

# Risk-Based Compliance Monitoring Task Force (RBCM TF) Update

March 2017

# RBCMTF Purpose

The Risk-Based Compliance Monitoring Task Force (RBCMTF) is responsible for identifying and promoting the following:

- Best practices and common approaches to governance, risk assessments, and internal controls;
- Recommendations to address potential compliance program elements; and
- Impacts associated with implementing changes to support the Electric Reliability Organization (ERO) Enterprise's Risk-Based Compliance Monitoring and Enforcement Program (RBCMEP) to Southwest Power Pool (SPP) member companies.

# What is the RBCM TF?

- Identify and promote best practices and/or common approaches to governance, risk assessment, and internal control among SPP member companies.
- Review potential broad compliance program impacts for member companies, RTO and applicable Regional Entities associated with implementing changes to support the ERO Enterprise's RBCME to SPP member companies.
- Draft a white paper containing recommendations to address potential broad compliance program elements and impacts associated with implementing changes to support the ERO Enterprise's RBCME and present to the RCWG for adoption and submission to Market and Operations Policy Committee (MOPC).
- Monitor industry governance, risk assessment, and internal control initiatives.
- Facilitate the sharing of information and data related to governance, risk assessment, and internal control practices and lessons learned among SPP member companies.

# Participation and Timelines

- Any SPP Member Company can participate – we invite you to join the Task Force!
- Work was originally scheduled for completion mid-2016.
- So what has happened in the time the RBCMTF has existed and what is the status?
  - Revisions to RB-CMEP
  - Course correction to RBCMTF chartered tasks
  - Progress Update

# Revisions to RB-CMEP

- Significant revisions occurred in October and December of 2016
- Inherent Risk Assessment is a section in the ERO Enterprise Guide for Compliance Monitoring (link below)

<http://www.nerc.com/pa/comp/Reliability%20Assurance%20Initiative/ERO%20Enterprise%20Guide%20for%20Compliance%20Monitoring.pdf>

- Internal Control Evaluations is included in the ERO Enterprise Guide for Internal Controls (link below)

[http://www.nerc.com/pa/comp/Reliability%20Assurance%20Initiative/Guide\\_for\\_Internal\\_Controls\\_Final12212016.pdf](http://www.nerc.com/pa/comp/Reliability%20Assurance%20Initiative/Guide_for_Internal_Controls_Final12212016.pdf)

# ERO Guide for Compliance Monitoring Revisions

- Guide enhancements to include details on overall Risk-based Compliance Monitoring Framework, including Compliance Oversight Plans (Section 3.0) and Risk Elements (Appendix C).
- Revisions to the Inherent Risk Assessment process in Section 2.0.
- Revisions to Appendices:
  - Updated Appendix A, Definitions
  - Removal of original Appendix B, Information Attributes
  - Revisions to Risk Factors and Risk Factor criteria now found in Appendix B
  - Inclusion of Risk Element development process in Appendix C

# ERO Guide for Internal Controls Revisions

- Incorporated approach for ERO Enterprise review of internal controls during CMEP activities.
- Revised and streamlined testing approach to focus on testing internal control design and implementation effectiveness.
- Included references to the ERO Enterprise Guide for Compliance Monitoring and content for COP development.
- Updated appendices.
  - Appendix A contains revised definitions.
  - Appendix B contains additional details around key controls.

# Internal Controls Tool Update

- Many entities have controls already in place, but not documented.
- Internal Controls Evaluation (ICE) is still voluntary, but Internal Controls will be audited to some extent during audit.
- Controls should be documented in some way.
- Daunting process, but results can be helpful, surprising.



# Internal Controls Tool Update

- Thanks to: CLECO, Independence, Midwest and WFEC
- Internal Controls Matrix
- Documenting and evaluating controls
- Instructions Tab
- Control Type, Process, Description, Frequency
- Performed By, Testing Control, Documentation
- Evaluation

# NERC Compliance Risk Assessment Tool Update

- Tool Utilization
  - Identifies focus areas
    - Annual work plan
    - Internal audit plan
    - Process improvement
    - Identify areas to implement internal controls
- Basis
  - Regulatory environment (NERC and Region)
  - Company-specific environment
- Editable template

# NERC Compliance Risk Assessment Tool Update

- Framework
  - Methodology
  - Likelihood Evaluation
  - Impact Evaluation
  - Company Risk Evaluation
  - Risk Assessment Score
- Demo of Tool

# Next Steps

- White Paper
- RCWG review and vote – March 30<sup>th</sup>
- Distribution/storage mechanism?
- Periodic review/update?

Questions?