Overview

In 2012, the SPP RE will have served as a regional entity under the delegation agreements with NERC for four and a half years. SPP RE initially expected to record less than fifty violations of the reliability standards a year. However, in 2009 and 2010 SPP RE recorded 132 and 254 violations respectively. About half of the violations, in each year, were self-reports or self-certifications. In 2010, SPP RE verified 224 mitigation plans as complete. The level of activity has risen by a staggering amount each year. Looking forward to 2012, and beyond, emerging issues such as the increasing number of investigations, greater expectations from NERC and FERC for situational awareness and event analysis and the implementation of a new BES definition and exemption process will add to the current demands on the SPP RE Staff. The major 2011 initiatives, which will continue into 2012 and beyond, include reducing the enforcement violation backlog and adequate staffing for monitoring all forty-three CIP requirements. SPP RE proposes to increase its 2012 Budget by $1.6 million or 16%. Due to a budget under-run in 2011, LSE assessments would increase by only 10%. The increase is comprised of $1 million for direct RE expenses and $0.6 million for overhead expenses. A summary of the drivers for the proposed budget increase is below.

Summary of Budget Drivers

1. Enforcement caseload – 2.5 FTE increase above 2011 BP&B

Beginning in 2012, NERC has identified a goal of 12 months for violations to be processed as Notices of Confirmed Violations, settlements or dismissals. Currently, SPP RE has 325 active violations. In 2010, the SPP RE processed 119 violations through the enforcement process. To begin to reduce its caseload, in 2011, the SPP RE plans to add two enforcement staff and plans to spend an additional $300,000 in contractor costs compared to 2010 actual staffing and expenses. To achieve the NERC processing goal, SPP RE proposes to add an additional enforcement employee in 2012 and continue to budget the $300,000 in contractor costs. The total enforcement staff proposed for 2012 is 11.42 FTE’s, which includes the Manager of Enforcement, five enforcement attorneys, two engineers, one paralegal and four part-time law clerks which represent 2.5 FTEs.
With these resources, we project to achieve a 12 month processing time by the end of 2013.

Explanation of FTE increase:

0.3 FTE       Budgeted 2011 Mid-year hire will be full year FTE in 2012
1.2 FTE       Unbudgeted 2010-2011 law clerks incorporated in 2012 budget
1.0 FTE       Proposed 2012 Enforcement staff addition

2. **New Bulk Electric System Definition with Process for Exemptions** - Increase of $300,000 Contractor Costs; 0.3 FTE Increase above 2011 BP&B

In response to a FERC order, NERC has a standard drafting team developing a revised definition of the Bulk Electric System (BES). The Commission provided guidance that an exemption process would be allowed, as long as NERC and FERC approve the Regional Entity determination in which a registered entity could seek to have elements declared not part of the BES. The exemption process will likely allow registered entities to submit requests for exemptions to the Regional Entity. The Regional Entity will then be required to determine whether to grant or deny the exemption. SPP RE anticipates that the determination will require load flow, short-circuit and/or stability studies to be conducted by the Regional Entity. The SPP RE does not currently have resources to perform such work. Given the uncertain nature of the workload, SPP RE proposes to have the work performed by contractors. There will be a need for an SPP RE employee to manage the contractors’ work. In addition, the SPP RE may need to defend its decision in appeals by registered entities. The management and defense activities will require incremental SPP RE resources.

3. **Compliance Investigations** – 0.7 FTE increase above 2011 BP&B

Compliance investigations are a CMEP monitoring method. Until 2010, the SPP RE had not conducted a compliance investigation. As the program has evolved, more compliance investigations are being conducted across the regions. The SPP RE is currently involved in three investigations. Increased attention to situational awareness and event analysis by the SPP RE, NERC and FERC is expected to identify an increase in the number of issues that need to be investigated. While any member of our compliance team might be on an investigation team, there is an incremental resource...
need estimated at 0.7 FTE above 2011 budgeted FTEs for 2012 to address the increase in investigations.

**CIP Compliance** - 0.92 FTE increase above 2011 BP&B

With all forty-three requirements of the CIP standards now subject to compliance monitoring, each CIP audit is scheduled to require as much as three weeks of dedicated activity with the registered entity and several more weeks of pre-audit and post-audit activities. In preparing the 2011 budget, SPP RE assumed it would have access to essentially all the registered entity’s evidence during pre-audit review at the SPP RE offices. However, it appears that this will not always occur and increased staffing is needed to accommodate the increased work load and increased travel time. The additional resource is assumed to start in February yielding 0.92 FTE for 2012.

If CIP-002-4 is approved by FERC, more Critical Assets may be identified by registered entities. SPP RE believes the number of newly identified Critical Assets in the SPP RE region will be very small and no resources have been identified for this item. However, if there are newly identified Critical Assets resulting in new Critical Cyber Assets, particularly at entities without previously identified Critical Assets, our resources will need to be re-examined and it is possible a second CIP audit team will be needed.