proper time to prepare evidence necessary for the expanded audit scope. The additional compliance monitoring performed by the audit team as a result of the expanded audit scope should not exceed the current audit period.

For compliance audits, NERC provides additional guidance:

### **Audit Focus or Scope**

To increase the efficiency of compliance audits in 2012 NPCC audit teams will have the option of limiting the review of processes and procedures to the Registered Entity's current, in-force documentation, and to the implementation of the Registered Entity's internal compliance program. The audit teams will have the flexibility to review historical information on an as needed basis; this approach allows the audit team to focus on the current reliability risk and determining compliance. In accordance with NERC's Rules of Procedure<sup>11</sup>, documentation submitted to audit teams must be signed, either directly or electronically, by an authorized representative of the registered, regardless of whether or not the document is current or historical. In the event a finding of a possible violation is determined based upon the current, in-force documents, the audit team will review previous versions of the process and procedure documentation to determine the full extent of the possible violation.

In 2012, the audit period, being the range of time for which a registered entity is audited, will be individual to each entity based upon several factors. Depending upon a registered entity's particular situation, the start date for the audit period may be one of several possibilities:

1. the day after the prior audit, or
2. when other monitoring activity by the Compliance Enforcement Authority ended, or
3. the later of June 18, 2007 or the Registered Entity's date of registration if the Registered Entity has not previously been subject to a Compliance Audit.

The end date for the period of time to be covered during compliance audits in 2012 will be the end date for the compliance audits as outlined in the current CMEP, Section 3.1.4.2<sup>12</sup>.

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<sup>11</sup> See Section 3.0 of Appendix 4C of the NERC RoP at:  
[http://www.nerc.com/files/Appendix4C\\_Uniform\\_CMEP\\_20110101.pdf](http://www.nerc.com/files/Appendix4C_Uniform_CMEP_20110101.pdf)

<sup>12</sup> See Appendix 4C of the NERC RoP at  
[http://www.nerc.com/files/Appendix4C\\_Uniform\\_CMEP\\_20110101.pdf](http://www.nerc.com/files/Appendix4C_Uniform_CMEP_20110101.pdf)

It should be noted that, except for those entities that have been recently registered, all Balancing Authorities (BAs), Transmission Operators (TOPs), and Reliability Coordinators (RCs) have experienced at least one compliance audit prior to the end of 2010. For these Registered Entities that have undergone compliance audits already, all available versions of supporting documentation were reviewed for the entire audit periods, which began on June 18, 2007 and ended at their respective audit completion dates.

### **CIP Reliability Standards Compliance Audits**

Registered entities are subject to audits for compliance with all Requirements of CIP-002-3 through CIP-009-3, which took effect October 1, 2010. If there are indications of possible non-compliance, auditors are authorized and obligated to review an entity's compliance throughout the entire audit period, which includes previous versions of CIP Reliability Standards, in order to determine the extent of possible violations.

If a responsible entity has active Technical Feasibility Exceptions (TFEs), Section 8 of NERC Rules of Procedure - Appendix 4D<sup>13</sup>, Procedure for Requesting and Receiving TFEs to NERC CIP Standards requires that subsequent Compliance Audits of the Responsible Entity conducted prior to the Expiration Date shall include audit of implementation and maintenance of the compensating measures and/or mitigating measures and implementation of steps and conduct of research and analyses towards achieving Strict Compliance with the Applicable Requirement. These topics are to be included in Compliance Audits regardless of whether the audit was otherwise scheduled to include the CIP Standard that includes the Applicable Requirement. Audit Team Leads of CIP audits will have requisite experience, training, and/or credentials in cyber security and/or IT auditing due to the need for subject matter expertise and the complexity of these Reliability Standards.

### **2012 Compliance Audit Schedule**

The 2012 NPCC Compliance Audit Schedule will be posted on both the Compliance Resource page on the NERC web site and the Compliance page of the NPCC website (<https://www.npcc.org/Compliance/Default.aspx>). This schedule (Exhibit 1 of this document) will include the names of the registered entities to be audited, the compliance registration, the type of audit to be conducted and the timeframe in which the entity will be audited. NPCC Staff will maintain adherence to the posted schedule unless a registered entity requests a change. In that case NPCC will evaluate the reason(s) for the change and determine if a schedule change is warranted. Questionnaire/Reliability Standards Auditors Worksheets (Q/RSAW) developed by NERC for the audit of a particular standard will be used to aid in the audit as appropriate.

The compliance audits listed on the schedule are labeled as on-site audits or off-site audits. This distinction is only relevant to the location of the audit activities, not the rigor of the audits. Both on-site and off-site audits are compliance audits and are performed using the same Reliability Standards Audit Worksheets (RSAW) and other audit tools and processes. The major difference is that on-site audits would entail physical access to

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<sup>13</sup> [http://www.nerc.com/files/Appendix4D\\_TFE\\_Procedures\\_20110412.pdf](http://www.nerc.com/files/Appendix4D_TFE_Procedures_20110412.pdf)

the audited entity's premises. In fact, a large portion of the pre-audit work associated with an on-site audit may actually occur off-site.

Nevertheless, certain types of audits must contain an on-site component because of the nature or functions of the Registered Entity. For example, Reliability Coordinator, Balancing Authority and Transmission Operator functions must be audited on-site. For other BPS users, owners, and operators on the NERC Compliance Registry, the Regions and NERC can use discretion on the location and the conduct of the audit. In either case, the Regional Entity should plan the audit to assure proper scope and rigor.

### **Compliance Audit Reports**

NPCC is obligated to provide written audit reports for all compliance audits and spot checks in accordance with *NERC Compliance Process Directive #2010-CAG-001 - Regional Entity Compliance Audit Report Processing*<sup>14</sup>. NERC posts all public versions of NPCC compliance audit reports of registered entities on the NERC website to satisfy requirements of the CMEP. NPCC submits two audit reports for each compliance audit of a Registered Entity: a public report and a non-public report. The public report does not contain critical energy infrastructure information or any other information deemed confidential. The public report does not include a description of how the audit team determined its findings; rather, it includes a listing of the findings. The names of the Regional Entity personnel and registered entity personnel participating in the audit are excluded from the public report, and all participants are identified by title. In accordance with FERC expectations<sup>15</sup>, the non-public report shall document all areas of concern related to situations that do not appear to involve a current or ongoing violation of a Reliability Standard requirement, but instead represent an area of concern that could become a violation. The non-public report contains confidential information and detailed evidence that supports the audit findings. The names and titles of all Regional Entity personnel and all registered entity personnel participating in the audit are included in the non-public report.

Public and non-public compliance audit reports that do not contain possible violations are completed by NPCC and are submitted to NERC at the same time. Upon receipt of the reports NERC posts the public reports on its website and submits the non-public audit reports to the applicable regulatory authority.

Public and non-public audit reports that contain possible violations are submitted to NERC at different times. The non-public compliance audit reports are completed by NPCC as soon as practical after the last day of the audit and are then submitted to NERC. Upon receipt of the non-public reports, NERC submits them to the Applicable Governmental Authority. The public reports that contain possible violations are completed by redacting all confidential information in the non-public reports. NPCC retains the public version of compliance audit reports that contains possible violations

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<sup>14</sup> <http://www.nerc.com/page.php?cid=3|22>

<sup>15</sup> *Compliance with Mandatory Reliability Standards*, "Guidance Order on Compliance Audits Conducted by the Electric Reliability Organization and Regional Entities," 126 FERC ¶ 61,038 (2009) at P13, <http://www.nerc.com/files/GuidanceOrderOnComplianceAudits-01152009.pdf>

until all violations are processed through the NERC CMEP. Due process is considered complete when all possible violations are dismissed or when a violation is confirmed or a settlement is reached and a decision has been rendered, if applicable, by the regulatory authority (e.g. Notice of Penalty (NOP) has been issued in the United States). Upon completion of due process, NPCC submits the public version of the compliance audit reports to the registered entities for review and comment prior to submitting them to NERC. Upon receipt of the public reports NERC posts them on the NERC website<sup>16</sup>.

In order to promote transparency and to provide the industry with guidance for improving compliance, NERC will be publishing a document containing the areas of concern, lessons learned, recommendations, and suggestions developed by ERO audit teams as part of the compliance monitoring process for 2011. This document will be similar to the Case Notes<sup>17</sup> that NERC currently provides in regard to the lessons learned as a result of registered entities completing their mitigation plans. The document will not mention or make reference to any registered entities specifically, but will instead focus on those various aspects for supporting and helping to enhance compliance programs.

### **Compliance Tools**

The RSAWs are designed to add clarity and consistency to the assessment of compliance with Reliability Standards. The RSAWs are used for multiple compliance monitoring methods. Comments on these and any of the ERO's auditor resources are welcome and can be directed to NPCC's Compliance Managers<sup>18</sup>.

The RSAWs are posted on the NERC public website<sup>19</sup> and provide information to the industry about expectations of the ERO compliance auditors when evaluating compliance with a Reliability Standard. NERC works in close coordination with the Regional Entities to ensure the information in existing RSAWs is updated with the latest regulatory authority language and guidance, and new RSAWs are developed as Reliability Standards are approved. It is recommended that Regional Entities and registered entities check the NERC website regularly to ensure the latest available versions of RSAWs are being used.

NERC works with Regional Entities to review these RSAWs on a continual basis for improvement. NERC plans to convert RSAWs to a database format in the future to support timely updates as Reliability Standards are approved, modified, or retired.

### **Mitigation Plans**

Registered Entities must be in compliance with all Reliability Standards at all times. NERC and NPCC both encourage aggressive self-assessments and analysis and self reporting of noncompliance by registered entities. Registered entities are further encouraged to draft mitigation plans upon identification and self reporting of possible violations, prior to the required submission timeline per the CMEP. Mitigation plans are

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<sup>16</sup> Public audit reports can be found at: <http://www.nerc.com/page.php?cid=3|26|246>

<sup>17</sup> <http://www.nerc.com/page.php?cid=3|22|371>

<sup>18</sup> Information concerning Regional Entity programs is available at: <http://www.nerc.com/page.php?cid=3|23>

<sup>19</sup> <http://www.nerc.com/page.php?cid=3|22>

not an admission of a violation and are treated as voluntary corrective action. However, mitigation plans duly prepared and promptly submitted to the Regional Entity will be used to demonstrate a positive, proactive culture of compliance in any potential enforcement action.

### **Self-Certification**

All registered entities are required to participate in the annual self-certification each year per the NERC Actively Monitored Reliability Standard list. NPCC, at its discretion, may include additional Reliability Standards to include in the Regional 2012 Implementation Plan. Registered entities will receive guidance and instruction from NPCC concerning self-certification submittals. Self-certification is an important component of the ERO Compliance Monitoring and Enforcement Program. It is one of the discovery methods that monitor a Registered Entity's compliance with Reliability Standards, especially those that have not been included in audit scopes in recent years. Self-certification waivers are not available as all applicable Reliability Standards must be self-certified. The NPCC 2012 Self Certification Schedule is contained in Exhibit 2 of this document.

### **CIP-002-3 through CIP-009-3 Reliability Standards**

Registered entities are required to self-certify once per year, as scheduled by NPCC and according to NPCC's 2012 Implementation Plan. However, self-certification may expand to include CIP supplemental questionnaires as directed by NERC or an Applicable Governmental Authority. The NPCC Reporting Schedule for Self Certification for all Standards is in Exhibit 2 of this report.

A unique characteristic of the CIP Standards pertains to self-certification: CIP-002-3 R4 requires all entities to annually approve their risk-based assessment methodology, the list of Critical Assets and the list of Critical Cyber Assets, even if such lists are null. Thus, entities will need to submit self-certification for CIP-002-3 even if they conclude they have no Critical Assets.

The requirements for Self-Certification differ from the reporting requirements for approved TFEs. TFE reporting requirements for Responsible Entities are described in Section 6 of NERC Rules of Procedure - Appendix 4D, Procedure for Requesting and Receiving TFEs to NERC CIP Standards.

### **Spot Checks**

Spot checks are compliance audits with a much narrower focus, but are performed with the same rigor as a compliance audit. NERC and NPCC have the authority to conduct spot checks of any regulatory approved Reliability Standards. NPCC may expand the list of Reliability Standards and Requirements they have scheduled for spot checks in their Regional Implementation Plan. NPCC shall ensure, however, that they satisfy all spot check requirements in the NERC Reliability Standards, Rules of Procedure, and CMEP. NPCC is obligated to provide written audit reports for all compliance audits and spot checks in accordance with *NERC Compliance Process Directive #2010-CAG-001* -

*Regional Entity Compliance Audit Report Processing*<sup>20</sup>. The standard audit report template and procedure provided in NERC Compliance Process Directive #2010-CAG-001 will be used for all spot check reports.

### **CIP Reliability Standards**

Selected Reliability Standards Requirements of CIP-002-3 through CIP-009-3 will be audited and additional spot checks may be performed at NPCC's discretion. CIP audits, including CIP spot checks, will require the appropriate reports per the R o P, CMEP, and *NERC Compliance Process Directive #2010-CAG-001 - Regional Entity Compliance Audit Report Processing*<sup>21</sup>.

### **Periodic Data Submittals**

NPCC shall specify the NERC Reliability Standards requiring Registered Entity Periodic Data Submittal and the associated filing schedules as part of the annual CMEP and assign work tasks to the Compliance Staff responsible for the NPCC Compliance Monitoring Enforcement Data Administration Application (CDAA) application reporting forms. The NPCC Compliance Staff responsible for CDAA development will post required filing schedules, self-certification forms, and supporting information on the NPCC Compliance Website and ensure that the CDAA Home Page is current with the latest CDAA information regarding enhancements to the application.

Content and general structure of Periodic Data Submittal forms will conform to the NERC Reliability Standard(s), and include the following:

- Registered Entity Contact;
- Confidentiality Statement;
- Overall Compliant, Not Compliant, or Not Applicable Statement; and,
- Additional Supporting Data as necessary.

Compliance filing requirements and schedules will be posted to the NPCC Public website (<https://www.npcc.org/Compliance/Compliance%20Reporting%20Schedules/Forms/Public%20List.aspx>) and CDAA a minimum of thirty (30) days, and if possible forty-five (45) days, prior to the due date for Periodic Data Submittals. *NOTE: Where advance posting is required by a specific Standard then that posting timeframe will control. Schedules are posted at the beginning of the calendar year.*

Periodic Data Submittal forms will typically be "Locked Out" at the end of the month in which the submittal is due from the Registered Entity. Entities who have not completed submission by this "Lockout" date must contact NPCC Compliance Staff to unlock the forms and explain why they are submitting the data past the scheduled due date.

Certification Statements (statements signed by the Registered Entity designated signatory affirming the contents of the Periodic Data Submittal) shall be electronically or manually signed following the submission of the associated Periodic Data form. *NOTE: NPCC Compliance Staff will review the submitted data and follow-up as needed to ensure all*

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<sup>20</sup> <http://www.nerc.com/page.php?cid=3|22>

<sup>21</sup> <http://www.nerc.com/page.php?cid=3|22>

*applicable Registered Entities have filed Periodic Data Submittals as required and submitted the designated authorized signature forms.*

NPCC may execute the following steps, for each periodic data submittal filing form not submitted by the required date:

- Direct the NPCC compliance engineer to issue a follow-up notification to the registered entity's designated contact one week after the required periodic data submittal due date.
- If the initial follow-up notification is unsuccessful after one week, the NPCC compliance engineer will issue a follow-up notification to the registered entity's officer or equivalent. NERC will also receive a copy of the notification sent to the registered entity.
- If the two above notifications are still unsuccessful after two weeks, NPCC will issue a notification of the late submittal to the registered entity's Chief Executive Officer or equivalent.
- Thirty (30) days after the periodic data submittal due date, NPCC compliance staff will issue a non-compliance violation with the applicable Severe Compliance Severity Level to the registered entity.

The NPCC compliance staff will review all overdue and non-compliance reports. All non-compliance reports must be submitted through the NPCC CDAA. Thirty (30) days after the Periodic Data Submittal Due Date, NPCC Compliance Staff will issue a Non-Compliance Violation with the applicable Compliance Severity Level to the Registered Entity. The NPCC Compliance Staff will report all Non-Compliance Submittals to the NPCC Manager of Enforcement.

Fully compliant Registered Entity Periodic Data Submittals (without evidence of Non-Compliance / Alleged Violation) are retained for 6 years in accordance with the NPCC data retention requirements.

Specific Reliability Standards and Requirements have been identified for periodic data submittals. The periodic data submittals for 2012 are as shown on the Requirements Tab of the 2012 Actively Monitored Reliability Standards list. Specific information regarding periodic data submittals is defined in the Regional Entity Implementation Plans.

### **Self-Report**

In NPCC self-reporting is encouraged at the time a registered entity becomes aware of:

- (i) a violation of a reliability standard; or
- (ii) a change in the Violation Severity Level of a previously reported violation.

Self-reporting of a reliability standard violation is encouraged regardless of whether the NERC Reliability Standard requires reporting on a pre-defined schedule in the compliance program and the violation is determined outside the pre-defined reporting schedule. NPCC compliance staff shall post and ensure self-reporting submittal forms

and related mitigation plans (self initiate via CDAA) are maintained and available via the NPCC CDAA to all registered entities. The NPCC compliance staff shall review information submitted by the registered entity in accordance with the requirements of the applicable NERC Reliability Standard. The NPCC compliance staff may request additional data or information from the registered entity that submitted the self-report and related mitigation plans. *NOTE: NPCC compliance staff through the NPCC CDAA will automatically receive an e-mail notification that a self-report was submitted.*

The NPCC compliance staff shall complete an assessment of the registered entities self-report. The NPCC compliance staff shall follow-up with registered entity as needed to obtain the following minimum information:

- Contact information (Individual name and phone number)
- A brief description of the potential noncompliance / alleged violation
- Applicable reliability standards and requirements
- Current condition (is the issue an active threat to the bulk electric system)
- Mitigation plan
- Any immediate / remedial actions already taken by the registered entity

NPCC compliance staff shall submit all alleged non-compliance information in accordance with the NERC CMEP and NPCC internal enforcement guidelines.

NPCC compliance staff will retain all self-reports and supporting material in accordance with NERC requirements.

Registered Entities are encouraged to self-report compliance violations with any regulatory authority-approved reliability standard. In most cases, self-reports of compliance violations are provided to the appropriate Regional Entity. NERC strongly encourages Registered Entities to report violations of Reliability Standards as soon as possible to ensure that the entity receives appropriate credit for self-reporting and to minimize any ongoing risk to the BES.

### **Exception Reporting**

Exception Reporting is utilized for those Reliability Standards that require reporting of exceptions to compliance. NPCC will also require the Registered Entities to confirm the number of exceptions that have occurred in a given time period identified by the Reliability Standard. NPCC compliance staff shall post and ensure exception reporting submittal forms and related mitigation plans (self initiate via CDAA) are maintained and available via the NPCC CDAA to all registered entities.

The NPCC compliance staff shall review information submitted by the registered entity in accordance with the requirements of the applicable NERC Reliability Standard. The NPCC compliance staff may request additional data or information from the registered entity that submitted the exception report and related mitigation plans. The NPCC compliance staff shall complete an assessment of the registered entity's exception report. The NPCC compliance staff shall follow-up with a registered entity as needed to obtain the following minimum information:

- Contact information (Individual name and phone number)
- A brief description of the potential noncompliance / alleged violation
- Applicable reliability standards and requirements
- Current condition (is the issue an active threat to the bulk electric system)
- Mitigation plan
- Any immediate / remedial actions already taken by the registered entity

NPCC compliance staff shall submit all alleged non-compliance information in accordance with the NERC CMEP and NPCC internal enforcement guidelines. NPCC compliance staff will retain all exception reports and supporting material in accordance with NERC requirements.

### **Complaint**

NPCC will review each complaint it receives. A complaint may originate from FERC, NERC, a Registered Entity or any entity. Complaints directed at NPCC will be submitted directly to NERC for review. Complaints can be processed on-line through the NPCC Compliance web site link or the NERC Complaint web site form. NPCC will conduct a CI for any complaint it receives.

All regulatory authority-approved Reliability Standards or requirements are subject to a complaint regarding a compliance violation by a Registered Entity. Complaints can lead to a Compliance Investigation.

NERC maintains a Compliance Hotline to receive complaints which is administered by the Event Analysis & Investigation group). Any person may submit a complaint to report a possible violation of a reliability standard by phone by calling 609-524-7029, sending an e-mail directly to [hotline@nerc.net](mailto:hotline@nerc.net) or completing the form on <https://www.nerc.net/hotline/>.

Unless specifically authorized by the complainant, NERC and Regional Entity staff will withhold the name of the complainant in any communications with the violating entity. All information provided will be held as confidential in accordance with the NERC Rules of Procedure. The compliance staff will informally seek additional information from the submitter and others, as appropriate. The compliance staff may refer the matter for further investigation by NERC or the appropriate Regional Entity. *Note: The NERC Compliance Hotline is for reporting complaints or possible compliance violations of Reliability Standards by an entity. For other questions regarding the NERC CMEP or Reliability Standards, please send an email to [compliancefeedback@nerc.net](mailto:compliancefeedback@nerc.net).*

### **Compliance Investigations**

A Compliance Investigation (CI) may be initiated at any time by the NERC or NPCC in response to a system disturbance, Complaint, or the possible violation of a Reliability Standard identified by any other means. Compliance Investigations are confidential, unless FERC directs otherwise and are generally led by NPCC's staff. NERC reserves the right to assume the leadership of a Compliance Investigation.

A CI may be initiated by the NPCC Compliance Staff at any time in response to a Complaint, a System Disturbance (with emphasis on potential Compliance Violations as a result of a Grid Event) or any possible Reliability Standards Violation identified by other means. The scope of the Investigation will typically be focused on Determination of Non-Compliance (Alleged Violations) to one or more specific Reliability Standards arising from the instances noted above. The Registered Entity is required under NERC Rules of Procedure to respond to all Data Requests and provide access for On-Site Inspections as needed. If the Reliability Standards included in the Investigation do not specify the Advance Notice Period for Data Requests, NPCC will allow at least twenty (20) days Advance Notice to collect the data and related information. NPCC Staff may, at its discretion, use Site Visits, Team Investigations, Data Submittals, etc. to further determine the compliance and / or adherence to Reliability Standards pertinent to the event.

### **Reporting Credit**

Currently, self-reporting credits will not be given to those registered entities for filing reports they are required to make<sup>22</sup>. Additionally, there are no reporting credits available during the enforcement process for mandatory reporting of self-certifications and self-reports during or after an audit. Cooperation credits may be available to a registered entity during the enforcement process based on facts and circumstances.

NERC has requested a rehearing on the issue of self-reporting credits from FERC<sup>23</sup>. NERC recognizes that self-reporting credit is a critical component to entity compliance and BPS reliability and encourages registered entities to continue to self-report all possible violations as soon as possible.

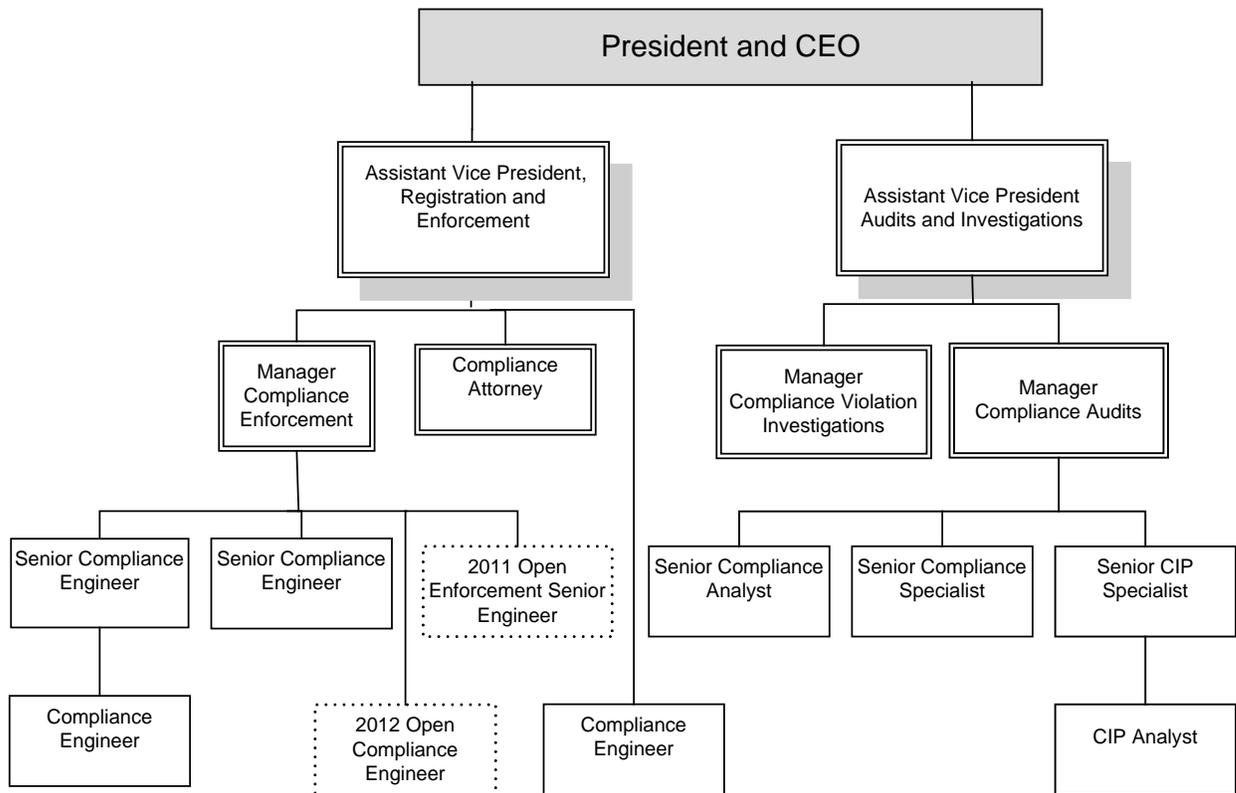
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<sup>22</sup> *North American Electric Reliability Corporation*, “Order on Review of Notice of Penalty,” 134 FERC ¶ 61,209 (2011) at P 47, <http://www.ferc.gov/whats-new/comm-meet/2011/031711/E-3.pdf>

<sup>23</sup> [http://www.nerc.com/files/FinalFiled\\_Req\\_For\\_Clarification\\_Turlock\\_Order\\_20100418.pdf](http://www.nerc.com/files/FinalFiled_Req_For_Clarification_Turlock_Order_20100418.pdf)

# NPCC Compliance Monitoring and Enforcement Program Organization

The NPCC Compliance Monitoring and Enforcement Program is implemented by the NPCC Compliance Staff and is divided into two areas as shown below.



The focus of NPCC’s compliance program is to improve the reliability of the Bulk Electric System in its footprint by fairly and consistently enforcing compliance with regulatory approved Reliability Standards. Specifically, the program is designed to ensure that the right practices are in place so that the likelihood and severity of future system disturbances are substantially reduced, while recognizing that no Reliability Standards or enforcement process can fully prevent all such disturbances from occurring.

## Compliance Enforcement

The NPCC Enforcement organization is depicted in the overall Compliance Program Organization Chart. The NPCC Enforcement Staff is responsible for:

- a) Leading all comprehensive enforcement investigations to obtain all necessary facts and circumstances related to an identified violation;
- b) Issuing all notices associated with an identified violation (including the NOPV, NAVAPS, NOD and the NOCV);
- c) Determining Find, Fix and Track (FFT) violation classification;
- d) Filing FFT, Spreadsheet NOP and Full NOP candidates with NERC for review and approval;
- e) Notifying Registered Entity of FFT classification determination;
- f) Leading settlement negotiations;
- g) Reviewing and approving all mitigation plans;
- h) Tracking completion of mitigation plans and coordinating NPCC efforts in any potential compliance hearing;
- i) Providing Enforcement-related metrics

Based on past experience, a priority for NPCC is to assure accurate, fair, reasonable, and timely enforcement determinations. NPCC is continuously reviewing ways to improve both speed and quality of enforcement proceedings by streamlining processes, looking for more standardization, and prioritizing workload. Streamlined enforcement processes, specifically the introduction of the Disposition Document, Abbreviated Notice of Penalties and other process improvements, have been implemented and efficiency gains will be monitored, quantified and reported to Registered Entities, the NPCC Board of Directors and the NERC BOT Compliance Committee on a regular basis.

## Key CMEP Activities and 2012 Initiatives

In 2011 NPCC developed its registered entity Culture of Compliance Survey and distributed it to all Registered Entities utilizing a four phase approach. NPCC conducted pre-submittal seminars, affording all registered entities an opportunity to ask clarifying questions about the activity before submitting the survey.

The purpose of this survey is to provide a tool for Registered Entities to understand their relative Culture of Compliance, as it relates to NERC Reliability Standards, and enhance it through the adoption of identified “best practices.”

The goal is for NPCC to have all registered entities’ responses evaluated by the end of 2011 and to distribute to all registered entities a listing of “examples of excellence” and “best practices” that can be used to improve an entities’ Culture of Compliance, where applicable.

In 2012, NERC and the Regional Entities will be developing a registered entity risk assessment. This overall risk assessment will be made up of five components: 1) Technical Profile; 2) Reliability Metrics; 3) Culture of Compliance/ICP; 4) Historical CMEP Information and Status of Current Actions and 5) Regional Assessment. Information from the 2011 NPCC Culture of Compliance Survey will serve as the basis for input into component #3 of the overall registered entity risk assessment. NPCC will also be gathering information related to the other four remaining components described above.

In 2011, NPCC focused on enhancing the efficiency of processing discovered violations. NPCC analyzed data associated with its processing of discovered violations since the inception of the CMEP in June, 2007. NPCC will be presenting results of this analysis by year’s end.

In 2012, NPCC will expand and enhance its violation processing metrics as part of its effort to enhance its overall compliance metrics.

In 2011, NPCC worked with the other Regions and NERC in developing audit approach documents for several reliability standards. Documents completed include MOD-001, MOD-004, MOD-008, MOD-030, COM-002, FAC-003, PRC-005 and PRC-023. Each document includes sections on Audit Approach and Data Retention requirements. These documents enable all regions to employ a consistent approach to audits involving these standards.

In 2012, this work will continue and focus on additional reliability standards.

In 2011, NPCC developed examples of excellence in compliance documentation, posting of evidence and preparedness for audits. NPCC will share this with the other Regions and all our registered entities during the fall, 2011 compliance workshop.

In 2012, NPCC will continue to identify additional examples of excellence and share them with the other Regions.

## Exhibit 1-NPCC 2012 Audit Schedule

### Off-site Ops & Planning Audits

Algonquin Power Windsor Locks, LLC	NE	NCR11027	GO GOP	11-Jan
Atlantic Coast Energy Corp.	NPCC	NCR11038	LSE	11-Jan
CAMS-Connecticut	NE	NCR11056	GOP	11-Jan
Constellation Mystic Power, LLC	NE	NCR11088	GO GOP	18-Jan
Empire Generating Company LLC	NY	NCR11061	GO GOP	18-Jan
Entergy Nuclear Generation Company	NY	NCR07072	GO GOP TO	7-Nov
GenConn Devon LLC	NE	NCR11028	GO GOP	18-Jan
GenConn Middletown LLC	NE	NCR11111	GO GOP	7-Nov
GenOn East 1	NPCC	NCR11121	GO GOP	8-Feb
Iberdrola Renewables	NY	NCR10259	GO GOP PSE	8-Feb
Lake Road Generating Company, LP	NE	NCR07131	GO GOP TP TSP	15-Feb
Massena Electric Department	NY	NCR11044	DP LSE	15-Feb
Plattsburgh Municipal Lighting Department	NY	NCR11045	DP LSE	15-Feb
Purenergy Operating Services LLC (MMRE NPCC Lead)	NE	NCR10026	GOP	6-Jun
ReEnergy Sterling CT Limited Partnership	NE	NCR11110	GO GOP	7-Nov
Salamanca Board of Public Utilities	NY	NCR11046	DP LSE	7-Mar
Saranac Power Partners, L.P.	NY	NCR07208	GO GOP	7-Mar
Selkirk Cogen Partners, L.P.	NY	NCR10051	GO GOP	7-Mar
Seneca Power Partners, LP	NY	NCR10372	GO GOP	14-Mar
Sheldon Energy, LLC	NY	NCR10299	GO GOP	14-Mar
Shrewsbury Electric and Cable Operations	NE	NCR10252	DP LSE	11-Apr
Standard Binghamton LLC	NY	NCR07123	GO GOP	11-Apr
Sterling Power Partners	NY	NCR10373	GO GOP	14-Mar
Syracuse Energy Corporation	NY	NCR10193	GO GOP PSE	6-Jun
Tanner Street Generation, LLC	NE	NCR11152	GO GOP	6-Jun
TC Ravenswood Services Corp.	NY	NCR00088	GOP	11-Apr
The City of Holyoke Gas and Electric Department	NE	NCR07217	DP LSE TO	13-Jun
Tiverton Power Inc.	NE	NCR11129	GO GOP	13-Jun
Town of Wallingford Dept of Utilities	NE	NCR07041	DP LSE	20-Jun
TransCanada Hydro Northeast Inc	NE	NCR07220	GO GOP	20-Jun

United Illuminating Company	NE	NCR07222	DP LSE TO TP	21-Nov
Unitil Energy Systems, Inc.	NE	NCR07223	DP LSE	5-Sep
Vermont Electric Cooperative	NE	NCR07224	DP LSE PSE	5-Sep
Vermont Marble Power Division of Omya Inc	NE	NCR07226	DP LSE	5-Sep
Village of Solvay Electric Department	NY	NCR11047	DP LSE	26-Sep
Wakefield Gas & Light Department	NE	NCR10253	DP LSE	26-Sep
Wallingford Energy, LLC	NE	NCR11102	GO GOP	10-Oct
Waterbury Generation, LLC	NE	NCR10339	GO GOP	10-Oct
Waterside Power, LLC	NE	NCR10374	GO	10-Oct
Wellesley Municipal Light Plant	NE	NCR07230	DP LSE	10-Oct
Westbrook Energy Center	NE	NCR07231	GO	24-Oct
Westfield Gas & Electric Light Department	NE	NCR07233	DP LSE	8-Feb
Wheelabrator Bridgeport, L.P.	NE	NCR02923	GO GOP	21-Mar
Wheelabrator Millbury Inc.	NE	NCR10172	GO GOP	20-Jun
Wheelabrator Saugus J.V.	NE	NCR10033	GO GOP	19-Sep
Wheelabrator Westchester Inc.	NY	NCR10221	GO GOP	7-Nov
WPS Power Development, LLC	MT	NCR07235	GO GOP	24-Oct

**On-site Ops & Planning Audits**

Central Maine Power Company	NE	NCR07029	TOP	10-Sep
ISO-NE	NE	NCR07124	BA RC TOP	23-Apr
NSTAR Electric	NE	NCR07180	TOP	15-Oct
Vermont Transco, LLC	NE	NCR07228	TOP	26-Mar
Western Electric Coordinating Council	WE	NCR10289	IA RC	14-May

**Off-Site CIP Audits**

Connecticut Light & Power Company	NE	NCR07044	DP LSE TO	8-Jun
Western Massachusetts Electric Company	NE	NCR07232	DP LSE TO	8-Jun

**On-Site CIP Audits**

Arthur Kill Power LLC	NY	NCR07009	GO GOP	19-Mar
Astoria Gas Turbine Power LLC	NY	NCR07011	GO GOP	30-Jan
Bangor Hydro-Electric Company	NE	NCR07013	DP LSE TO TP	27-Feb
Bear Swamp Power Company LLC	NE	NCR07015	GO GOP	22-Oct
Central Hudson Gas & Electric Corporation	NY	NCR07028	DP LSE TO	5-Nov
Connecticut Jet Power LLC	NE	NCR07043	GO GOP	3-Dec
ISO-NE	NE	NCR07124	BA IA PA RC RP TOP TP TSP	21-May
National Grid USA	NE	NCR11171	DP LSE PSE TO TP TSP BA IA PA RC RP TOP TP	1-Oct
New York Independent System Operator	NY	NCR07160	TSP	18-Jun
United Illuminating Company	NE	NCR07222	DP LSE TO TP	10-Sep
Western Electric Coordinating Council	WE	NCR10289	IA RC	16-Apr

## Exhibit 2 - NPCC 2012 Self Certification Schedule

Standard	Start of Reporting Period	End of Reporting Period	Due Date	BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
EOP-001-0	03/01/2011	02/28/2012	03/20/2012	X												X		
COM-001-1.1	05/01/2011	04/30/2012	05/20/2012	X								X				X		
COM-002-2	05/01/2011	04/30/2012	05/20/2012	X			X					X				X		
PRC-017-0	06/01/2011	05/31/2012	06/20/2012		X	X									X			
EOP-002-3	07/01/2011	06/30/2012	07/20/2012	X								X						
EOP-005-1	07/01/2011	06/30/2012	07/20/2012	X												X		
EOP-008-0	07/01/2011	06/30/2012	07/20/2012	X								X				X		
PRC-023-1	07/01/2011	06/30/2012	07/20/2012		X	X				X					X			
IRO-005-3a	08/01/2011	07/31/2012	08/20/2012	X			X		X		X	X				X		X
FAC-008-1	09/01/2011	08/31/2012	09/20/2012			X									X			
FAC-009-1	09/01/2001	08/31/2012	09/20/2012			X									X			
FAC-014-2	09/01/2011	08/31/2012	09/20/2012							X		X				X	X	
CIP-001-2a	10/01/2011	09/30/2012	10/20/2012	X			X		X			X				X		
CIP-002-3	10/01/2011	09/30/2012	10/20/2012	X		X	X	X	X			X			X	X		X
CIP-003-3	10/01/2011	09/30/2012	10/20/2012	X		X	X	X	X			X			X	X		X
CIP-004-3	10/01/2011	09/30/2012	10/20/2012	X		X	X	X	X			X			X	X		X
CIP-005-3a	10/01/2011	09/30/2012	10/20/2012	X		X	X	X	X			X			X	X		X
CIP-006-3c	10/01/2011	09/30/2012	11/20/2012	X		X	X	X	X			X			X	X		X
CIP-007-3	10/01/2011	09/30/2012	11/20/2012	X		X	X	X	X			X			X	X		X
CIP-008-3	10/01/2011	09/30/2012	11/20/2012	X		X	X	X	X			X			X	X		X

2012 NPCC Compliance Monitoring and Enforcement Program Implementation Plan

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CIP-009-3	10/01/2011	09/30/2012	11/20/2012	X		X	X	X	X			X			X	X		X
FAC-003-1	01/01/2012	12/31/2012	01/20/2013												X			
IRO-004-2	01/01/2012	12/31/2012	01/20/2013	X												X		X
PER-002-0	01/01/2012	12/31/2012	01/20/2013	X												X		
PRC-001-1	01/01/2012	12/31/2012	01/20/2013	X			X									X		
PRC-004-1	01/01/2012	12/31/2012	01/20/2013		X	X									X			
PRC-005-1	01/01/2012	12/31/2012	01/20/2013		X	X									X			
PRC-008-0	01/01/2012	12/31/2012	01/20/2013		X										X			
PRC-011-0	01/01/2012	12/31/2012	01/20/2013		X										X			
TOP-002-2a	01/01/2012	12/31/2012	01/20/2013	X			X		X							X		X
TOP-004-2	01/01/2012	12/31/2012	01/20/2013													X		
VAR-001-2	01/01/2012	12/31/2012	01/20/2013													X		
VAR-002-1.1b	01/01/2012	12/31/2012	01/20/2013				X											
MOD-001-1a	02/01/2012	01/31/2013	02/20/2013													X		X
MOD-004-1	02/01/2012	01/31/2013	02/20/2013	X					X				X				X	X
MOD-008-1	02/01/2012	01/31/2013	02/20/2013													X		