

## FERC Reliability Technical Conference

### Panel IV: ERO Performance

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#### Introduction

Acting Chair LaFleur, Commissioners, staff and fellow panelists. My name is Sonia Mendonca and I am an Associate General Counsel and the Director of Enforcement at the North American Electric Reliability Corporation (NERC). I appreciate the opportunity to present today on the trends associated with compliance and enforcement of Reliability Standards requirements.

One of the objectives of the ERO's<sup>1</sup> compliance monitoring and enforcement program is to hold industry accountable for violations of Reliability Standards that create serious risk to the bulk power system (BPS) and to ensure that resulting actions are timely and transparent to industry.<sup>2</sup> As part of its compliance monitoring and enforcement program, NERC regularly assesses trends associated with violations, including the level of risk posed to the reliability of the BPS by such violations. NERC also monitors trends associated with the ERO's performance in processing violations.<sup>3</sup> NERC reports on such trends quarterly.<sup>4</sup>

For the past few years, noncompliance with Reliability Standards has declined significantly and the majority of the violations processed has posed a minimal or moderate risk to the reliability of the BPS. These trends suggest a higher level of maturity of compliance programs. Other notable trends include the fact that violations of Critical Infrastructure Protection (CIP) Reliability Standards are more prevalent than violations of non-CIP standards, and that a high percentage of violations are identified by registered entities.

Also significant in recent years is the reduction in processing times throughout the ERO. Improvements in enforcement processes since the Find, Fix, Track and Report (FFT) program in 2011 have contributed to the more efficient processing. These trends are discussed in more detail below.

#### Overall Noncompliance with Reliability Standards Has Declined

A significant trend, observed for the past three years, is the decline in the overall instances of noncompliance with reliability standards. There was a 12 percent decline in violations from 2011 to 2012 and a 30 percent decline from 2012 to 2013. The decline affects both CIP and non-CIP Reliability Standards, but it is more significant for non-CIP

<sup>1</sup> The "ERO enterprise" refers to NERC as the Electric Reliability Organization and each of the eight Regional Entities.

<sup>2</sup> ERO Enterprise Strategic Plan 2014-2017.

<sup>3</sup> The term "violation" is used to indicate any type of noncompliance, regardless of whether it has been processed through an enforcement action.

<sup>4</sup> [Information available at the Compliance Violation Statistics page on the NERC website.](#)

violations. In part, the decline is attributed to outreach efforts by the ERO, as well as the maturity of compliance programs in a number of registered entities.

## **Most Noncompliance Poses a Lesser Risk to the Reliability of the BPS**

In addition to tracking the number of incoming violations, NERC also monitors the risk associated with the violations processed by the ERO year over year. A significant percentage of the ERO caseload consists of violations posing a minimal or moderate risk to the reliability of the BPS. Very few violations posed a serious or substantial risk over the past few years. Approximately 73 percent of the violations filed or posted after January 1, 2012 posed a minimal risk, while 25 percent posed a moderate risk and only 2 percent posed a serious or substantial risk to the BPS. Of the violations posing a serious risk, only half (or 1 percent of all violations filed or posted in the last two years) resulted in actual harm to the BPS.

## **Most Noncompliance Relates to CIP Standards and is Identified by Registered Entities**

A larger proportion of the ERO caseload is comprised of violations of CIP Reliability Standards. There is an approximate 60/40 split between CIP and non-CIP noncompliance.<sup>5</sup> In addition, for the past two years, the top 10 most violated Reliability Standards have remained the same. The “top 10” list is comprised primarily of CIP standards, in addition to PRC-005, VAR-002 and FAC-008/9. As indicated, however, most of the noncompliance with these standards posed a minimal or moderate risk to the reliability of the BPS. When we consider the “top 10” list by risk, a few other Reliability Standards are added to the list, including IRO-005, COM-002 and TOP-004/2. CIP-007 is the most violated Reliability Standard in all risk categories (minimal, moderate and serious or substantial). NERC regularly evaluates trends associated with frequently violated standards to understand associated risks and develop appropriate measures including training and outreach. As will be discussed in this technical conference, there are significant efforts underway to ensure an adequate transition to a new version of the CIP Reliability Standards. In addition, NERC is working on developing training on other Reliability Standards in the “top 10” list.

Levels of self-identification of noncompliance by registered entities also have been consistently high over the last few years. In 2012 and 2013, more than 70 percent of noncompliance with reliability standards was self-reported or self-certified, while 30 percent was found by the ERO. In the first quarter of 2014, registered entities discovered 89 percent of instances of noncompliance.<sup>6</sup> High levels of self-identification of noncompliance suggest that registered entities are regularly monitoring compliance with reliability standards. The evaluation of registered entities’ internal controls in connection with the compliance monitoring processes developed as part of the Reliability Assurance Initiative will allow the ERO to confirm such indications and continue to promote such practices.

## **ERO is Processing Violations More Efficiently**

Finally, a significant trend is that violations are being processed more efficiently. The ERO is committed to the timeliness and transparency of its compliance activities. NERC has several ways of measuring the efficiency with

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<sup>5</sup> In 2012, the percentage of CIP and non-CIP noncompliance was 37% non-CIP and 63% CIP. In 2013, the percentage of CIP and non-CIP noncompliance was 32% non-CIP and 68% CIP. In the first quarter of 2014, the percentage of CIP and non-CIP noncompliance was 35% non-CIP and 65% CIP.

<sup>6</sup> Sub-metric E included in the ERO Enterprise Strategic Plan for 2014-2017 sets a target of 75% for self-identification of noncompliance.

which the ERO processes noncompliance, including the caseload index and the average age of violations in inventory.<sup>7</sup> The ERO caseload index went from approximately 13 months at the end of 2012 to approximately 6.5 months at the end of 2013. The average age of the violations in the ERO enterprise caseload was reduced by 6 percent from 2012 to 2013. For the past two years, NERC and the Regional Entities also have made significant progress in eliminating the oldest violations in the caseload while continuing to process incoming violations. The oldest violations in the caseload were reduced by 80 percent in 2012 and by approximately 90 percent in 2013. Improvements in enforcement processes, particularly since 2011, when the FFT program started, have contributed to the more efficient processing. Additional programs being developed under the Reliability Assurance Initiative, which are based on the success of the FFT program, will further streamline processing of most of the caseload while maintaining accountability and visibility with respect to all noncompliance.

## Conclusion

In conclusion, in recent years there have been fewer violations of Reliability Standards, posing a lesser degree of risk and these violations are being resolved more quickly. I look forward to discussing these issues.

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<sup>7</sup> The caseload index is also a performance metric included in the ERO Enterprise Strategic Plan for 2014-2017. Specifically, sub-metric D sets a target of a 7-month caseload index for the ERO enterprise, with all Regional Entities above average trending downward. The caseload index is a “snapshot” of current enforcement processing rates. It measures the amount of time, in months, that it would take the ERO enterprise to eliminate existing inventory, assuming no new instances of noncompliance are submitted. This calculation is based on the processing rate of the previous 12 months.