SPP RE Newsletter: September 2011

RE Calendar

We invite you to join us for the following events:

Sept. 15: How to Read and Understand Standards Webinar

Oct. 4-5: Fall Workshop with a keynote address from FERC Commissioner John Norris, a presentation by NERC Manager of Organization/Registration/Certification Jim Hughes, a mock audit, and numerous educational sessions. Sept. 13 is the cutoff for the discounted SPP group rate of $119. Register for webinar or in-person attendance, and reserve your room today!

Oct. 24: Santa Fe, RE Trustees Meeting

Dec. 13: CIP-003-3 R4 Information Protection Webinar

What’s New At SPP RE

From General Manager Stacy Dochoda’s Desk: Compliance Improvements Through “Find, Fix, Track” and Self-Reports

Last month NERC announced a new enforcement initiative called Find, Fix and Track (FFT) it is developing with the Regional Entities (REs). If it lives up to our aspirations, this effort should be a turning point in the evolution of the Electric Reliability Organization. FFT will allow NERC, REs, and Registered Entities to refocus efforts on reliability excellence, eliminate undue regulatory burdens, streamline paperwork requirements, increase caseload processing, and encourage continued timely and thorough self-reporting and mitigation. FFT is part of a broader NERC initiative to improve the overall compliance and enforcement program. While FFT focuses on improving enforcement processes, other efforts will focus on improving compliance processes, including enhanced auditor training.

FFT will provide RE enforcement teams with the discretion to evaluate a non-compliance
issue’s risk to the Bulk Electric System (BES) and consider the entity’s compliance history to
determine whether it is appropriate to pursue the issue through a Notice of Penalty or if it can
be fixed and tracked on an FFT report. Issues that pose a lesser risk will be candidates for
FFT. As the name implies, registered entities will be required to fix FFT issues and REs will
track them. Generally, FFT issues will not require extensive discovery or a voluminous record.
NERC plans to file the first FFT with FERC at the end of September.

If we contact you to suggest you have a non-compliance issue being considered as an FFT
candidate, here’s what you can do to help: 1) Ensure the issue is well-mitigated and you have
evidence to demonstrate the mitigation, and 2) Provide us with any relevant information to
assist in developing the risk assessment. Be assured the FFT option will not remove your due
process rights. If you do not want an issue to be an FFT candidate, you may decline and
proceed through the traditional processing route.

So, what’s going on with self-reported and self-certified violations in our region? We have
strongly encouraged entities to initiate compliance self-reviews and to self-report non-
compliance at any time to SPP RE. An entity’s assertion of compliance on periodic self-
certifications indicates it believes it is in compliance with the relevant standards. A very
important element of an entity’s strong internal compliance program (ICP) is its periodic self-
reviews or mock audits. Some entities with strong ICPs bring in outside entities to review their
evidence of compliance to reliability standards. These self-reviews help remedy gaps in a
timely manner.

I’m pleased to report that entities in the SPP RE region appear to have taken significant steps
to introduce or enhance their self-review programs. While numbers don’t tell the entire the
story, it is noteworthy that self-identified compliance gaps increased from 57% in 2009 to 77%
YTD. At a minimum, we see many entities performing self-reviews in advance of their audits.
While NERC reliability standards do not require these efforts, they exemplify a strong
compliance culture and will be an important indicator of the entity’s risk profile. I commend the
attention and efforts that SPP RE registered entities have devoted to these self-review
programs.

**New Online: 2012 Audit Schedule and Lessons Learned**

We’ve posted the [2012 audit schedule](#) to our [Compliance and Enforcement page](#).

On our [Event Analysis page](#) there are three new Lessons Learned documents:
[Power Line Communications Failure](#), [Combustion Turbine Failed to Start due to Cold Hydraulic Oil Reservoir](#) and [Unit Trip due to Control Signal Sent to Incorrect Fan](#).

**Executive Director of Compliance Ron Ciesiel on Internal Compliance Programs**

The importance of strong ICPs is a topic of continuing discussion at FERC,
NERC, and the REs. If you are looking for guidance on strengthening your ICP, we encourage you to read FERC’s [Policy Statement on Compliance](#), which outlines factors for a vigorous compliance program, and its [Revised Policy Statement on Enforcement](#), which identifies factors FERC considers when determining credit a company may receive for its commitment to compliance.
Self-reporting is an increasingly significant component of a strong and active ICP. As FERC writes in its enforcement policy statement, "We place great importance on self-reporting. Companies are in the best position to detect and correct violations of our orders, rules, and regulations, both inadvertent and intentional, and should be proactive in doing so." When an entity self-reports an issue, it demonstrates it is continually monitoring its compliance responsibilities rather than waiting for a regulatory body to discover any issues through a spot check, audit, or investigation.

While we do not require self-reporting, we view it as a mitigating factor in determining penalties that may arise from a violation. A robust ICP not only helps the compliance process, but leads to a higher level of BES reliability by catching and mitigating issues earlier.

ICPs, including self-reporting, are important factors in the new Risk-Based Compliance Monitoring Approach that is being formulated at NERC. Under this approach, the amount of compliance monitoring scrutiny a registered entity receives will be more commensurate with the risk it poses to BES reliability. The following five aspects will determine an entity’s risk: Technical and Risk Profile, Reliability Performance Metrics (Trends), Internal Compliance Program, Compliance and Enforcement Metrics and Status, and Regional Entity Qualitative Assessment.

NERC and the REs will work together to develop an Entity Risk Profile Assessment template by EOY 2011. In 2012-13, SPP RE plans to finish our initial audit cycle and use risk-based results in developing entities’ audit scope. In 2014 we expect to have risk-based monitoring fully in place, incorporating both scope and intervals for compliance activities.

NERC News

• [Comments on proposed changes to Rules of Procedure](#) and associated Appendices are due Oct. 17 to ROPcomments@nerc.net.

• [At its August Board meeting](#), the NERC Board committed to reviewing its Compliance Application Notice (CAN) Process; [version 4 of the CAN Process](#) has been posted and all of the final CANs are being revised and posted for another comment period. [View draft CANS](#) and submit comments on CANs 5, 6, 7, 8 and 18 by Sept. 21 (identify CAN name in the subject line).

• The NERC Board approved four new standards: Project 2006-02 Assess Transmission Future Needs and Develop Transmission Plans (TPL-001-2) and Project 2006-06 Reliability Coordination (IRO-002-3, IRO-005-4 and IRO-014-2).

• The System Maintenance and Testing Drafting Team needs industry experts, particularly from smaller entities. Nominees should have experience in developing, managing, or supporting a maintenance or testing program. To apply, submit a [nomination form](#) by Sept. 23. There are also [vacancies](#) on the System Protection Coordination, Frequency Response, and Real-time Reliability Monitoring and Analysis Capabilities drafting teams.

• NERC and FERC released a staff report on [Outages and Curtailments During the Southwest](#)

- Following a FERC and NERC investigation that began in 2009, on Aug. 29, FERC issued an order approving a stipulation among Grand River Dam Authority (GRDA), NERC, and FERC finding violations of 52 requirements of 19 reliability standards. Several of the violated standards, including TOP 002-2 requirement 11 and TPL standards, have been challenging for numerous entities. GRDA agreed to a penalty of $350,000. FERC noted that GRDA has "voluntarily made substantial improvements in its operations," and will spend $2 million over the next two years on additional measures to ensure compliance. According to the order, "These organizational changes indicate that management has committed to reliable operations as a business priority and has created the mechanisms to ensure oversight of reliability issues."

- **Webinars and Workshops**
  - Sept. 9, 1:30 ET, [2012-2014 Reliability Standards Development Plan](#)
  - Sept. 15, 1:00 ET, [Protection System Maintenance and Testing](#)
  - Sept. 28, 1:00 ET, [Definition of Bulk Electric System and Supporting Rules of Procedure](#)
  - Oct. 18-20, New Orleans, [Grid Security Conference](#)
  - Oct. 26-28, Atlanta, [Standards and Compliance Workshop](#)
  - Dec. 6, Atlanta, [Compliance Workshop](#) for Compliance Managers and staff

A technical webinar on Draft Version 5 (CIP-002 – CIP-011) may be [viewed online](#).

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**Quick Reference**

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**Our Staff**

We are happy to help you with any questions or concerns.

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This quarterly newsletter was sent to:
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Critical Infrastructure Protection Working Group exploder
Markets and Operations Policy Committee exploder
Operating Reliability Working Group exploder
RE Authorizing Officers
RE News
RE Primary Compliance Contacts
RE Standards Development exploder
RE Trustees exploder
SPP Compliance Contacts exploder

To subscribe, visit our email list page and select Regional Entity News. Back issues are also posted. If you have questions about this publication, please contact Emily Pennel.

To receive a weekly Standards Under Development update from the SPP Regional Transmission Organization, select SPP Compliance Contacts on our email list page.

SPP RE is an independent and functionally separate division of SPP, Inc. that promotes and works to improve bulk electric system (BES) reliability. SPP RE oversees the development of regional reliability standards; monitors and enforces registered entities’ compliance with reliability standards; assesses and evaluates BES reliability; and provides technical expertise and assistance to BES owners, operators, and users - in particular to registered entities located within SPP RE’s eight-state footprint that includes all or parts of Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas.