
NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NPCC Compliance Monitoring and Enforcement Program

2011 NPCC Implementation Plan

NOTE:

The 2011 Actively Monitored Reliability Standards List is posted at:

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

to ensure
the reliability of the
bulk power system

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NPCC Compliance Monitoring and Enforcement Program

The NERC Compliance Monitoring and Enforcement Program (CMEP) is developed under Section 215(c) of the Federal Power Act¹ to establish and enforce Reliability Standards for the Bulk Electric System (BES), subject to review by the Federal Energy Regulatory Commission (FERC) and in general accordance with the “Principles for an Electric Reliability Organization that can Function on an International Basis.”² The CMEP is designed to improve reliability through the effective and efficient enforcement of Reliability Standards.

To help fulfill its responsibilities under its rules filed with regulatory authorities, NERC, as the international Electric Reliability Organization (ERO), has delegated authority to monitor and enforce compliance with Reliability Standards of owners, operators and users of the BES to qualified Regional Entities. This delegation is governed by delegation agreements that have been approved by the appropriate regulatory authorities (RDAs). NERC and these Regional Entities are responsible for carrying out the CMEP. Under NERC’s oversight each Regional Entity submits to NERC for approval its regional CMEP implementation plan that is based on this document.

NERC and the Regional Entities recognize that there are important reliability matters that require prompt communication to industry. NERC has used the Alerts/Advisory process to rapidly inform the industry of such matters. For example, NERC recently issued a **Recommendation to Industry, FAC-009-1 - Establish and Communicate Facility Ratings**, recommending that Transmission Owners and Generator Owners undertake a review of their transmission facility design versus as built field conditions. 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.

¹ http://www.nerc.com/fileUploads/File/AboutNERC/HR6_Electricity_Title.pdf .

² Bilateral Electric Reliability Oversight Group, August 3, 2005 (the “Bilateral Principles”).

Introduction

The NERC CMEP Implementation Plan is the operating plan for annual compliance monitoring and enforcement activities to ensure that NERC, as the international ERO, and its Regional Entities fulfill their responsibilities under the legislation in the United States and other applicable obligations in other jurisdictions in Canada and Mexico. Currently, Reliability Standards are mandatory and enforceable in the U.S. and the Canadian provinces of British Columbia, Ontario, and New Brunswick. The Canadian province of Alberta has adopted some of the Reliability Standards and is in the process of reviewing others. The legislative framework to make standards mandatory and enforceable exists in Manitoba, Nova Scotia, and Quebec. In addition, Reliability Standards become mandatory upon NERC Board of Trustees action in Saskatchewan. The National Energy Board of Canada is in the process of making Reliability Standards mandatory and enforceable for international power lines.

The compliance monitoring and enforcement activities are carried out by NERC and the eight Regional Entities based on the regulatory authority-approved uniform CMEP, the NERC Rules of Procedure (RoP), the respective delegation agreements (RDA) with the eight Regional Entities, and other agreements including Memoranda of Understanding with the Canadian provinces. This plan outlines the implementation requirements to be followed by NERC and the eight Regional Entities. Each Regional Entity submits its 2011 implementation plan by November 1, 2010 to NERC. NERC is responsible for approving the Regional Entity implementation plans.³

The 2011 Implementation Plan was developed considering the requirements, rules and information from the following:

- the NERC RoP;
- the CMEP;
- the RDAs;
- NERC Board of Trustees' actions, including those of the NERC Board of Trustees Compliance Committee;
- regulatory authority-approved Reliability Standards; and
- various Compliance Analysis products produced by NERC and provided to the BOTCC in open forum and to the industry.

The objectives of the Implementation Plan are to:

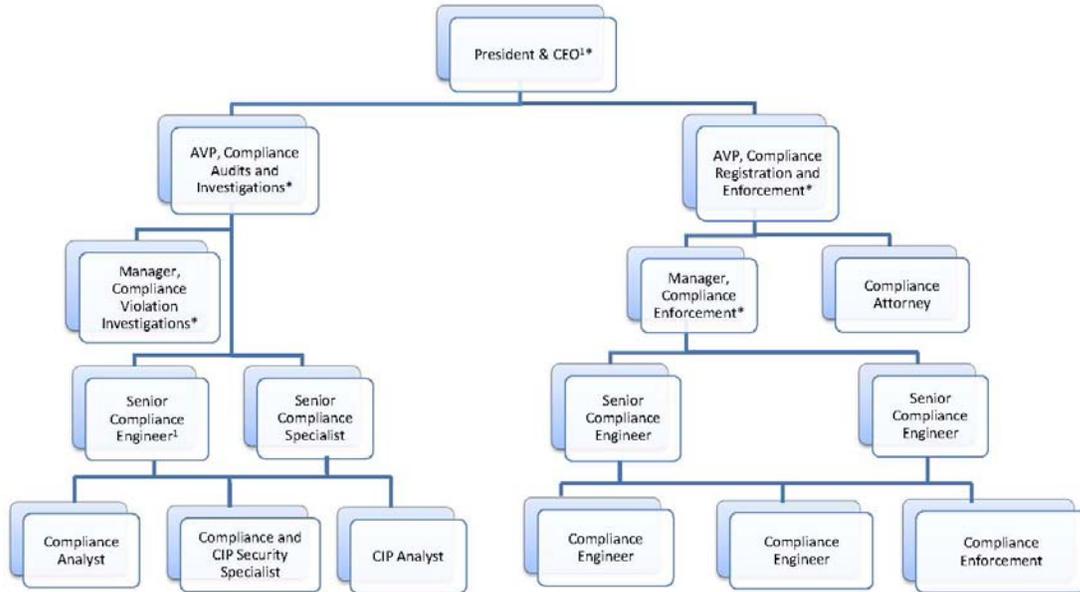
- Promote the reliability of the BES through rigorous compliance monitoring and enforcement activities;
- Facilitate improved consistency of compliance activities throughout North America;

³ See CMEP Section 4.2:
http://www.nerc.com/files/Appendix4C_Uniform_CMEP_10162007.pdf#page=31.

- Monitor all regulatory authority approved Reliability Standards by utilizing the eight CMEP compliance monitoring methods;
- Use risk-based and performance-based criteria for determining the scope for compliance audits;
- Consider history of the compliance activities and findings;
- Allow flexibility for the ERO and Regional Entities to investigate trends that may pose a near term risk to reliability either across the North America BES, across an Interconnection or within a Regional Entity boundary; and
- Improve the compliance program by analyzing the compliance monitoring experience across North America and implementing necessary improvements.

NPCC Compliance Monitoring and Enforcement Organization

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



*Authorized to make compliance determinations

Reliability Standards Subject to 2011 CMEP Implementation

NPCC may add FERC approved standards and requirements (in the United States) and NERC BOT approved standards and requirements (in Canada) to a registered entity's audit. Determination of additional standards added to the RE specific audit will be based on results of previous audits, spot check, self-reports, and system events. NPCC will detail any such additions in the audit notification letter sent to the RE prior to the audit.

The regulatory authority approved Reliability Standards and requirements are monitored through at least one of the eight CMEP compliance monitoring methods. For the "audit" monitoring method, NERC and the Regional Entities have developed and implemented risk-based and performance-based criteria for determining the scope of the Reliability Standards to be reviewed during the conduct of the audit. Factors associated with BES issues across North America, across the respective Interconnection, and within a Regional Entity boundary, as well as specifics associated with a Registered Entity are used for determining the scope of the audit.

The risk-based and performance-based audit criteria include six components for scope identification;

- 1) North American-wide NERC Reliability Standards most violated, including both all time historical and rolling twelve-month statistics, are considered. This encompasses the core standards to be monitored across the industry.
- 2) Regional Entity-specific most violated NERC Reliability Standards, which may include standards already identified in item #1 for some Regional Entities, or additional standards. This analysis allows Regional Entities to focus on significant trends and issues within the Regional Entity boundary. This also could lead to the identification of Interconnection-wide issues and concerns.
- 3) Regional Entity Reliability Standards most violated, as applicable.
- 4) Registered Entity specific issues, including but not limited to operational issues, operational footprint changes, corporate restructuring, other trends, *etc.*
- 5) Random determination (other high risk reliability standards, registered functions trends and concerns, standards rising in prominence and identified through trend analysis)
- 6) Compliance Culture, which considers the entity's compliance culture and overall strength of compliance.

The performance-based approach has two components. One component is the past performance of a Registered Entity as it relates to the operation of the BES and the relative strength of the compliance controls in place to assure compliance. The second component includes a more detailed review and testing of the Registered Entity's programs and procedures to assure actual performance of the stated programs are being implemented, rather than relying solely on documentation.

NPCC will determine the Registered Entity's specific audit scope based upon the NERC Actively Monitored Reliability Standards List and the six components listed above. The audit scope for Registered Entities that are registered for performing identical "functions" will not always be identical across or within the Regional Entities. Registered Entities will be advised of the audit scope when they receive the formal audit notice. Compliance information and data archived by the Regional Entity from the implementation of previous monitoring methods will be utilized in the development of a Registered Entity's audit scope, including but not limited to previous audits, self certifications, events, and previous or current enforcement actions.

NPCC is obligated to implement the NERC annual implementation plan. NPCC staff may increase the scope of compliance activities related to the NERC program, but cannot reduce the scope of compliance activities without NERC consent. Where NPCC determines that a reduced scope is appropriate, NPCC will submit the reduced scope rational and proposed audit notification letter for the entity to be audited to NERC Compliance Operations at least 90 days prior to the audit for approval.

Registered Entities must be in compliance with all Reliability Standards at all times. NERC and NPCC 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 not an admission of a violation and are treated as voluntary corrective action. 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.

The overall monitoring scope of the 2011 implementation program is based on Reliability Standards that are anticipated to be in effect in 2011 as of the date on which this plan is approved. To the extent new or revised Reliability Standards are adopted, approved by the regulatory authority or in effect during the course of 2011, NERC will work with the NPCC to determine whether the 2011 program needs to be amended to include them.

All NERC Reliability Standards identified in the 2011 implementation program are listed in the 2011 CMEP Actively Monitored Reliability Standard list posted on the NERC Web site at the following link: <http://www.nerc.com/commondocs.php?cd=3>

The 2011 Actively Monitored Reliability Standards list includes several worksheets. A description of each is listed below:

- **Summary Tabs:** Quick reference listings of the Reliability Standards and requirements identified for compliance audits, self-certifications and spot checks required by NERC in 2011 and mandatory effective dates for standards. These tabs are designed to give the user a quick reference of the implementation plan lists. There are also comparisons of the number of Reliability Standards and requirements monitored in the 2007, 2008, 2009, and 2010 programs.
- **Requirements Detail Tab:** A detailed list of the requirements included in the 2011 implementation plan.

- **Revision History:** The revision history that will allow users, owners and operators of the BES to see all of the changes to the 2011 Actively Monitored Reliability Standards spreadsheets.

2011 CMEP Discovery Methods

Reliability Standards included in the NERC 2011 Compliance Monitoring and Enforcement Program are approved by the appropriate regulatory authority and are subject to the CMEP. NERC staff performed a detailed assessment of all of the approved Reliability Standards to identify the risk-based Reliability Standards for North America wide consideration based on the multiple inputs outlined in the criteria listed below:

- High Violation Risk Factor;⁴
- NERC top ten list of most violated Reliability Standards;
- Regional Entity's top ten list;
- History of past events and major reliability issues;
- Violation Risk Index (top five);
- Review of the Final Report on the August 14, 2003 Blackout;
- A review of violation statistics and trends.

NERC staff worked in close coordination with the Regions to further refine the list and determine appropriate monitoring methods for the Reliability Standards selected using a risk based approach.

NERC and NPCC have processes in place to implement each compliance monitoring method as appropriate to a given set of facts and circumstances. In 2011, the compliance monitoring methods will be implemented as stated below:

1. Compliance Audits

All registered entities are subject to compliance audits. NPCC will perform comprehensive compliance audits in accordance with the NERC CMEP as required by the NERC Rules of Procedure to monitor compliance with the NERC Reliability Standards. Reliability Coordinators (RCs), Balancing Authorities (BAs) and Transmission Operators (TOPs) are subject to an on-site audit once every three years. All other registered entities are subject to an off-site audit once every six years. All entities are subject to an unscheduled audit if NPCC Compliance Staff deem it necessary.

Cyber Security audits of Reliability Standards as specified by the CIP-002 through CIP-009 Implementation Plan will also take place in 2011 according to the published NPCC audit

⁴ "Each requirement set out within NERC's Reliability Standards has been assigned a Violation Risk Factor (VRF) through the NERC Reliability Standards development process. The factors have been defined and approved through the standards development process and are assigned to requirements to provide clear, concise and comparative association between the violation of a requirement and the expected or potential impact of the violation to the reliability of the bulk electric system. One of three defined levels of risk is assigned to each standards requirement: Lower Risk Factor, or; Medium Risk Factor, or; High Risk Factor. Definitions of the factors can be found in appropriate standards development process documentation."

Rules of Procedure Paragraph 4.1.1 the link:

http://www.nerc.com/files/NERC_Rules_of_Procedure_EFFECTIVE_20090616.pdf#page=172.

schedule. During the conduct of the Compliance Audit of CIP Reliability Standards, NPCC will address Technical Feasibility Exceptions (TFEs) in the same manner as soliciting evidence of compliance to a Reliability Standard. NPCC will require the entity to submit evidence for the TFEs and will evaluate and respond. If needed, additional information will be requested prior to a final decision.

All audits include a review of outstanding violations (if any) and associated mitigation plans.

The Reliability Standards selected for compliance audit are determined on a risk-based and performance that includes experience, history, and other factors to focus on real-time, high impact high risk requirements in performance of the on-site audit. NPCC will provide to the Registered Entity the scope of the compliance audit with the audit notification letter. The scope document will contain the Regional Entities analysis of its risk and performance based approach which determined the audit scope for the Registered Entity being audited.

NPCC has the authority to expand the audit based to include other 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, changes to compliance responsibility resulting from mergers, acquisitions, corporate re-organizations, open investigations and other factors that in the judgment of the NPCC audit staff should be considered as part of the normal planning required for a compliance audit and consistent with generally accepted audit practices.

The scope of the Registered Entities compliance audits will include a review of all mitigation plans⁵ that are pending or were completed in the 12 months prior to the first day of the compliance audit. For the purposes of mitigation plan review the first day of the compliance audit is considered to be the first day that formal review of evidence, or an opening presentation, is conducted with the entity. The Registered Entities must provide the compliance audit team with the status, documentation, and evidence of validation for all mitigation plans that meet the review criteria. The scope of the NPCC compliance audits will include a review of all mitigation plans.

For compliance audits, NERC provides additional guidance:

a. Modeling, Data, and Analysis (MOD) Reliability Standards

The MOD group of Reliability Standards is intended to standardize methodologies and system data needed for traditional transmission system operation and expansion planning, reliability assessment and the calculation of available transfer capability in an open access environment.

⁵In the context of certain requirements of Reliability Standards CIP-002 through CIP-009, Technical Feasibility Exceptions (TFE) may be determined based on both mitigation plans and compensating measures. Those mitigation plans and compensating measures will be considered as part of the audit scope.

NPCC will verify that the registered entity has included the information required in the MOD standards relative for determining its methodology for determining Total Transfer Capability and its calculation; and the Transmission model used includes the appropriate Transmission Operator areas, models all generation at interconnections and uses the proper base-case. If the Flowgate method is used to calculate Available Transfer Capability, NPCC will determine if the criteria used meets all requirements of the MOD standards.

Compliance monitoring with these reliability standards will encompass multiple monitoring methods. The Modeling, Data, and Analysis (MOD) Reliability Standards (MOD-001-1, 004-1, 008-1, 028-1, 029-1, and 030-2) became effective April 1, 2010. NPCC will include in the compliance audit scope for applicable registered entities, MOD-001-1, 004-1 and 008-1 when the MOD Reliability Standards become effective. All regulatory authority approved MOD Reliability Standards will be included in the self-certification. The Regional Entity annual plans will describe and address the data submission requirements and processes for all MOD standards. Spot checks will be conducted as warranted or included in the scope of compliance audits.

Relevant regulatory orders, FERC Order Nos. 729 and 729A address compliance monitoring of the recently approved MOD Reliability Standards and require these standards to be included in the audit plan in the course of the periodic, three-year audits of users, owners and operators of the Bulk-Electric System and added to the 2011 implementation plan.⁶

Order 729 addresses a subset of the MOD Standards that will take effect on April 1, 2011. These standards include MOD-001-1, MOD-004-1, MOD-008-1, MOD-028-1, MOD-029-1, and MOD-030-2 and become auditable effective June 1, 2011. The ERO and subsequently the Regional Entities via the Regional Delegation Agreement (RDA), must retain information and material gathered during the course of its audit and make it available to Commission staff upon request, so as to allow Commission staff to inquire into possible anti-competition concerns.

⁶ See FERC Order No. 729 at P 131 (“As indicated above, we are persuaded by the commenter’s that the proposed 180-day time frame for conducting the MOD Reliability Standards audits is not practical, and likely not feasible. Upon further consideration, the Commission hereby directs the ERO to conduct these audits in the course of its periodic, three-year audits of users, owners and operators of the Bulk-Power System. The ERO shall begin this audit process 60 days after the implementation of these Reliability Standards. On an annual basis, to commence on 180 days after the implementation of the Reliability Standards approved herein, the ERO shall file the audit reports (or the results of its audit in any other format) with the Commission.”),

Additionally, the ERO should conduct the audits in the due course of its periodic, three-year audit cycle, i.e., these Reliability Standards should be added to the ERO's list of actively monitored Reliability Standards. The Commission will need access to historical data to investigate the implementation of the available transfer capability. "Accordingly, pursuant to section 215(d)(5) of the FPA and section 39.5(f) of our regulations, ... [the ERO will] increase the document retention requirements to a term of five years."⁷

The audit of the MOD standards will be conducted in the due course of its periodic, three-year audits of users, owners and operators of the Bulk-Power System and the data retention requirements will be for the preceding five years.

Compliance monitoring of these reliability standards will encompass multiple monitoring methods. NPCC will include in the compliance audit scope for applicable Registered Entities, MOD-001-1, 004-1 and 008-1. The Regional Entity implementation plans will describe and address the data submission requirements and processes for the applicable MOD standards. Spot checks will be conducted as warranted.

b. PRC-023-1 Reliability Standard

PRC-023-1 Reliability Standard was initially effective in July of 2010, but was not included in the compliance audit scope for 2010; therefore NERC and the Regional Entities determined it is appropriate to include PRC-023-1 Requirement 1 in the compliance audit monitoring program for 2011. The remaining requirements are subject to other compliance monitoring methods at NPCC's discretion. NPCC will monitor these remaining requirements on a case by case basis depending on the registered entity's past performance on audits, spot checks, and self reports. Each entity will be notified in writing of the reason why remaining requirements are being included in a scheduled audit or spot check.

c. CIP Reliability Standards Compliance Audits

At the end of 2010, all scheduled activities described in the "Implementation Plan for Reliability Standards CIP-002-1 through CIP-009-1,"⁸ will be complete and Registered Entities are subject to audits for compliance with all requirements of CIP-002-3 through CIP-009-3.

The NERC CIP staff worked to identify the appropriate CIP requirements for auditing on site using a risk assessment that takes into account the necessary use of subject matter expertise and the complexity of these standards. This resulted in a decrease of requirements for on-site audits. Details are listed in the 2011 Actively Monitored Reliability Standards list. Audit leads of CIP audits should have requisite experience, training, and/or credentials in cyber security and/or IT auditing.

⁷ See FERC Order No. 729 at P 125 ("If the Commission determines upon its own review of the data, or upon review of a complaint, that it should investigate the implementation of the available transfer capability methodologies, the Commission will need access to historical data." Accordingly, pursuant to section 215(d)(5) of the FPA and section 39.5(f) of our regulations, the Commission directs the ERO to modify the Reliability Standards so as to increase the document retention requirements to a term of five years, in order to be consistent with the enforcement provisions established in Order No. 670.").

⁸ http://www.nerc.com/files/Guidance_on_CIP_Standards.pdf.

d. COM Reliability Standards

COM-001 and 002 will be audited for the RCs. The RC function is one of the three critical functions that require certification. Their ability to perform is determined in large part by their communications.

e. 2011 Compliance Audit Schedule

The 2011 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. This Schedule (Exhibit 2 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/RS AW) developed by NERC for the audit of a particular standard will be used to aid in the audit as appropriate.

The 2011 NERC compliance audit schedule, which is a compilation of all regional schedules, will be posted on the Compliance Resource page on the NERC Web site.⁹ This posted schedule is updated quarterly. This process allows the Registered Entities to have access to the schedule for the upcoming year as soon as possible.

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 Questionnaire Reliability Standards Audit Worksheets (QRS AW) and other audit tools 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 bulk power system owners, operators, and users on the NERC Compliance Registry, the Regions and NERC can use discretion on the location and the conduct of the audit. However, in either case, the Regional Entity should plan the audit to assure proper scope and rigor.

f. Compliance Audit Reports

NERC posts all public versions of the Regional Entities' 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

⁹ <http://www.nerc.com/commondocs.php?cd=3>.

and Registered Entity personnel participating in the audit are excluded from the public report and all participants are identified by title. 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 the NERC web site 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 until all violations are processed through the NERC Compliance Monitoring and Enforcement Program (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 (ex. Notice of Penalty (NOP) has been issued in U.S.). 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 web site and can be accessed at: <http://www.nerc.com/page.php?cid=3|26|246> .

g. Compliance Monitoring Tools

The NERC Questionnaire - Reliability Standard Audit Worksheet's (QRSAW) are designed to add clarity and consistency to the assessment of compliance with Reliability Standards. The QRSAWs are used for multiple compliance monitoring methods. Comments on these and any of NERC's auditor resources are welcome and can be directed to the Regional Entity Compliance Managers.

The QRSAWs are posted on the NERC public web site 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 QRSAWs is updated with the latest regulatory authority language and guidance, and new QRSAWs 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 QRSAWs are being used.

NERC works with Regional Entities to review these QRSAWs on a continuous basis for improvement. NERC will migrate the QRSAWs into a database format in the near future to allow for timely updates as Reliability Standards are approved, modified, or retired.

2. Self-Certification

In NPCC, the Manager of Compliance Implementation and Registration is responsible for determining the subset of NERC Reliability Standards that require registered entity self-certification of compliance as part of the annual NERC CMEP implementation; developing the submittal requirements and processes for handling and reviewing self-certification submittals; providing self-certification filing requirements, instructions and schedules to registered entities; reviewing submitted self certification forms to ensure applicable registered entities have met their requirements; assigning NPCC compliance staff for review of submitted forms; ensuring that each registered entity has submitted the appropriate forms including the signed certification statement and ensuring proper communications have been distributed to all NPCC registered entities for all CDAA enhancements.

Compliance filing requirements and schedules will be posted to the NPCC public website and CDAA a minimum of thirty (30) days, and if possible forty-five (45) days, prior to the due date for entity reporting / certification. **NOTE:** *Where a greater advance posting period is required by a specific Standard then that timeframe will control. Schedules are posted at the beginning of the calendar year.*

Self-certification filing forms will typically be “locked out” at the end of the month in which the self-certification 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 self-certification past the scheduled due date.

Certification Statements (statements signed by the registered entity designated individual affirming the contents of the self-certification submittal) shall be electronically or manually signed following the submission of the associated self-certification form.

NOTE: *NPCC compliance staff will review the submitted data and follow-up as needed to ensure all applicable registered entities have filed self-certifications as required and submitted the designated authority signature forms.*

The Manager, Compliance Implementation and Registration, may execute the following steps, according to Attachment I of the NERC CMEP, for each self-certification 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 self-certification 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 self-certification 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.

Self-certification submittals by the registered entity with no identified non-compliances / alleged violations indicated are filed in accordance with reliability standard data retention requirements.

All Registered Entities are required to participate in the annual self-certification each year per the NERC Actively Monitored Reliability Standard list. NPCC at their discretion may include additional Reliability Standards to include in the Regional 2011 implantation plan. Registered Entities will receive guidance and instruction from their respective Regional Entity concerning self-certification submittals.

a. CIP-002-3 through CIP-009-3 Reliability Standards

NPCC will require self-certification for CIP-002-3 through CIP-009-3 annually. Registered entities will be scheduled for self-certification based on a reporting schedule with 25% of NPCC's registered entities reporting each quarter.

The implementation plan for Reliability Standards CIP-002-3 through CIP-009-3 specified the compliance schedule for Registered Entities. Until applicable entities reached the "Auditably Compliant" stage, they were required to file semi-annual self-certifications. Therefore, the special CIP self-certifications previously conducted each January and July will no longer be required.

Annual self-certification monitoring method will move into the Regional Entity self-certification process for CIP-002-3 through CIP-009-3 Reliability Standards. However, the issuance of CIP supplemental questionnaires may be needed as directed by NERC or an Applicable Governmental Authority. Refer to the CIP Implementation Plan for further details at "[Implementation Plan for Newly Identified Critical Cyber Assets and Newly Registered Entities.](#)"

One unique characteristic of the CIP Standards pertains to self-certification: CIP-002-3 R4¹⁰ 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.

3. Spot-Checks

As defined in the CMEP, Spot Checking may be initiated by NPCC at any time to verify Self-Certifications and Periodic Data Submittals to all approved NERC Reliability Standards.

¹⁰ <http://www.nerc.com/files/CIP-002-3.pdf>

Spot Checking may also be initiated in response to system events as described in the Reliability Standards or by operating problems.

The Manager of the Compliance Audit Program identifies candidates for Spot Checks based on the NERC Annual Implementation Plan, audit results, input from Compliance Enforcement Staff in response to events or operating problems, or as directed by the NPCC Assistant Vice President of Compliance Audits.

NPCC Compliance Staff is responsible for monitoring the performance of the Spot Check process. Spot Checks can be used to verify data from a Self-Certification submittal where the status of full compliance was declared or to ensure compliance to specific standards that NPCC Compliance staff deems appropriate. Spot checks can take the form of an On-Site Review, or Data Submittal Review. NPCC Compliance Staff reviews the Spot Check information submitted to verify the Registered Entity's compliance with the reliability standard(s).

The 2011 NPCC Spot Check program will focus on all registered Reliability Coordinators and Balancing Authorities (not scheduled for a 2011 compliance audit) and encompass all NERC Reliability Standards designated for spot checks in the NERC 2011 Implementation Plan. NERC and NPCC have the authority to conduct additional spot checks of any regulatory approved Reliability Standards. NPCC will Spot Check selective other registered functions based on past history and may expand the list of Reliability Standards and requirements they have scheduled for spot checks in their Regional Implementation Plan. Effective January 1, 2011 all spot checks performed by the Regional Entities are subject to the compliance audit reporting requirements as stated in NERC Compliance Process Directive #2010-CAG-001. The standard audit template provide by NERC will be utilized for all spot checks and submitted to NERC.

a. NUC-001-2 Reliability Standard

NPCC contacted all Nuclear Generator Operators (GOP) within its Region and received all transmission entities information related the requirements of the implementation plan for NERC Reliability Standard NUC-001.

NUC-001-2, effective April 1, 2011, requires detailed agreements and coordination among several critical registered functions. All applicable Registered Entities are responsible for compliance of NUC-001-2. NPCC will conduct spot checks of R1 and R2 for applicable Registered Entities.

b. IRO Reliability Standards

IRO-004 and 005 will be audited and all other IRO standards are identified for spot checks and other compliance monitoring methods. IRO spot Checks of the remaining IRO standards will be performed on a case by case basis based on a registered entity's past performance on Self-Certification submittals, previous audits or spot checks, and system events. Assessment results of historical data concerning this family of Reliability Standards have indicated a small number of violations. NPCC will conduct spot checks to provide continuous oversight of this critical function.

c. BAL-003-0.1b

NPCC is required to conduct spot checks in 2011 of Balancing Authorities under BAL-003-0.1b, R.1, R.2, and R.5. Further guidance on the monitoring of the BAL-003 standard may be provided as a result of the FERC technical conference conducted September 23, 2010 and requisite compliance filings.

d. 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. Spot Checks of CIP standards for registered entities not being audited in 2011 will be based on the entities past performance, the risked based approach to the highest risk standards and the list of most violated CIP standards. CIP audits and CIP spot checks will require the appropriate reports per the RoP and CMEP.

4. Periodic Data Submittals

In NPCC, the Manager, Compliance Program Implementation, 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 NPCC 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 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 applicable Registered Entities have filed Periodic Data Submittals as required and submitted the designated authorized signature forms.

The Manager, Compliance Implementation and Registration, may execute the following steps, according to Attachment I of the NERC CMEP, 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 2011 are as shown on the Requirements Tab of the 2011 Actively Monitored Reliability Standards list. Specific information regarding periodic data submittals is defined in the Regional Entity Implementation Plans.

5. Reporting

a. 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 entity's 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 Compliance Monitoring and Enforcement Program (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.¹¹ 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.

b. 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 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 Compliance Monitoring and Enforcement Program (CMEP) and NPCC internal enforcement guidelines.

¹¹ The exception would be where the self-reporting entity is itself a Regional Entity, in which case the self-report should go directly to NERC in accordance with the Regional Entity's delegation agreement and other agreements with NERC.

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

Specific Reliability Standards and requirements in the 2011 Actively Monitored Reliability Standards list have been identified for exception reporting by the Registered Entities to NPCC for events or conditions occurring that are exceptions to the associated Reliability Standard Requirement.

Compliance Investigation

All regulatory authority-approved Reliability Standards are subject to a Compliance Investigation. The CMEP Section 3.4 states: “A Compliance Investigation may be initiated at any time by the Compliance Enforcement Authority, NERC, FERC or another Applicable Governmental Authority in response to a system disturbance, complaint, or possible violation of a Reliability Standard identified by any other means.”¹²

NERC monitors and tracks all Regional Entity-led Compliance Investigations (CIs) to verify and promote consistency in the regional programs.

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.

1. 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 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

¹² http://www.nerc.com/files/Appendix4C_Uniform_CMEP_10162007.pdf#page=20.

confidential in accordance with the NERC Rules of Procedure.¹³ 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.

¹³ <http://www.nerc.com/page.php?cid=1|8|169>.

2011 Compliance Enforcement

1. Compliance Enforcement

The NPCC Enforcement organization is depicted in the overall Compliance Program Organization Chart shown on Page 4. The Manager of Enforcement and his 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 INOAV, NAVAPS, NOD and the NOCV); leading settlement negotiations; reviewing and approving all mitigation plans; tracking completion of mitigation plans and coordinating NPCC efforts in any potential compliance hearing.

NERC's Compliance Enforcement department was established in 2010 to conduct all of NERC's enforcement activities. These include:

- Docketing of all possible violations coming into the NERC enforcement program,
- Analysis of compliance statistics,
- Conducting CMEP compliance enforcement proceedings regarding potential violations when NERC and the relevant Regional Entity determine it is more efficient/appropriate to have NERC do so; or participation with the Regional Entity in its proceedings where warranted.
- Reviewing of all mitigation plans and dismissals approved by NPCC, and
- Processing of all compliance violations prosecuted by NPCC.
- Review of all settlement agreements approved by NPCC.

Based on past experience, a priority for NERC and the Regions is to assure fair, reasonable, and timely enforcement determinations. NERC and Regional Entity are continuously reviewing ways to improve both speed and quality 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, are currently being implemented and will be monitored for efficiency gains throughout 2011.

NERC performs substantive, independent reviews of all final enforcement actions including dismissals to assure fair, reasonable, and proper determinations. Achieving appropriate penalties and sanctions in a uniform manner at all eight Regional Entities is essential in consistent implementation of the CMEP.

2. Reporting, Analysis & Tracking

NERC and the Regional Entities continue to improve and integrate the various compliance reporting platforms to streamline processing, tracking, and reporting of compliance and enforcement activity. The NERC Compliance Reporting and Tracking System (CRATS) which was initiated in 2009, is in the production phase and is expected to be in full operation by late 2010 to early 2011.

NERC and the Regional Entities review violations trends and patterns to address possible root causes, and provide ways to prevent future violations by sharing lessons learned and other meaningful information. The Compliance Analysis Reports have been completed and posted on the NERC Website at: <http://www.nerc.com/page.php?cid=31329>

Key CMEP Activities and Initiatives

In 2010, NPCC initiated a number of key activities related to the CMEP including the analysis and presentation of CMEP implementation results through the creation of a structure for the development of performance measures and the introduction of the concept and development of the NPCC Quality Enhancement Program (QEP). In 2011, development of the performance measures will as will the development of the NPCC QEP.

The efforts related these activities have been shared with the other Regional Entities through the ERO Compliance Monitoring and Enforcement Working Group (ECEMG); the NERC Performance Measures Task Force (PMTF) (now the NERC Performance Measures Working Group (PMWG)) and the NERC BOTCC. By sharing these activities it is hopeful that a consistent set of performance measures can be developed and a QEP type program can be adopted by each regional Entity to further enhance the implementation of the CMEP and the reliability of the Bulk Electric System.

1. Development of CMEP Related Performance Measures

NPCC introduced a multi-level approach for the development of performance measures that includes Key Result Indicators (KRI), Result Indicators (RI) and Key Performance Indicators (KPI) in 2010. NPCC, working with the NERC BOTCC and the NERC PMTF began the development of performance measures related to Efficiency; Transparency/Learning; Consistency and Effectiveness/Quality. These performance measures were consistent with the work being done by the group responsible for drafting revisions to Regional Delegation Agreements.

In 2011 NPCC hopes to complete the development of these four KRIs and their associated RIs and KPIs and present results, using NPCC data, to the ECEMG and the NERC BOTCC. With more than three years of compliance data available for use in the calculation of these performance measures it is the intention of this activity to be able to furnish useful information related to past CMEP implementation performance and identify areas for future improvement or enhancement.

2. Development of Quality Enhancement Program (QEP)

To utilize the experiences and data collected, by NPCC, related CMEP implementation and to expound on an earlier NPCC initiative entitled the NPCC Feedback Process, NPCC embarked on the development of the NPCC Quality Enhancement Program or QEP. This program, comprised of six elements, is intended to utilize past CMEP implementation experiences and data for the express purpose of improving the overall implementation of CMEP implementation and the CMEP itself.

It is also intended to present a model that can be shared by other Regional Entities with the purpose of developing a consistent program to improve CMEP implantation on a consistent basis.

The six elements of the program are: 1) Culture of Compliance; 2) Self Assessment; 3) Compliance Investigation and Evaluation; 4) Benchmarking; 5) Corrective Action Program and 6) Performance Measures.

Each one of these elements will be developed and results will be presented as they become available.

NPCC will utilize this program as an outreach tool to its registered entities as a means of promoting improvement in CMEP implementation and therefore improvement in the reliability of the Bulk Electric System.

NPCC Verification Statement

NPCC verifies that the 2011 Implementation Plan meets the criteria contained in Appendix 1 of the NERC Compliance Monitoring and Enforcement Program 2011 Implementation Plan

