SPP RE 2013 Year-End Report

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Executive Summary

In 2013, the SPP RE staff achieved a high level of success when measured by our goals and metrics; staff’s weighted total metrics achievement was 104.4%. Other accomplishments include improved audit and enforcement processes, continued engagement with NERC’s Events Analysis program and publication of regional Lessons Learned, the timely publication of three Regional Reliability Assessments, increased attendance at webinars and workshops, improved technology, positive feedback from NERC and FERC observers of SPP RE audits, NERC’s approval of the revised SPP RE Standards Development Manual, and favorable ratings on the annual stakeholder survey.

Numbers at a Glance

- Audit reports issued: 41
- Audits performed: 42
- Entities added: 9
- Events processed: 22
- FFTs processed: 86
- Lessons Learned published: 2
- Mitigation Plans reviewed: 180
- Newsletters published: 12
- Reliability Assessments published: 3
- Spot Check reports issued: 4
- Spot Checks performed: 3
- TFE actions: 271
- Videos produced: 16
- Violations processed: 175
- Violations received: 189
- Working Groups engaged with: 39
- Workshop & webinar attendees: 1,218
Compliance Monitoring

Performed 42 audits; Issued 41 audit reports
In 2013 SPP RE led 13 on-site and 29 off-site audits, participated in two off-site audits led by another Regional Entity, and observed SERC’s CIP and Operations and Planning (O&P) audits of SPP, Inc. Two audit reports were published for field work performed in 2012. One report for field work performed in 2013 will be published in 2014. In 2013, the average time to issue 12 onsite audit reports was 51 days, compared to our goal of 75 days. The average time to issue 33 offsite audit reports was 31 days, compared to our goal of 55 days.

Performed three Spot Checks; Issued four Spot Check reports
In 2013, SPP RE conducted three Spot Checks for PSE-only Registered Entities. We issued four Spot Check reports, including one for field work performed in 2012, within an average of 22 days from the evidence submission deadline, compared to our target of 90 days.

Improved Audit Processes
The O&P and CIP audit teams implemented several process and performance improvements in 2013. Overall, the average time to publish audit and Spot Check reports was reduced. The O&P team continued to enhance their pre-audit evidence review. The pre-audit review enables the audit team to perform its work more efficiently and effectively once the official audit period begins, and allows them to make assessments on some standards without further action during the audit. Based on the results of the pre-audit review, the audit team leaders were able to reduce the amount of time spent on-site for three audits.

The CIP audit team continued its comprehensive pre-audit evidence review for both on-site and off-site audits. The pre-audit activities include collection and review of randomly sampled evidence and a pre-audit review of follow-up evidence requests stemming from the first evidence review. Due to the fact that 2013 was the last year for the first round of CIP compliance audits, the audit team has not been able to take advantage of the pre-audit reviews to eliminate a meaningful number of requirements from the on-site phase.

The CIP team continued to emphasize outreach during the audit field work, as permitted by the GAO Generally Accepted Government Auditing Standards (GAGAS). Outreach efforts were coordinated with the audited entity’s Primary Compliance Contact throughout the audit, starting with the 90-day audit notice, to ensure the level of outreach was acceptable to and met the expectations of the audited entity.

Two compliance staff members were active participants on the NERC-led Auditor Handbook development project. One CIP team member was actively involved with the development of the new Reliability Standard Audit Worksheet (RSAW) template and the CIP Version 5 RSAWs, and one staff member is was actively involved with the Compliance Application Notice conversion project. Two CIP team members participated as observers on RFC’s entity risk assessment (pilot program) of AEP. The results of the RFC assessment will be used to potentially reduce the scope of the joint SPP RE, RFC, and Texas RE audit of AEP in 2014 that SPP RE is leading.
One SPP Registered Entity is participating in the NERC CIP Version 5 Transition Study (one of six participants). One member of the CIP compliance team is the project coordinator/primary contact for the Registered Entity and represents SPP RE on the NERC-led core study team. Experiences and lessons learned from the transition study will be used to develop Registered Entity and staff training and will influence the development of Reliability Assurance Initiative (RAI) programs within SPP RE.

We enhanced training for our audit staff through several mechanisms. In conjunction with NERC and the other REs, SPP RE audit staff and a number of SPP RE contractors participated in two NERC-sponsored auditor workshops. The CIP audit team participated in the 2013 NERC Grid Security Conference. Several staff also attended a NERC-led performance auditing training workshop. All CIP auditors have attained the Certified Information Systems Auditor certification. Several CIP and O&P auditors are enrolled in training that will result in certifications as Certified Internal Auditors.

FERC and NERC observers attended two SPP RE-led audits in 2013. While there is always room for improvement, the general tone of the feedback sessions from observers was very positive.

**Managed TFE Caseload**

The Technical Feasibility Exception (TFE) Program related to CIP standards completed its fourth year in 2013. We have processed 668 new or amended TFE requests since the program’s inception, including 69 TFEs newly submitted in 2013. In 2013 we accepted 148 new or amended TFEs, approved 87, disapproved four, and terminated 32. The active TFE caseload at the end of 2013 was 199, up 33 from 2012.

FERC approved a significantly revised TFE process (Appendix 4D to the NERC Rules of Procedure) in 2013. We have implemented the elimination of the quarterly and annual reports. We are waiting for modifications to webCDMS, planned for spring 2014, before we can implement the streamlined submission and reporting processes. In the meantime, our Registered Entities are continuing to manage their TFEs under the current webCDMS-supported process. The CIP team will make a concerted effort to clear as much of the pending approval review backlog as possible before webCDMS is updated.

FERC also approved the Paragraph 81 filing that retired a number of CIP and O&P requirements, including one requirement eligible for TFE treatment. We are working with our Registered Entities to terminate the 10 TFEs against CIP-005, Requirement R2.6 (Acceptable Use Banners) that are still on the books.

**Processed 22 Events**

In 2013, SPP RE’s Event Analysis staff engaged with the national NERC Event Analysis program and handled 22 reportable events and 13 category qualifying events. This number of events is higher than the reportable events that occurred in 2012. The increase may be due to clarification from NERC staff on category 1a events concerning multiple elements. We worked with some of the impacted Registered Entities to develop and publish two regional Lessons Learned in 2013.

In September 2013, SPP RE Event Analysis staff responded to a FERC inquiry regarding the winter preparedness of SPP RTO and the three Registered Entities involved in the February 2011 Winter
Weather Event. FERC sent the data request to all three regions involved in the event with questions related to outreach activities, use of winter guidelines, and whether the affected Registered Entities incorporated recommendations from the FERC/NERC Joint Report. SPP RE reported that applicable recommendations from the Joint Report were implemented by all three Registered Entities and SPP RTO. SPP RE’s response also included a description of our outreach related to the event including the use of newsletters to share lessons learned and posting of links to winter weather guidelines. SPP RTO formed the Gas Electric Coordination Task force to respond to any gas and electric coordination issues that impact the SPP region.

**Added Nine Registered Entities**

In 2013, we added nine Registered Entities and de-activated six Registered Entities, increasing our total from 140 to 143. We participated in five multi-regional Certifications during 2013. The total number of functions registered in SPP RE increased from 410 to 424. In late 2012 FERC approved the revised Bulk Electric System (BES) definition and the addition of an Exception Process for elements that meet the standard definition but have attributes that would allow them to be removed from Compliance Monitoring Enforcement Program (CMEP) oversight. The new BES definition and Exception Process were slated to go into effect July 1, 2013 but FERC postponed implementation until July 1, 2014.

**Participated in Facility Ratings Alert Program**

NERC launched a Facilities Ratings alert program at the end of 2010, with a goal of having all BES lines checked for clearances and ratings by the end of 2013. The SPP RE Events Analysis group is coordinating this activity for the SPP RE footprint. The high priority line assessments have been completed in the SPP region, with all remediation activities complete except for three lines. As of July 15, 2013, 1,900 discrepancies have been found on the high and medium priority lines and 300 discrepancies found on low priority lines. Final results from the 2013 activities are expected in February 2014. The number of medium and low priority line discrepancies are expected to increase. Six companies have asked for and been granted extensions due to LIDAR contractor availability, outage scheduling conflicts, and retaining resources.

**Published Three Reliability Assessments**

SPP RE is responsible for developing annual winter, summer, and long-term reliability assessments. The 2013 long-term reliability assessment shows adequate reserve margins for the SPP RTO footprint over the next ten years. SPP’s planning processes have identified a number of transmission projects needed for reliability purposes, and it is expected that those projects will be completed as scheduled or mitigation plans will be developed.

The most significant transmission challenges facing portions of the SPP footprint are related to an increase in oil and gas drilling. New oil and gas drilling facilities are built faster than they can be captured in SPP’s planning processes and models. SPP also continues to have an influx of variable generation resources, leading to operational challenges. SPP is enhancing its planning processes to better capture the impacts of the oil and gas projects and variable generation. Given the region’s generation capacity, transmission infrastructure, and enhancements being made to processes and models, SPP is expected to be able to meet any challenges—including environmental regulations—that may arise during the next decade.
Enforcement

Processed 175 violations; Received 189

The SPP RE Enforcement group received 189 violations in 2013 that were either self-reported by Registered Entities or discovered by the Compliance Monitoring group. We processed 175 violations and, for the second year in a row, the number of violations processed via the Find, Fix, Track and Report (FFTR) disposition method (86) represented the largest number of violations processed. Only five violations were processed in 2013 utilizing the Full Notice of Penalty process. The remaining 84 violations were either dismissed (41) or processed utilizing the Spreadsheet Notice of Penalty process (43).

At the end of 2013, Enforcement implemented an incoming violation triage process to expedite the identification and processing of FFTR violations and improve the efficiency of the enforcement process. This process is aligned with the NERC Reliability Assurance Initiative and supports the prospective implementation of the Compliance Exception process. The Compliance Exception process is designed to take certain low-risk violations and process them outside of the Enforcement process. Although SPP RE is not participating in a NERC Compliance Exception pilot project, we are engaged with another Region in the utilization of the Compliance Exception process for a Registered Entity that has multi-region violations.

Due to a large number of incoming violations in December 2013 (24), and the loss of two enforcement attorneys during the year, the Enforcement caseload, at year’s end, is up from 168 in 2012 to 186. We do not anticipate the addition to the caseload will result in a substantive impact to SPP RE Enforcement’s caseload index. Throughout 2013, SPP RE Enforcement was able to maintain a caseload index of less than one year.

Reviewed 180 Mitigation Plans; Improved Processes

In 2013, Enforcement completed its review of 180 completed mitigation plans. The addition of a CIP Compliance Specialist in 2012 has all but eliminated the use of consultants to support the mitigation process. The review and approval of incoming mitigation plans and the review of completed mitigation plans now routinely take place in less than 15 days. We continue to focus mitigation plan efforts on “High Impact” violations or those that represent a substantive risk to the Bulk Electric System. To achieve this objective, in 2013 we established a performance goal of soliciting an acceptable mitigation plan for High Impact violations within 105 days of violation discovery. In 2013, SPP RE Enforcement averaged 98 days to receipt of acceptable mitigation plans for High Impact violations.

Compliance Hearing

SPP RE Enforcement’s only hearing has settled and is nearing conclusion. Settlement terms were agreed to by the parties in September 2013 and the Hearing Officer issued an order suspending the Hearing schedule that same month. We filed an executed settlement agreement with NERC on December 10, 2013. The settlement agreement is scheduled to be presented to the NERC Board of Trustees Compliance Committee in February 2014. It is anticipated the Notice of Penalty will be filed with FERC by the end of February. The Registered Entity is proceeding with mitigation of the violation and it is anticipated that review of the Registered Entity’s mitigation completion efforts will be completed by April 2014.
# 2013 Metrics Performance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Actual Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Expedite processing and mitigation of High Impact (HI) violations</td>
<td>104.57%</td>
</tr>
<tr>
<td>2. Process December 31, 2012 caseload within 2013</td>
<td>104.17%</td>
</tr>
<tr>
<td>3. Accept or reject Mitigation Plans within 30 days of submission by</td>
<td>91.67%</td>
</tr>
<tr>
<td>Registered Entity</td>
<td></td>
</tr>
<tr>
<td>4. Complete Mitigation Plan completion reviews within 30 days of</td>
<td>150%</td>
</tr>
<tr>
<td>Registered Entity notification of completion</td>
<td></td>
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<tr>
<td>5. Complete quarterly Mitigation Plan milestone completion reviews</td>
<td>120%</td>
</tr>
<tr>
<td>within 30 days of the end of the quarter</td>
<td></td>
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<tr>
<td>6. Complete documentation close-out of 75% of all closed violations</td>
<td>108.83%</td>
</tr>
<tr>
<td>7. Publish non-public off-site audit report to NERC (55 days)</td>
<td>120%</td>
</tr>
<tr>
<td>8. Publish non-public on-site audit report to NERC (75 days)</td>
<td>120%</td>
</tr>
<tr>
<td>9. Publish non-public Spot Check reports to NERC (90 days)</td>
<td>120%</td>
</tr>
<tr>
<td>10. Publish internally completed assessment of Self-Certification/</td>
<td>110%</td>
</tr>
<tr>
<td>exception reporting/periodic data submittals</td>
<td></td>
</tr>
<tr>
<td>11. Process incoming Possible Violations to NERC through webCDMS in</td>
<td>110%</td>
</tr>
<tr>
<td>5 business days or less</td>
<td></td>
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<tr>
<td>12. Reduce estimated cash costs</td>
<td>0%</td>
</tr>
<tr>
<td>13. Increase outreach/oversight of relay misoperations data to reduce</td>
<td>80.66%</td>
</tr>
<tr>
<td>reported misoperations for 4Q 2012-3Q 2013</td>
<td></td>
</tr>
<tr>
<td>14. Assure proper Event Analysis cause codes can be verified 90% of</td>
<td>150%</td>
</tr>
<tr>
<td>time</td>
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Outreach

SPP RE holds three compliance workshops annually. Members, Registered Entities, and other interested parties are invited to attend in-person or via webinar to learn more about SPP RE and NERC processes, emerging issues, compliance best practices, and more. In addition to presentations by SPP RE staff, guests from FERC, NERC, and entities are invited to speak on topics of interest. In 2013, SPP RE held three workshops with 497 participants, a 7% increase over 2012.

SPP RE posts training videos to capture basic compliance education presented at webinars and workshops. In 2013 we posted 16 new videos on topics including specific CIP standards, mitigation plans, human performance, and more.

SPP RE regularly hosts webinars to inform Registered Entities about compliance matters and emerging issues. In 2013, SPP RE hosted 9 webinars with 721 registrants. The average number of registrants per webinar increased 64% over 2012, from an average of 51 per webinar to 80.

SPP RE issued 12 monthly e-newsletters that included feature articles, workshop and webinar invitations, and updates on SPP RE and NERC activities.

In 2013, SPP RE staff continued to participate in the RE Trustees, MOPC and the following SPP working groups: Operating Reliability, Transmission, System Protection and Control, Operations Training, Critical Infrastructure Protection, Generation, Model Development, Event Analysis, Consolidated Balancing Authority, and Operations Model Development. The RE General Manager also participates in Board of Directors meetings.

Staff served on the following NERC groups in 2013: Regional Entity Managers Group, Reliability Assessment Subcommittee, Event Analysis Subcommittee, Budget/Finance Group, Transmission Availability Data System Working Group, Communications Group, Reliability Performance Metrics Group, Compliance Database Management Functional Group, Information Technology Steering Group, Staff Training Group, Performance Analysis Subcommittee, Demand Response Data System Working Group, Generator Availability Data System Working Group, Reliability Assessments and Performance Analysis Group, BES Process Development Group, Reliability Assessment Data Working Group, Regional Compliance Implementation Group, Enforcement Functional Group, ERO Legal Group, TFE Managers Working Group, Compliance Monitoring Working Group, RSAW Task Force, Certification Registration Working Group, Paragraph 81 Group, Registration and Certification Functional Group, and ERO Compliance and Enforcement Management Group.

<table>
<thead>
<tr>
<th>15. Issue Reliability Assessments in a timely manner 100% of time</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>16. Complete 100% of outreach production goals</td>
<td>100%</td>
</tr>
<tr>
<td><strong>ACTUAL WEIGHTED TOTAL</strong></td>
<td><strong>104.36%</strong></td>
</tr>
</tbody>
</table>
**Improved Technology**

In 2013, SPP RE worked with all Regional Entities and NERC to develop, test, and implement new business rules for NERC’s Compliance Reporting and Tracking System (CRATS). This data-integrity enhancement adds new business rules to NERC’s web services to ensure that data synced from webCDMS to CRATS is consistent with the CMEP. SPP RE staff also worked with OATI and other regions to test and implement other webCDMS enhancements. We expanded our use of the EFT Server that entities use to upload CIP and O&P evidence as well as mitigation plan documentation and other Enforcement department information.

**Regional Standards Update**

In November 2012 the NERC Board of Trustees approved the SPP Automatic Underfrequency Load Shedding (UFLS) Regional Standard, PRC-006-SPP-01, to develop coordinate, and document automatic UFLS program requirements in the SPP RE footprint. While SPP was developing the regional standard, a continent-wide UFLS standard was approved and became effective in October 2013. Due to the implementation of the continent-wide standard, the SPP Board of Directors, Regional Compliance Working Group, and MOPC gave positive advisory votes for withdrawing the SPP regional UFLS standard. The SPP RE Trustees and NERC Board of Trustees approved the recall, and FERC withdrew PRC-006-SPP-01 effective December 27, 2013.

The SPP RE Regional Standards Development Process Manual voting process steps were implemented for the first time with PRC-006-SPP-1, and SPP RE received questions and comments from stakeholders regarding the process. In 2012 MOPC formed a task force to revise the Manual. Two drafts of the Manual were posted in early 2013; the second draft passed the ballot body with a 100% affirmative vote. The revised Manual received affirmative advisory votes at the MOPC and Board of Directors/Members Committee April 2013 meetings. In June, the SPP RE Trustees approved the revised Manual for submission to NERC. At their November meeting, the NERC Trustees approved the Manual for submission to FERC.

**Stakeholder Survey**

SPP RE strives to continuously improve its performance of its NERC-delegated functions. Each year we ask Registered Entities to provide anonymous input on programs and customer service. The 2013 SPP RE survey had a 57% response rate (70 respondents). On a 1-5 scale in which 5 represents the most favorable score, average ratings throughout the survey were between 2.9 and 3.9. When asked how well SPP RE’s programs and services meet expectations, respondents rated all with average scores in the meets expectations range between 3.0 and 3.3. When asked to rate employees’ customer service ability or programs’ responsiveness to needs, respondents rated all with average scores between average and good, from 3.4 to 3.9. The 2013 overall satisfaction rating of 3.6 dropped from the 2012 rating of 4.0 but remained over halfway between average and good. Results of both surveys are shared with staff, who are asked to develop action plans to improve performance.
2013 Goals and Achieved Performance

The following goals were outlined in the 2012 year-end report. Each of these is listed below with its status.

- Increase outreach to Registered Entities’ senior leadership – Continuing. SPP RE staff presented to four Registered Entity subject matter expert groups and three Registered Entity Executive forums.

- Specific performance metrics – Met 13 of 16 performance metrics

- Increase collaboration with SPP RTO Compliance Group - Continuing

- Participate in auditor certification process as determined by NERC - Sponsored and participated in development of ERO-wide Auditor Handbook. Certification requirements to be presented by NERC in early 2014.

- Develop tools to assess Registered Entity internal controls – Continuing. Pilot programs are underway at various Registered Entities.

- Validate and upload to webCDMS Case Record documents for 75% of the closed violations. The goal is to fill documentation voids in webCDMS resulting from conversion of the previous “workbook” process to using webCDMS to transmit Enforcement documents to NERC. – Completed

- Implement suggested improvements to CMEP processes based on inter-regional review and NERC’s new Reliability Assessment Initiative - Continuing

2014 Goals

1. Coordinate with NERC and Registered Entities on implementing BES definition exception process

2. Continue working with NERC and other Regional Entities to streamline and standardize CMEP processes through tools and initiatives such as the Reliability Assurance Initiative, Auditor Handbook, auditor training/certification, added on-site audit efficiencies, and reduced audit scope

3. Monitor Registered Entities’ remediation of Facility Ratings discrepancies (FAC Alert)

4. Work with Registered Entities on CIP version transition

5. Meet specific performance metrics and goals