Compliance Group Report

April 29, 2013

SPP RE Trustees Meeting
Kansas City, MO

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Topics of Today's Discussion

- CIP V3 to V4 Transition Announcement
- Bulk Electric System Definition
- Reliability Assurance Initiative
- Facilities Rating Alert Activities
- 1Q 2013 Vegetation Management Report
- 4Q 2012 Misoperations Report
- Most Violated Standards

CIP V3 to V4 Transition

- NERC Issued Transition Guidance on 4/11/13
- Allows entities to move to V4 'Bright Line Criteria' (BLC) immediately:
  - If adopted, no Risk Based Assessment required
  - BLC #1.4 and #1.5 Blackstart Resources and Cranking Path stations do not have to be labeled as critical and not included
    - Recognizes these facilities have been deemed 'low' priority in CIP V5

CIP V3 to V4 Transition

- **Important note: Control Centers that control any of the assets meeting BLC criteria, including 1.4 and 1.5, are considered 'critical' and must remain in program**
  - **Recognizes that control centers move from conditional to 'medium' or 'high' priority in CIP V5**
- **Recognize RC/PA/TP now have role in identifying 'critical' assets**
  - **SPP RTO publishes *IROL Relief Guides* – meets requirements [1.8]**
  - **PA/TP can identify generating resources that are required to avoid Adverse Reliability Impacts in the Long-Term Planning Horizon [1.3]**

CIP V3 to V4 Transition

- NERC guidance is now complicated by 4/18/13 FERC Announcement that they intend to issue a Notice of Public Rulemaking for CIP V5 as soon as practical
- NERC has promised a revised guidance document soon
- More information at upcoming SPP RE meetings
  - CIP Workshop May 2013

Bulk Electric System (BES) Definition

- Development of final procedures and processes underway
  - Includes uniform data management at REs and NERC

<u>Timeline</u>

- 7/1/13 – Regional Entities are expecting to be ready to accept ‘exception’ applications
  - Look for ‘pilot’ program for requests prior to that point
- 9/1/13 – Regional Entities process initial requests to NERC

BES Definition (cont.)

- Expectations
  - Rush at the beginning of process
  - Applications will likely get backed up
- SPP RE Priorities
  - Requests that would change registration
    - Single element entities
  - Newly identified facilities because of definition implementation
    - Do not expect many, if any, in SPP RE
    - Likely items may be < 100 kV facilities that need review
      - Two-year compliance phase-in
  - Requests from other entities for exceptions for pieces of system without changes to registration

BES Definition (cont.)

- Registered Entities must submit a list of self-nominated 'exclusions' (facilities that meet a listed exclusion)
  - SPP RE will review and accept/reject facilities on list as meeting exclusion
  - Registered Entities should be looking for facilities that meet exclusions
    - REs and NERC will have uniform data submittal requirements
    - To be announced soon
- Recent FERC activities indicate sub-100 kV facilities that operate in integrated fashion must at least be checked for BES impact

Reliability Assurance Initiative (RAI)

- Standards Process Revamping
  - Streamlined process steps
  - Results-based requirements
  - Cost/benefit review
  - Five-year sunset review for every standard
- Compliance initiative
  - Monitoring based on 'risk' assessments
    - Breadth and frequency may be altered
    - Paragraph 81 requirement retirements will be implemented immediately
  - Findings based on materiality
  - Entities internal programs may dictate disposition technique

Reliability Assurance Initiative

- Data Requirements
  - Emphasis should be on more recent data
    - Internal reviews and ongoing sampling may relieve need to keep all historical data
- Enforcement
  - Separate minor and major issues using different techniques
    - "Find, Fix & Track" (FFT) initiative now in place
      - Pushes decision-making closer to beginning of oversight process
      - Recent FERC audit of RE's use of FFT was very positive
      - Lays groundwork for expansion of program
- Events will continue to get attention
  - Event reporting with Lessons Learned completed and shared
    - Entity self-assessment is very important

What Can Registered Entities Do?

- Standards
  - Get involved!
    - SPP RE Registered Entities have traditionally been underrepresented on drafting teams
    - Comment individually or through RTO processes
    - Vote
- Compliance
  - Build internal review processes
    - Continuous review
      - Collection of periodic data
      - Sampling
    - Self-Reporting
    - Volunteer for pilot programs

What Can Registered Entities Do? (cont.)

- Compliance (cont.)
  - Take advantage of SPP RE workshops/webinars/videos
  - Take advantage of SPP RTO resources
    - Forums
    - Evidence Reviews
  - Upper management active support and direction
- Data Requirements
  - Manage data according to standards

What Can Registered Entities Do? (cont.)

- Enforcement
  - Mitigate violations quickly
    - Penalties now take violation duration into account more so than previous penalties
    - Return to compliance
  - Cooperate with enforcement staff
  - Use Due Process rights when appropriate

What are we doing?

- Working with NERC and 7 other REs to develop and initiate RAI program
  - Begin rollout in second half of 2013
- Develop consistent/uniform audit processes
  - Standardize monitoring processes
    - Add risk assessments to annual reviews
  - Increase/expand auditing credentials of RE personnel
- Expansion of Find, Fix and Track program
- Develop more Outreach efforts on internal controls and internal compliance programs

Facility Ratings Alert Background

- NERC issued 4Q 2010
- Entities asked to assess transmission lines' physical attributes and compare 'as-built' to 'design' ratings
- Facilities ranked: High, Medium, and Low
- Entities began assessments and remediation in 2011
- Assessments staged over 3 years (2011 - 2013)
- Remediation staged 2011 - 2014
  - Ends one year after discovery of issue

Facility Ratings Alert: 2011 Activities

- Eight entities completed High Priority assessments
- Over 93% of High Priority discrepancies have been remediated (as of 12-31-12)
  - ~ 5,300 high priority miles assessed
  - ~ 400 discrepancies identified

Facility Ratings Alert Status as of 1-15-13

- Medium Priority assessments were scheduled to be completed by 12/31/12
- 12 entities in SPP region with Medium Priority lines reported:
  - ~ 4,500 miles assessed using Lidar, Aerial Patrol, field inspections
  - ~ 1,300 discrepancies found including:
    - Transmission and/or distribution under-build
    - Conductor-to-conductor clearances
    - Uneven terrain
- Entities have one year to complete discrepancy remediation

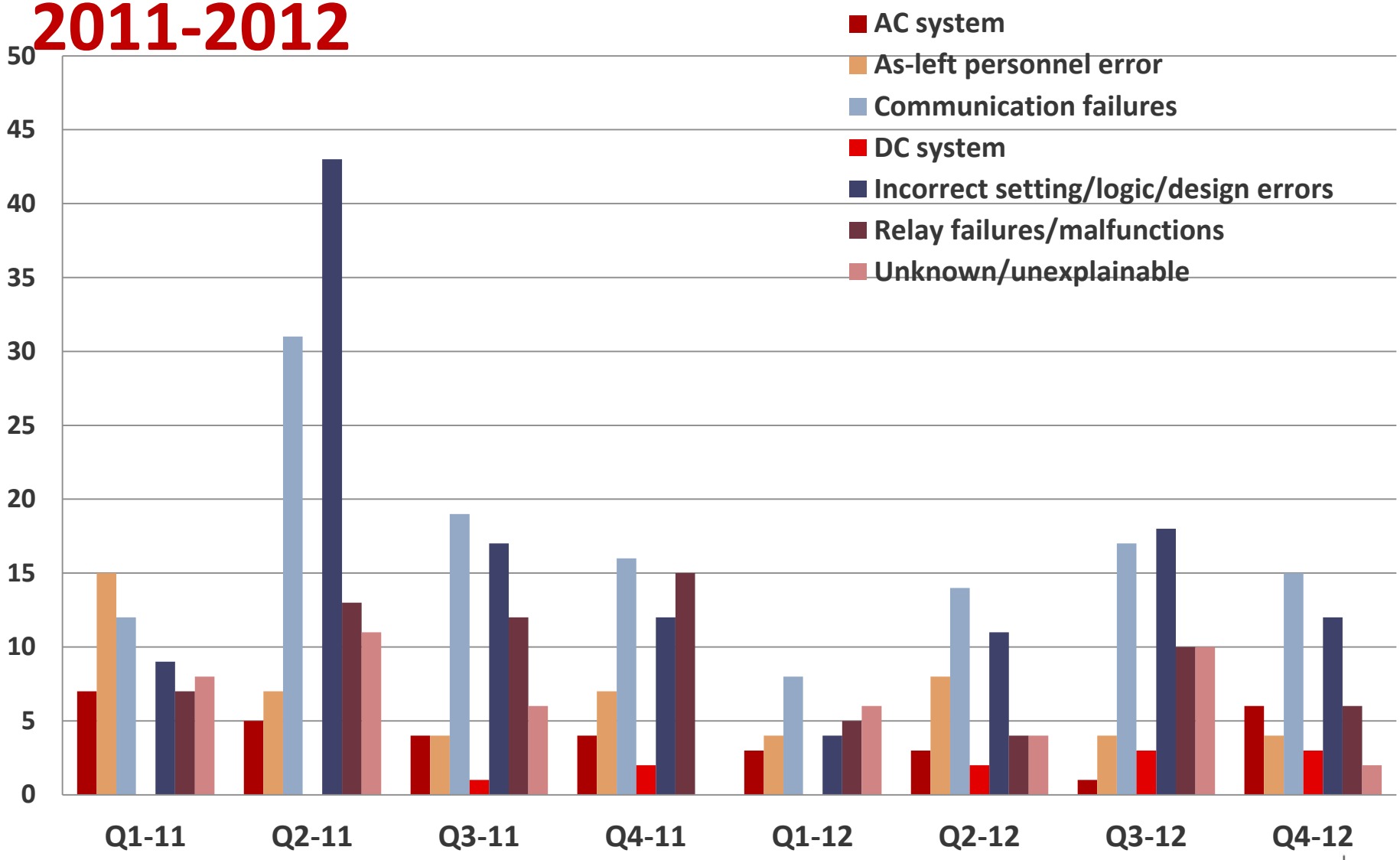
Facility Ratings Alert 2013 Activities

- Low Priority assessments scheduled to be completed 12/31/2013
- Final remediation completion: end of 2014 or one year from discovery, whichever is earlier
- Cooperate with Reliability Coordinator on outage scheduling
- Any compliance issues/processing are deferred to end of project

1Q 2013 Vegetation Management Report

- SPP RE footprint had officially reached nine consecutive quarters (4Q 2010 - 4Q 2012) without a reportable vegetation contact
- In 1Q 2013, a Registered Entity reported a Category 3 contact (reportable but not actionable)
  - Tree from outside Right-of-Way (ROW) fell across ROW and contacted 345 kV line, causing ~17 hour outage
  - Entity cleared tree and enhanced ROW inspections in area

SPP RE Region Misoperations by Cause 2011-2012



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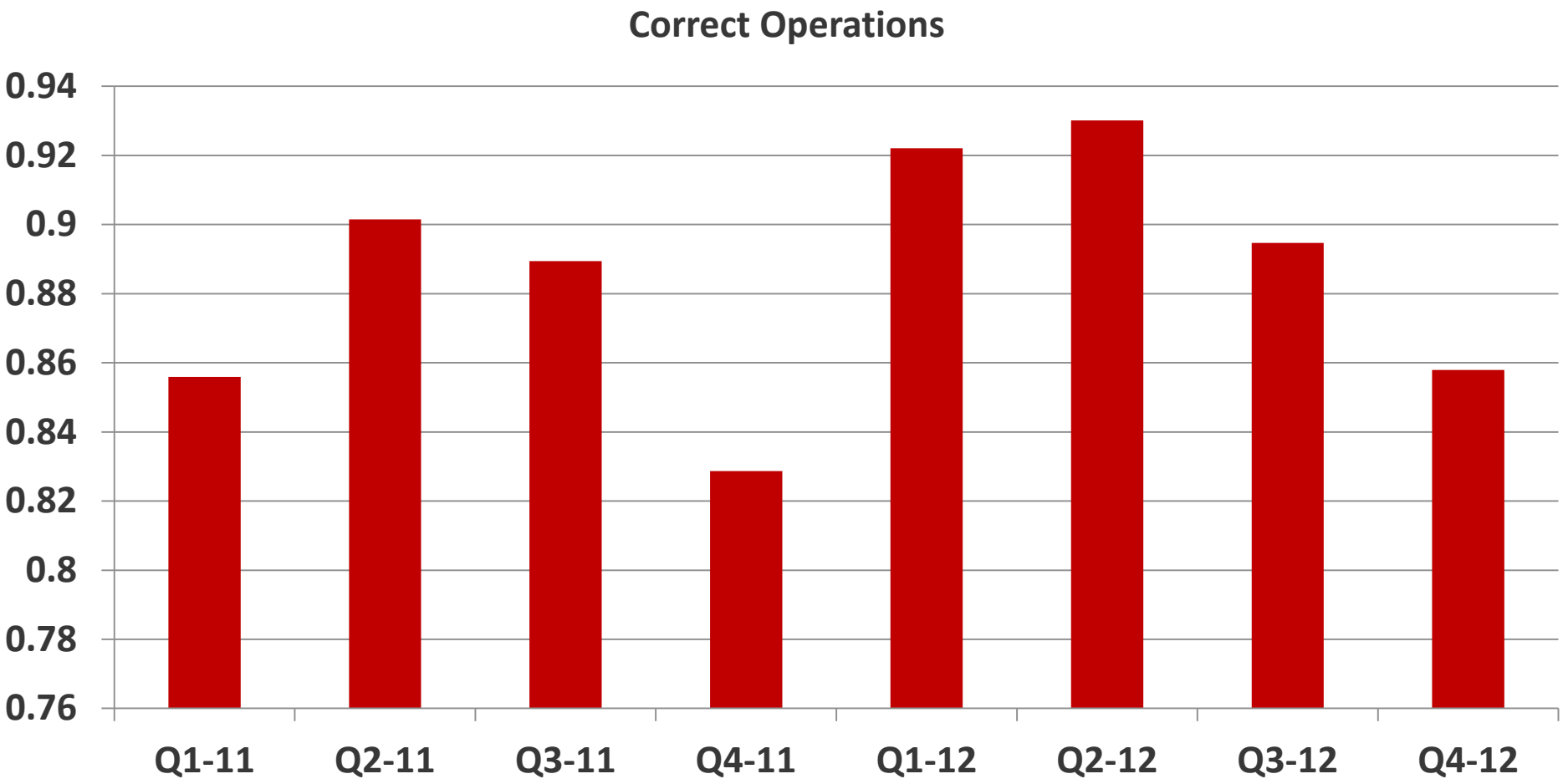
SPP RE Region Operations Success Rate 2011-2012



Most Violated Standards

Based on rolling 12 months through 3/31/13 (Represents ~ 81% of total violations)

SPP RE Rank	NERC 12 Month Rank*	Standard	Description	Number Violations	Risk Factor
1	1	CIP-007	Systems Security Management	32	Med./Lower
2	2	CIP-005	Electronic Security Perimeters	30	Med./Lower
3	3	CIP-006	Physical Security-Critical Assets	16	Med./Lower
4	4	PRC-005	Protection System Maintenance	13	High
5	6	CIP-004	Personnel & Training	13	Lower
6	5	CIP-002	Critical Cyber Asset Identification	8	Medium
7	7	CIP-003	Security Management Controls	8	Lower/Med.
8	**	PRC-008	UFLS Relay Maintenance	6	Medium
9	**	BAL-005	Automatic Generation Control	6	Lower
10	**	TOP-004	Transmission Operations	5	High/Med.

* As of 12-31-12

** Not in NERC Rolling 12 month Top Ten

Upcoming Meetings and Events

- CIP Workshop, May 21-22, in Dallas and via webinar
  Agenda includes:
  - *13 Ways to Break Through Firewalls* and *CIP-005 R3: Logging and Monitoring*
  - *CIP-006 Physical Security Panel* and *CIP-007 R3 (patches) & R4 (anti-malware)*
  - *NERC ES-ISAC Portal Update* and *NetAPT Demo (firewall analysis tool)*
  - *CIP Version 4 Transition* and *CIP Mitigation Plans*
- Two new videos posted to video training webpage
  - Event Analysis – An Entity's Perspective
  - Compliance Education at My Organization panel
- Webinars
  - May 9, Stakeholder Input on Long-Term Reliability Assessment
  - June 27, New EOP-003 and PRC-006 standards effective 10/1/13
- Trustee Meeting
  - June 18, Little Rock - Budget review and approval

Questions/Comments

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