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2013 NPCC Compliance Monitoring and Enforcement Program (CMEP) Implementation Plan

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NOTE:

The 2013 ERO CMEP Implementation Plan and the 2013 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

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 Act¹ and FERC Order No. 672², 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 Procedure³ 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 Act⁴ 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.”⁵ The CMEP is designed to improve reliability through the effective and efficient enforcement of Reliability Standards.

¹ 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

² *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.

³ See Rules of Procedure, Section 401.2 at <http://www.nerc.com/page.php?cid=1|8|169>.

⁴ *Federal Power Act*, 16 U.S.C. 824o. a.3 (2005). Located at http://www.nerc.com/fileUploads/File/AboutNERC/HR6_Electricity_Title.pdf

⁵ 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 ERO⁶. 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 ERO⁷ 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 Agreement (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/Advisory⁸ 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 2013 NPCC CMEP Implementation Plan is based on the 2013 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 2013 CMEP. Among the information contained in the NERC documents are detailed descriptions of the risk-based compliance monitoring approach that is being introduced in 2013; the 2013 implementation plan development methodology and a description of the Reliability Standards subject to 2013 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 2013 ERO Compliance Monitoring and Enforcement Program.

⁶ ERO Certification Order at P 3.

⁷ *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).

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

CMEP Discovery Methods

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 2013 ERO CMEP Implementation Plan. Only Reliability Standard Requirements are placed into tiers. The intervals for compliance audits are three years for entities registered as a Reliability Coordinator, Balancing Authority, or Transmission Operator and six years for entities registered for all other functions⁹. 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 plans¹⁰ 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.

⁹ See Rules of Procedure, Section 403.11.1 at

http://www.nerc.com/files/NERC_Rules_of_Procedure_EFFECTIVE_20110412.pdf

¹⁰ 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

Should an expanded scope be required, 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.

Registered entities will not be expected to provide evidence outside of the current audit period for compliance purposes unless that evidence is required in accordance with the processes and procedures of the registered entity or it is required by the standard. For example, a registered entity is expected to provide evidence outside of the current audit period for substantiating long-range plans that are longer than an audit period, such as Protection System maintenance and testing intervals. For those reliability standards that do not involve long-range plans, an audit team will not be able to request information that is outside of the bounds of the current audit—either three or six years—nor can it identify possible non-compliance outside of this audit period. In other words, the completion of an audit closes one audit period and initiates another, excluding future audit teams from reviewing a registered entity's compliance during past audit periods. This exclusion does not apply to ERO enforcement, investigations, or events analysis. Generally speaking, spot checks, periodic data submittals and self-certifications will not require evidence that precedes the current audit period.

Audit Focus or Scope

RE audit teams, as part of their evidence review when determining compliance with specific requirements or as part of their internal compliance program review, have the option, with clearly documented basis in the audit work papers, of limiting the review of processes and procedures to the registered entity's current, in-force documentation. 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 determining current reliability risk and compliance of a registered entity. In accordance with NERC's ROP section 403, certifying evidence submitted to audit teams must be signed, either directly or electronically, by an authorized representative of the registered entity, 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 2013, 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 2013 will be the end date for the compliance audits as outlined in the current CMEP, Section 3.1.4.2¹¹.

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), the NERC ROP requires that:

Following approval of a Responsible Entity's TFE Request, subsequent Compliance Audits of the Responsible Entity conducted prior to the Expiration Date shall include audit of (i) the Responsible Entity's implementation and maintenance of the compensating measures or mitigating measures or both specified in the approved TFE, in accordance with the time schedule set forth in the approved TFE, and (ii) the Responsible Entity's implementation of steps and conduct of research and analyses towards achieving Strict Compliance with the Applicable Requirement, in accordance with the time schedule set forth in the approved TFE. These topics shall be included in such Compliance Audits regardless of whether a Compliance Audit was otherwise scheduled to include the CIP Standard that includes the Applicable Requirement.

2013 Compliance Audit Schedule

The 2013 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 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 Audit 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

¹¹ See Appendix 4C of the NERC RoP at http://www.nerc.com/files/Appendix4C_Uniform_CMEP_20110101.pdf

and processes. The major difference is that on-site audits would entail physical access to 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*¹². 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 expectations¹³, 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

¹² <http://www.nerc.com/page.php?cid=3|22>

¹³ *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>

retains the public version of compliance audit reports that contains possible violations 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 website¹⁴.

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 Managers¹⁵.

The RSAWs are posted on the NERC public website¹⁶ 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.

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 non-compliance 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 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.

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.

¹⁴ Public audit reports can be found at: <http://www.nerc.com/page.php?cid=3|26|246>

¹⁵ Information concerning Regional Entity programs is available at: <http://www.nerc.com/page.php?cid=3|23>

¹⁶ <http://www.nerc.com/page.php?cid=3|22>

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*¹⁷. 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 ROP, CMEP, and *NERC Compliance Process Directive #2010-CAG-001 - Regional Entity Compliance Audit Report Processing*¹⁸.

Compliance Investigations

A Compliance Investigation may be initiated at any time by the NERC or the Regions in response to a system disturbance, Complaint, or the PV of a reliability standard identified by any other means. Compliance Investigations are confidential, unless FERC directs otherwise, and are generally led by the REs staff. NERC reserves the right to assume the leadership of a Compliance Investigation.

The Compliance Enforcement Authority reviews information to determine compliance with the reliability standards. The Compliance Enforcement Authority (CEA) may request additional data or information or both as necessary through formal requests for information, site visits, sworn statements, etc. to perform its assessment.

Complaints

All regulatory authority-approved reliability standards or requirements can be the subject of a complaint regarding a compliance violation by a registered entity. Complaints, if validated, can initiate one of the other compliance monitoring methods in order to determine the full extent of potential non-compliance.

NERC maintains a Compliance Hotline that is administered by the Reliability Risk Management (RRM) group. Any person may submit a complaint to report a PV of a reliability standard by calling (404) 446-2575, sending an e-mail directly to hotline@nerc.net or completing the form on the NERC website.¹⁹ Unless specifically authorized by the complainant, NERC and RE 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. RRM will informally seek additional information regarding the potential violation of reliability standards from the submitter and others, as appropriate. RRM may refer the matter for further investigation by NERC or the appropriate RE.

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

¹⁸ <http://www.nerc.com/page.php?cid=3|22>

¹⁹ <https://www.nerc.net/hotline/>

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.

Self-Reports

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 RE.⁵⁴ The ERO strongly encourages registered entities to report violations of reliability standards as soon as possible to ensure that the entity receives any potential cooperation credits⁵⁵ for self-reporting⁵⁶ and minimizing any ongoing risk to the BPS.

FERC has issued the following guidance in the Turlock Rehearing Order 57 issued in June 2012:

While we continue to encourage self-reporting, we clarify that all self-disclosures are not of equal value and do not necessarily warrant self-reporting credit. Self-reporting credit is not warranted, for example, when a registered entity reports facts relating to a PV under an existing reporting obligation before making a self-report, or reports facts after the commencement of a compliance audit, spot check, or other compliance process. If the registered entity is otherwise required to report facts relating to a PV, through, for example, a self-certification or exception reports, self-reporting credit is not warranted. Or, as happened with Turlock, when a reliability standard requires a registered entity to report an event and, in reporting the event, the entity is required to disclose certain information sufficient to reveal a potential violation, self-reporting credit is not appropriate. Self-reporting credit, however, may be appropriate when the registered entity voluntarily discloses a violation in advance of any required report because learning of violations at an early stage facilitates an enforcement agency's review of the facts. Also, a registered entity's required reporting of an event would not foreclose self-reporting credit for all disclosures of violations related to the event. Rather, it would foreclose self-reporting credit only for violations for which the registered entity was required to disclose relevant facts. The registered entity, however, could still receive self-reporting credit for other violations, for which relevant facts were not required to be provided in the initial, required report, regardless of whether the entity provided that information in the initial report or later, as long as it was reported in advance of a requirement to do so. Moreover, if a registered entity's required reporting of an event provides extensive information and details that prove especially valuable in assisting REs and NERC's review of PV, separate mitigating credit may be warranted for the entity's cooperation.

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 2013 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 2013 Self Certification Schedule is contained in Exhibit 1 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 2013 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.

Note:

Per the NERC 2013 Implementation Plan: A change for the 2013 Implementation Plan is that self-certifications of requirements may not be necessary during an audit year where those requirements are being audited. Regional Entities are allowed flexibility in this area.

NPCC declines to implement this option.

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 non-compliance / 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

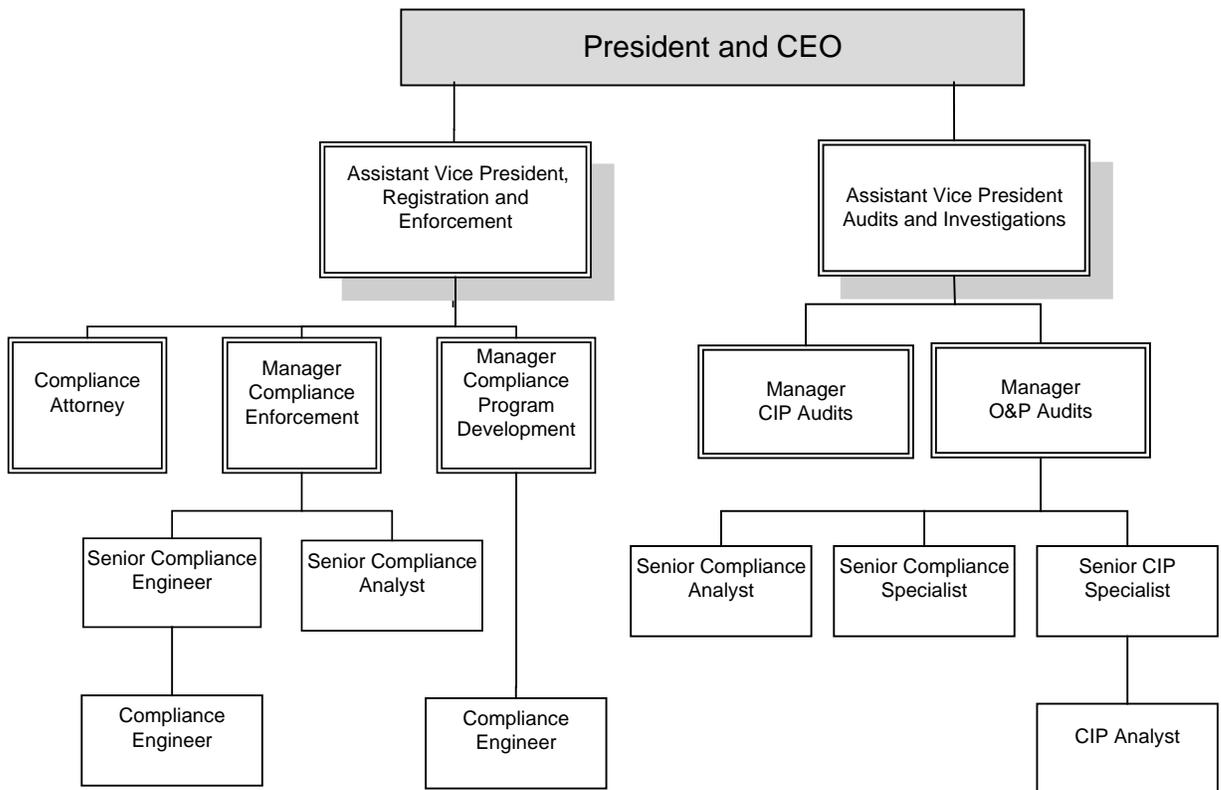
NPCC compliance staff shall submit all alleged non-compliance information in accordance with the NERC CMEP and NPCC internal enforcement guidelines. NPCC compliance staff will retain all exception reports and supporting material in accordance with NERC requirements.

Note:

In May of 2012, NERC filed 60 proposed revisions with FERC to Appendix 4C, CMEP (and other ROP provisions) that would remove exception reporting as one of the compliance monitoring methods. As the filing states, "Exception Reporting will no longer be considered one of the compliance reporting processes, as Exception Reports are triggered by Requirements of particular reliability standards, and not on the initiative of the CEA." It is important to note that exception reporting will remain as a compliance monitoring method until these proposed revisions are accepted by FERC.

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 2013 Initiatives

In 2012, NPCC continues to focus on enhancing the efficiency of processing discovered violations. The full integration of the FFT process during 2012 provided one mechanism for the more efficient processing of lower impact violations. NPCC is also actively encouraging registered entities to submit mitigation plans earlier than required by the CMEP (currently within 30 days of the issuance of a NAVAPS). NPCC also began to explore processes to expedite the completion of settlement agreements.

During 2012, NPCC also introduced an initial version of the Enforcement Metrics Dashboard. This dashboard highlighted key metrics in the areas related to: a) monitoring Case Load Index; b) identifying and tracking higher impact violations and mitigation plans associated with these higher impact violations; c) distribution of violation discovery methods and d) internal processing times related to dismissals, FFT, settlements and issuance of Notices of Confirmed Violations.

In 2012, NPCC continued work with the other Regions and NERC in developing audit approach documents and RSAWS for several reliability standards. The Audit approach documents include sections on Audit Approach and Data Retention requirements. RSAWs were created for Standards that became auditable enforceable in 2012. Both documents enable all regions to employ a consistent approach to audits involving these standards.

In 2012, NPCC was cited by FERC for examples of excellence in compliance documentation, and preparedness for audits. As an example, NPCC worked with NERC to develop a comprehensive Audit Plan for on-site reviews that NERC will share with the other Regions. NPCC will continue to identify additional examples of excellence and share them with the other Regions in 2013.

2013 initiatives include: a) utilizing the results of the EIE trial test to provide input into the development of a risk-based compliance monitoring model going forward; b) the continued development of effective enforcement metrics focusing on identifying and processing higher impact violations in an expeditious manner; c) sharing of best practices identified during evaluation of registered entities to promote reliability and the integration of risk-based compliance monitoring; d) continued review of enforcement processes to identify areas where efficiencies can be identified and implemented; e) specialized auditor training on assessing risk and also in general auditing protocols as per Government Auditing Standards.

Exhibit 1 - NPCC 2013 Self Certification Schedule

Standard	Start of Reporting Period	End of Reporting Period	Self Certification	Due Date	BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP
PER-002-0	01/01/2013	03/31/2013	Annual	04/20/2013	X													X	
COM-001-1.1	05/01/2012	04/30/2013	Annual	05/20/2013	X								X					X	
COM-002-2	05/01/2012	04/30/2013	Annual	05/20/2013	X			X					X					X	
PRC-017-0	06/01/2012	05/31/2013	Annual	06/20/2013		X	X										X		
EOP-001-0b	03/01/2012	06/30/2013	Annual	07/20/2013	X													X	
EOP-002-3	07/01/2012	06/30/2013	Annual	07/20/2013	X								X						
EOP-005-1	07/01/2012	06/30/2013	Annual	07/20/2013	X													X	
EOP-008-0	07/01/2012	06/30/2013	Annual	07/20/2013	X								X					X	
PRC-023-1	07/01/2012	06/30/2013	Annual	07/20/2013							X								
IRO-005-3a	08/01/2012	07/31/2013	Annual	08/20/2013	X			X		X		X	X					X	X
FAC-014-2	09/01/2012	08/31/2013	Annual	09/20/2013							X		X					X	X
CIP-001-2a	10/01/2012	09/30/2013	Annual	10/20/2013	X			X		X			X					X	
CIP-002-3	10/01/2012	09/30/2013	Annual	10/20/2013	X	X	X	X	X	X			X				X	X	X
CIP-003-3	10/01/2012	09/30/2013	Annual	10/20/2013	X	X	X	X	X	X			X				X	X	X
CIP-004-3	10/01/2012	09/30/2013	Annual	10/20/2013	X	X	X	X	X	X			X				X	X	X
CIP-005-3a	10/01/2012	09/30/2013	Annual	10/20/2013	X	X	X	X	X	X			X				X	X	X
CIP-006-3c	10/01/2012	09/30/2013	Annual	11/20/2013	X	X	X	X	X	X			X				X	X	X
CIP-007-3	10/01/2012	09/30/2013	Annual	11/20/2013	X	X	X	X	X	X			X				X	X	X
CIP-008-3	10/01/2012	09/30/2013	Annual	11/20/2013	X	X	X	X	X	X			X				X	X	X
CIP-009-3	10/01/2012	09/30/2013	Annual	11/20/2013	X	X	X	X	X	X			X				X	X	X
EOP-001-2b	07/01/2013	12/31/2013	Annual	01/20/2014	X													X	
EOP-005-2	07/01/2013	12/31/2013	Annual	01/20/2014		X		X									X	X	
EOP-008-1	07/01/2013	12/31/2013	Annual	01/20/2014	X								X					X	
FAC-003-1	01/01/2013	12/31/2013	Annual	01/20/2014														X	
FAC-008-3	01/01/2013	12/31/2013	Annual	01/20/2014				X										X	
IRO-004-2	01/01/2013	12/31/2013	Annual	01/20/2014	X													X	X
PRC-001-1	01/01/2013	12/31/2013	Annual	01/20/2014	X			X										X	
PRC-004-2a	01/01/2013	12/31/2013	Annual	01/20/2014		X	X											X	
PRC-005-1b	01/01/2013	12/31/2013	Annual	01/20/2014		X	X											X	
PRC-008-0	01/01/2013	12/31/2013	Annual	01/20/2014		X												X	
PRC-011-0	01/01/2013	12/31/2013	Annual	01/20/2014		X												X	
PRC-023-2	01/01/2013	12/31/2013	Annual	01/20/2014		X	X											X	
TOP-002-2b	01/01/2013	12/31/2013	Annual	01/20/2014	X			X		X								X	X
TOP-004-2	01/01/2013	12/31/2013	Annual	01/20/2014														X	
VAR-001-2	01/01/2013	12/31/2013	Annual	01/20/2014														X	
VAR-002-1.1b	01/01/2013	12/31/2013	Annual	01/20/2014				X											
MOD-001-1a	02/01/2013	01/31/2014	Annual	02/20/2014														X	X
MOD-004-1	02/01/2013	01/31/2014	Annual	02/20/2014	X					X			X					X	X
MOD-008-1	02/01/2013	01/31/2014	Annual	02/20/2014														X	