SPP Southwest Power Pool Regional Entity

# SPP Regional Entity Trustees Meeting

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## Risk-Based Compliance Monitoring

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# Risk Based Reliability Compliance Monitoring

- Basis for a risk based approach:
  - Auditing and compliance monitoring do not guarantee compliance and reliability
  - Auditing provides reasonable assurance of compliance
  - Audit scope can and should take into account the entity's:
    1. internal compliance program
    2. prior compliance history
    3. risk profile

# Risk Based Reliability Compliance Monitoring

- Top Reliability Risk Priorities:
  - Mis-operations of relay and controls systems
  - Human errors by field personnel
  - Ambiguous, incomplete voice communications
  - Right-of-way maintenance and clearances
  - Critical Infrastructure Protection
  - Changing resource mix
  - Integration of new technologies
  - High impact, low frequency events

# Three-Tiered Approach

## Following the Identification of a set of High Risk Priority Reliability Standards

| | | | | |
|---|---|---|---|---|
| BAL-002 | CIP-009 | FAC-001 | MOD-004 | PRC-011 |
| BAL-003 | COM-001 | FAC-002 | MOD-008 | PRC-023 |
| CIP-001 | COM-002 | FAC-003 | NUC-001 | TOP-001 |
| CIP-002 | EOP-001 | FAC-008 | PER-001 | TOP-002 |
| CIP-003 | EOP-002 | FAC-009 | PER-002 | TOP-003 |
| CIP-004 | EOP-003 | IRO-002 | PRC-001 | TOP-004 |
| CIP-005 | EOP-004 | IRO-004 | PRC-004 | TOP-006 |
| CIP-006 | EOP-005 | IRO-005 | PRC-005 | TOP-008 |
| CIP-007 | EOP-006 | IRO-006 | PRC-007 | TPL-003 |
| CIP-008 | EOP-008 | MOD-001 | PRC-008 | TPL-004 |

**Requirements from each standard were sub-divided into Three Tiers:**

- **Tier 1 Requirements** - those that are the most critical to the purpose and spirit of the standard
- **Tier 2 Requirements** – those that are critical to the purpose of a standard, but less so than Tier 1 in that Tier 2 does not address the ERO high risk priorities as does Tier 1 and/or Tier 2 does not pose as severe a risk as Tier 1
- **Tier 3 Requirements -** those that, while still being significant to BPS reliability, do not represent the purpose of a Reliability Standard directly and/or are not representative of ERO priorities.

# Three-Tiered Approach

| | | | | |
|---|---|---|---|---|
| BAL-002 | CIP-009 | FAC-001 | MOD-004 | PRC-011 |
| BAL-003 | COM-001 | FAC-002 | MOD-008 | PRC-023 |
| CIP-001 | COM-002 | FAC-003 | NUC-001 | TOP-001 |
| CIP-002 | EOP-001 | FAC-008 | PER-001 | TOP-002 |
| CIP-003 | EOP-002 | FAC-009 | PER-002 | TOP-003 |
| CIP-004 | EOP-003 | IRO-002 | PRC-001 | TOP-004 |
| CIP-005 | EOP-004 | IRO-004 | PRC-004 | TOP-006 |
| CIP-006 | EOP-005 | IRO-005 | PRC-005 | TOP-008 |
| CIP-007 | EOP-006 | IRO-006 | PRC-007 | TPL-003 |
| CIP-008 | EOP-008 | MOD-001 | PRC-008 | TPL-004 |

| 2012 AML - 1st Tier | 2nd Tier | 3rd Tier |
|---|---|---|
| 277 | 401 | 250 |

- Tier 1 requirements represent 277/928 = 29.9% of all High Risk Priority Standard requirements or 277/1271 = 21.8% of **all** enforceable requirements

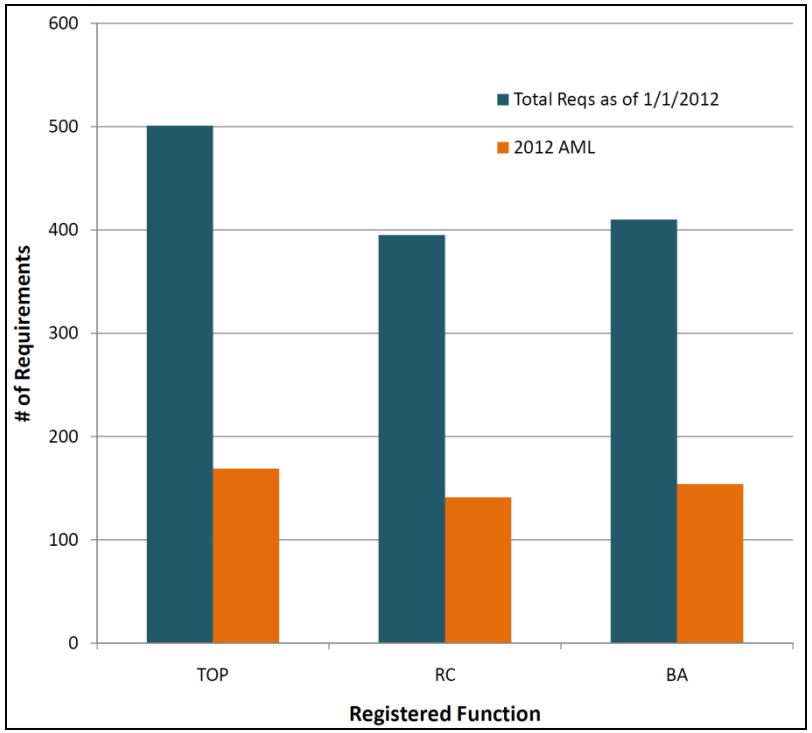
- Considering all compliance monitoring methods, the various features have the following raw requirement counts: Tier 1 Audit Requirements= 277, Self-Certification Requirements = 424, Periodic Data submittals = 51, Exception Reporting = 51, and Spot Check = 35.

- **Note: Content of specific compliance monitoring methods are not mutually exclusive when counting requirements. Some of these compliance monitoring methods may be double counting some requirements [i.e. most Tier 1 Audit Requirements are also included in Self-Certification Requirements].**

# Three-Tiered Approach

## Requirements Analysis – Certified Functions

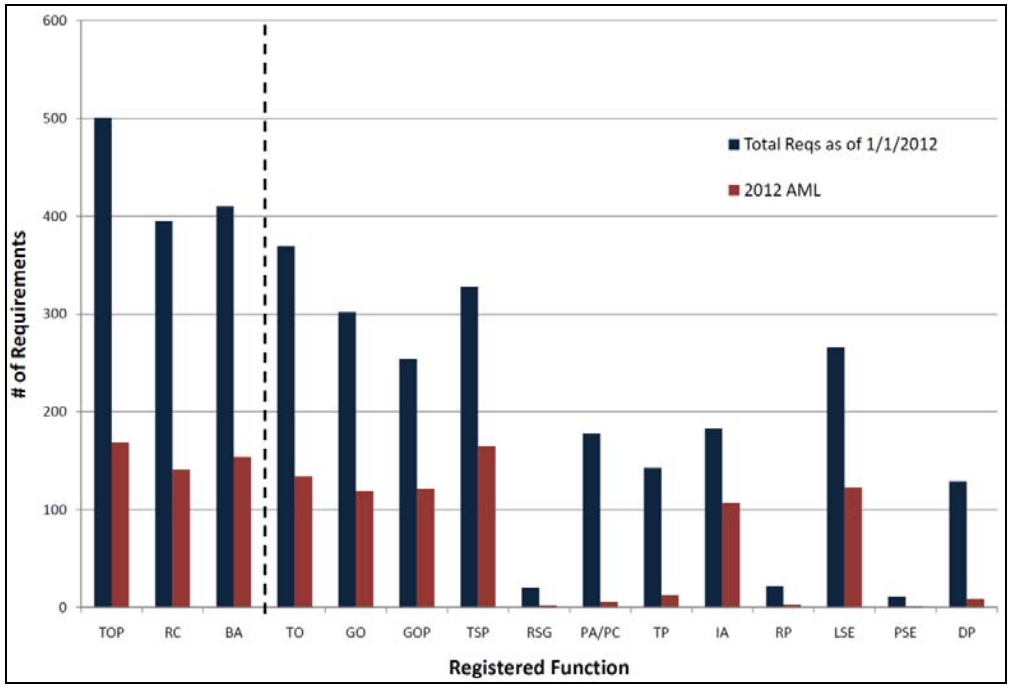
| Function | Total Applicable Requirements as of 1/1/2012 | 2012 Program Requirements | % of Total |
|---|---|---|---|
| TOP | 501 | 169 | 34% |
| RC | 395 | 141 | 36% |
| BA | 410 | 154 | 38% |



# Three-Tiered Approach

## Requirements Analysis – All Functions

| Function | Total Applicable Requirements as of 1/1/2012 | 2012 Program Requirements | % of Total |
|---|---|---|---|
| TOP | 501 | 169 | 34% |
| RC | 395 | 141 | 36% |
| BA | 410 | 154 | 38% |
| TO | 369 | 134 | 36% |
| GO | 302 | 119 | 39% |
| GOP | 254 | 121 | 48% |
| TSP | 328 | 165 | 50% |
| RSG | 20 | 2 | 10% |
| PA/PC | 178 | 6 | 3% |
| TP | 143 | 13 | 9% |
| IA | 183 | 107 | 58% |
| RP | 22 | 3 | 14% |
| LSE | 266 | 123 | 46% |
| PSE | 11 | 1 | 9% |
| DP | 129 | 9 | 7% |



# Risk Based Reliability Compliance Monitoring

- Entity Assessment components to determine audit scope and compliance monitoring:
  - Technical Profile
  - Reliability Performance
  - Internal Compliance Program and Culture
  - Compliance History
  - Regional Entity Perspective / Analysis
- Entity Assessment Template under development [Publication date: 4th Qtr. 2011]

# Risk Based Reliability Compliance Monitoring

## Summary:

- Risk Based Reliability Compliance Monitoring is critical to:
  - Manage resources
  - Focus compliance emphasis
- Entity Assessment is an essential component of Risk Based Reliability Compliance Monitoring
- <u>Results of Entity Assessment may decrease/increase scope and/or decrease/increase frequency of activities</u>

# Questions