



# COMPLIANCE ISSUES IN ELECTRIC RELIABILITY

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# NERC'S COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM and RECENT RELIABILITY STANDARDS DEVELOPMENTS

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# Overview

- Identification of Organizations
- Compliance Monitoring Processes
- Enforcement Actions
- Recent Reliability Standards Developments
- Questions

# Identification of Organizations Responsible for Complying with Reliability Standards

## **Compliance Enforcement Authority**

NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards

## **Registered Entity**

An owner, operator, or user of the bulk power system or the entities registered as their designees for the purpose of compliance that is included in the NERC and Regional Compliance Registry

# Compliance Monitoring Processes

- Compliance Audits
- Self-Certification
- Spot Checking
- Compliance Violation Investigations
- Self-Reporting
- Periodic Data Submittals
- Exception Reporting
- Complaints

# Compliance Monitoring Processes

## Compliance Audits

### COMPLIANCE AUDIT

A systematic, objective review and examination of records and activities to determine whether a Registered Entity meets the requirements of applicable Reliability Standards.

- WHO?
  - All Registered Entities are subject to audit
- WHERE?
  - Conducted on the Registered Entity's site to the extent required by NERC Rules of Procedure
- HOW?
  - Conducted in accordance with audit guides established for the Reliability Standards included in the audit, consistent with accepted auditing guidelines as approved by NERC

# Compliance Monitoring Processes

## Compliance Audits

### Compliance Audit Steps

- Annual Audit Plan
- Prior to commencement of an Audit, the Compliance Enforcement Authority:
  - **Notifies Registered Entity**
  - **Identifies audit team members**
  - **Requests Data**
- Registered Entity provides required information
- Audit Team reviews information
- Compliance Enforcement Authority reviews Audit Team report
- If necessary → Notice of Alleged Violation

# Compliance Monitoring Processes

## Compliance Audits

### **Frequency of Compliance Audits**

- as required by the NERC Rules of Procedure based on criteria established by NERC
- an unscheduled Compliance Audit of any Registered Entity may be initiated by the Compliance Enforcement Authority if reasonably determined to be necessary to ensure the Registered Entities' compliance with Reliability Standards

### **Scope of Compliance Audits**

- all Reliability Standards applicable to the Registered Entity
- current and three previous years

# Compliance Monitoring Processes

## Self-Certification

### **SELF-CERTIFICATION**

Attestation by a Registered Entity of compliance or non-compliance with Reliability Standards for which Self-Certification is required by the Compliance Enforcement Authority and that are included for monitoring in the Regional Implementation Plan.

# Compliance Monitoring Processes

## Spot Checking

### **SPOT CHECKING**

A process in which the Compliance Enforcement Authority requests a Registered Entity to provide information to support the Registered Entity's Self-Certification, Self Report, or Periodic Data Submittal and to assess whether the Registered Entity complies with Reliability Standards

#### Initiation of a Spot Check

- May be at any time
- Verification/confirmation of data
- May be random
- In response to particular events described in Reliability Standards
- In response to operating problems or system events

# Compliance Monitoring Processes

## Compliance Violation Investigations

### **COMPLIANCE VIOLATION INVESTIGATION:**

A comprehensive investigation, which may include an on-site visit with interviews of the appropriate personnel, to determine if a violation of a Reliability Standard has occurred.

### Initiation of Compliance Violation Investigation

- System disturbance
- Complaint
- Other identification of a possible Reliability Standard

# Compliance Monitoring Processes

## Compliance Violation Investigations

### Compliance Violation Investigation Steps

- Possible violation
- NERC designates point of contact
- Data request
- Investigation Team formation
- On-site visits
- Registered Entity provides information
- Compliance Enforcement Authority reviews information
- Assessment of compliance with Reliability Standard
- If necessary → Notice of Alleged Violation

# Compliance Monitoring Processes

## Self-Reporting

### **SELF-REPORTING**

A report by a Registered Entity of a violation of a Reliability Standard, based on its own assessment, in order to provide prompt reports of any Reliability Standard violation and the actions taken or that are being taken to resolve the violation.

Self-Reporting is encouraged when Registered Entity becomes aware:

- Of a violation of a Reliability Standard
- Of a change in the Violation Severity Level of a previously reported violation

# Compliance Monitoring Processes

## Self-Reporting

### Self-Reporting Steps

- Self-Reporting forms posted by Compliance Enforcement Authority
- Registered Entity provides Self-Reporting information
- Review of information
- Assessment of information
- If necessary → Notice of Alleged Violation

# Compliance Monitoring Processes

## Periodic Data Submittals

### **PERIODIC DATA SUBMITTALS**

Modeling, studies, analyses, documents, procedures, methodologies, operating data, process information or other information to demonstrate compliance with Reliability Standards and provided by Registered Entities to the Compliance Enforcement Authority on a time frame required by a Reliability Standard or an ad hoc basis.

# Compliance Monitoring Processes

## Exception Reporting

### **EXCEPTION REPORTING**

Information provided to the Compliance Enforcement Authority by a Registered Entity indicating that exceptions to a Reliability Standard baseline norm have occurred (e.g., a system operating limit has been exceeded).

# Compliance Monitoring Processes

## Complaints

### COMPLAINT

An allegation that a Registered Entity violated a Reliability Standard.

Complaints may be received by

- NERC
- Regional Entities

Review of Complaints by

- Regional Entities
- NERC

# Enforcement Actions

The Compliance Enforcement Authority shall determine:

- Whether there have been violations of Reliability Standards
- Where appropriate,
  - Remedial Actions
  - Penalties
  - Sanctions

# Enforcement Actions

## Enforcement Action Steps

- Notification to the Registered Entity of Alleged Violation
- Registered Entity Response
  - **Contests Alleged Violation**
  - **Does not contest**
  - **Does not respond**
- Hearing Process
  - **If the Registered Entity contests**
- Settlement Process
- NERC Appeal Process
- Notice of Penalty

# Reliability Standards – Recent Developments

## FERC Order No. 705

*Facilities Design, Connection, and Maintenance Reliability Standards,*  
121 FERC ¶ 61,296 (Dec. 27, 2007)

FERC approved 3 Reliability Standards

### **FAC-010-1**

#### **System Operating Limits Methodology for the Planning Horizon**

- Each planning authority must document its methodology for determining System Operating Limits within the planning authority's planning area for the applicable planning time horizon
- Regional variations for the WECC area
- Effective on July 1, 2008

# Reliability Standards – Recent Developments

## FERC Order No. 705

### **FAC-011-1**

#### **System Operating Limits Methodology for the Operating Horizon**

- Every reliability coordinator must compose a System Operating Limit methodology for the operations time frame to determine whether certain stability limits that are derived from multiple contingency analysis and provided by the planning authority are applicable in the operating horizon
- Regional variations for the WECC area
- Effective October 1, 2008

### **FAC-014-1**

#### **Establish and Communicate System Operating Limits**

- Each reliability coordinator, planning authority, transmission planner and transmission operator must develop and communicate SOL limits in accordance with the methodologies developed pursuant to FAC-010-1 and FAC-011-1
- Effective January 1, 2009

# Reliability Standards – Recent Developments

## NERC's December 27, 2007 Petition

### FERC Docket No. RM08-7-000

#### Proposes Reliability Standard IRO-006-4

- Provide for interconnection-wide Transmission Loading Relief procedures that can manage System Operating Limits and Interconnection Reliability Operating Limits to maintain the reliability of the Bulk Power System
- Spells out the interconnection-wide Congestion Management Processes that will reduce the energy flows across equipment that is nearing its System Operating Limit

#### Practical Effects

- IRO-006-3 superseded
- Tariffs incorporating current TLR standard may need to be revised

# Reliability Standards – Recent Developments

## Cyber Security

*Mandatory Reliability Standards for Critical Infrastructure Protection*, FERC Docket No. RM06-22 (Jan. 17, 2008).

- 8 reliability standards addressing cyber security concerns on the bulk power system
- Users, owners, operators must establish policies, plans and procedures to:
  - Safeguard physical and electronic access to control systems
  - Train personnel on security matters
  - Report security incidents
  - Be prepared to recover from a cyber incident