



**Federal Energy Regulatory Commission**  
**March 15, 2012**  
**Open Commission Meeting**  
**Staff Presentation**  
**Item E-3**

"Mr. Chairman and Commissioners:

Item E-3 is a draft order that accepts with limited conditions NERC's Petition for approval of a new enforcement mechanism - the Find, Fix, Track and Report, or "FFT," process - under which each month NERC will submit to the Commission a spreadsheet that provides information about remediated possible violations that pose a lesser risk to the Bulk-Power System. There will be no penalty and no formal mitigation plan associated with a matter resolved through the FFT process. NERC states that it will continue to submit Notices of Penalty for violations with more serious risk.

According to NERC, the FFT process will reduce the documentation and administrative burdens associated with processing lesser risk compliance matters. NERC states that the FFT mechanism will allow a re-direction of compliance resources so that NERC, the Regional Entities, and registered entities can focus resources on matters that pose a more serious risk to the Bulk-Power System.

The draft order accepts NERC's petition with limited conditions. As an initial matter, the draft order indicates that the conditions will apply prospectively from the date the order is issued. In other words, NERC need not re-file the FFTs it has already submitted to the Commission. The first condition is that only possible violations that pose a minimal risk to the Bulk-Power System will be eligible for FFT treatment. Based on a review of the FFT filings NERC has submitted thus far, the draft order provides some guidance with regard to what may, and may not, pose a minimal risk to the Bulk-Power System. Second, while NERC indicates in its petition that an entity receiving FFT treatment must first submit a statement to the Regional Entity that remediation has occurred, the draft order also requires the registered entity to certify to the Regional Entity that the statement of remediation is true and correct. Third, a possible violation that receives FFT treatment but is found not to have been mitigated as certified will be treated as a continuing possible violation that will not be eligible for FFT treatment. Fourth, the FFT informational filing must publicly identify the name of registered entities with a possible violation, unless this disclosure relates to a Cybersecurity incident or would jeopardize the security of the Bulk-Power System. Finally, NERC must submit a compliance filing sixty days after the date of the order to explain how NERC and the Regional Entities will evaluate a registered entity's compliance history and how the history will be considered in deciding whether entities receive FFT treatment. In that compliance filing, NERC also must provide additional information on how it will implement Phase II of the FFT proposal.

The draft order also indicates that the Commission will treat a possible violation included in an FFT informational filing as closed 60 days after the submittal unless there is cause to open it for review. In addition, the draft order indicates that each year the Commission will survey a random sample of FFTs. The purpose of the survey will not be to reopen those FFTs, but to determine whether the program is accomplishing its goals.

The draft order directs NERC to submit two informational reports regarding its experience with the FFT mechanism. The draft order explains that the Commission will use the informational report to be filed twelve months from issuance of the order as an opportunity to evaluate the FFT program. Further, the twelve-month report will provide an opportunity for the Commission to re-evaluate the appropriateness of the limited conditions set forth in the draft order.

Finally, the draft order notes that the FFT proposal is predicated on the view that certain possible violations pose lesser risk to the Bulk-Power System and that this may be a sign that some of the current requirements provide little protection for reliability or may be redundant. Therefore, in an effort to use other approaches to gain efficiencies and reduce compliance backlogs, the draft order

invites NERC, Regional Entities, and other interested entities to propose changes or mechanisms to identify and remove Reliability Standards or requirements that are unnecessary for system reliability or that may be redundant.

Thank you. This concludes my presentation.”