

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Physical Security Reliability Standard Implementation

Steven Noess, Director of Compliance Assurance
Compliance Committee
August 12, 2015

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- Key enforcement dates:
 - October 1, 2015 - Identification of critical assets
 - December 30, 2015 - Third party verification of asset identification
 - 2016 - Balance of requirements go into effect according to tiered timelines specified in the Implementation Plan
- Outreach, guidance, and training:
 - Working with industry groups and Regions for consistent approaches
 - Fall 2015 workshops for ERO Enterprise staff and industry
 - Guidance coordinated for identification of critical assets
 - Continued coordination for any additional guidance

- ERO Enterprise focus of monitoring efforts:
 - Q4 2015: Scope of entities that must evaluate assets for criticality
 - Q1 2016: Entities that have identified critical assets following evaluation
 - Number and type
 - Key characteristics
- Use of targeted compliance tools (e.g., guided self-certifications)
- NERC coordinating with industry, Regional Entities, and Applicable Governmental Authorities

- Third party review is required for a Registered Entity's threat and vulnerability assessment and security plan
- CIP-014-2 outlines four criteria for use in selecting reviewer
- Proposed approach when Registered Entity seeks reviewer under "ERO approved" criterion:
 - Initiated by the Registered Entity explaining why other criteria do not apply
 - NERC will assess third party reviewers' credentials based on industry-vetted criteria or guidelines



Questions and Answers

Risk-Based Registration: Update

Val Agnew, Senior Director, Reliability Assurance
Compliance Committee
August 12, 2015

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- FERC approved NERC's risk-based registration (RBR) proposal with limited changes
 - 687 Purchase Selling Entities (PSE) removed
 - 41 Interchange Authorities (IA) removed
- FERC requested more information on Load Serving Entities (LSE)
 - FERC filing submitted July 17, 2015
 - Data, analysis, and surveys support removal of LSE
 - One year informational filing on implementation

- Four technical workshops have been conducted
- Risk criteria and profiles have been reviewed by the Task Force
- Task Force did not identify a group of lower risk entities
- Reviewing potential standard violations and system events involving GO/GOPs and TO/TOPs to identify potential lower risk characteristics
- Preparing November Board report to close out Phase II

 **Technical Workshops**

- Technical workshops have been conducted to identify risk profiles of GO/GOPs and TO/TOPs

 **Regional & Industry Engagement**

- Collaboration with the RBRAG, RBR Task Force, Regional Entities, NAGF, ORCS, the ISO/RTO Council, TAPS, and APPA

 **Feedback & Outreach**

- Seek industry comment on any draft risk profiles and sub-sets of applicable Reliability Standards

Technical Report

- Report will be presented to the Board of Trustees



Questions and Answers



REMG

REGIONAL ENTITY MANAGEMENT GROUP

Regional Consistency Tool

Carter B. Edge

Director of REMG Coordinated Activities

STACY DOCHODA – FRCC	ED SCHWERDT – NPCC	SCOTT HENRY – SERC	LANE LANFORD – TEXAS RE
DAN SKAAR – MRO	TIM GALLAGHER – RF	RON CIESIEL – SPP	JIM ROBB– WECC



How it works

- The Regional Entities partnered with the third-party provider, EthicsPoint, to develop this tool.
- The reporter has the option to remain anonymous. Any identity information that is collected will not be included on the public report. The findings spreadsheet will never contain “non-public” information.
- The Reporting Tool is not associated with and does not replace the NERC Compliance Hotline or any Regional Entity Compliance Hotline.
- Each Regional Entity maintains a Compliance Hotline that can be found on each Regional Entity’s website.

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RCT Case Results

- Sixteen cases have been received and processed with status/disposition posted on the RCT website
- The ERO process areas were identified as:
 - Compliance audits (4)
 - Self-Certification (3)
 - Organization Registration (3)
 - Mitigation Validation (1)
 - Standards (1)
 - NOP and Completion of Enforcement Action
 - CMEP tools (1)
 - Event Analysis (1)
 - Periodic Data Submittals (1)
- Some issues were known and are part of ongoing coordination activities, others are newly identified and allowed the Regional Entities and NERC to collaborate on solutions.

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Helpful tips when making a report

- Please provide sufficient detail to allow the identification of the specific issue. For example:
 - Cite any specific Rules or processes involved
 - Explain how the perceived inconsistency impacts you or others
 - Describe what key attributes and associated parameters you would like the processes to perform within
- Please state the relative timeframe around the issue to mark whether this is a current or historical issue.

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Questions?

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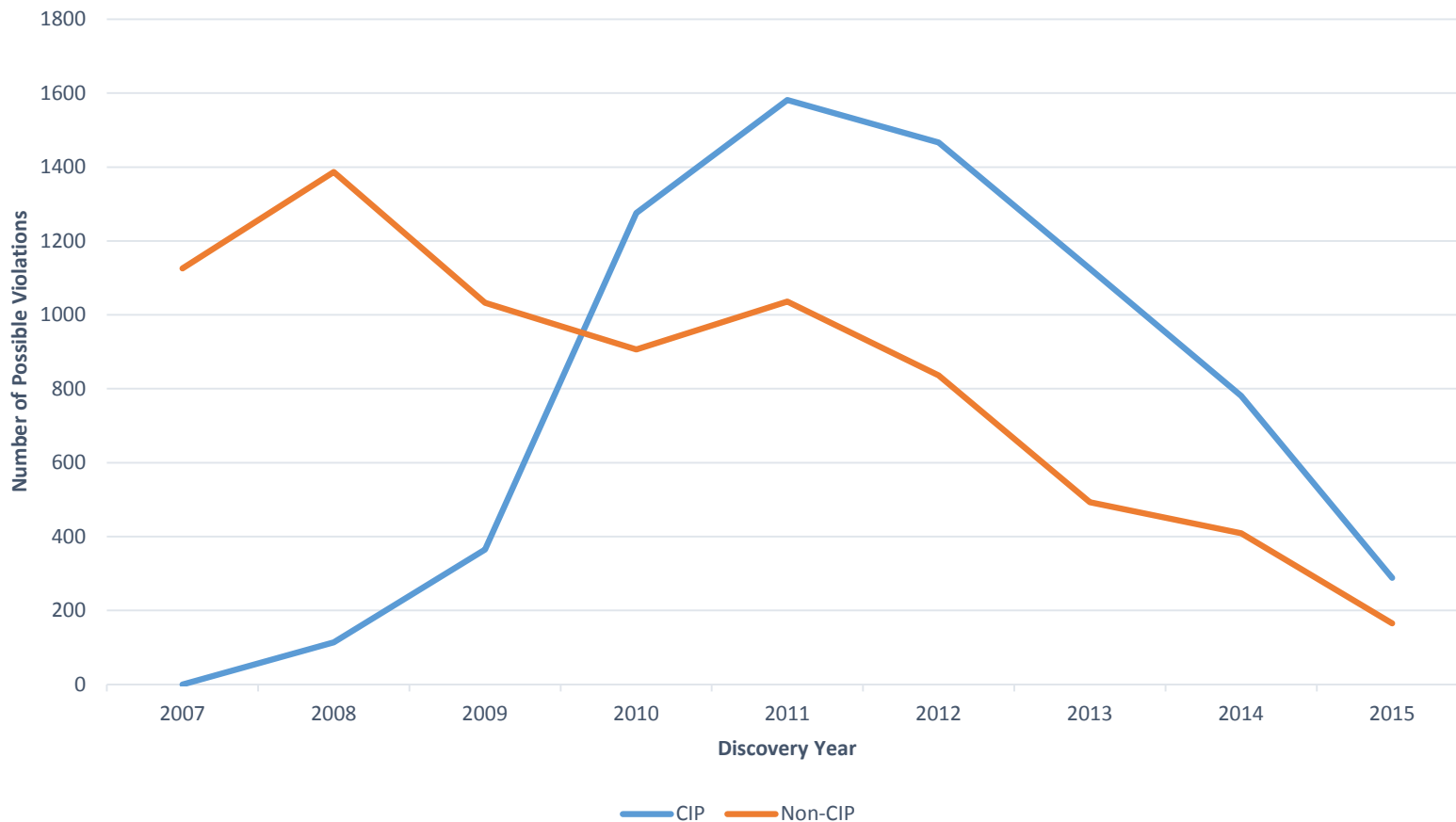
Key Compliance Assurance and Enforcement Metrics

Sonia Mendonça, Deputy General Counsel and VP of Enforcement
Compliance Committee Meeting
August 12, 2015

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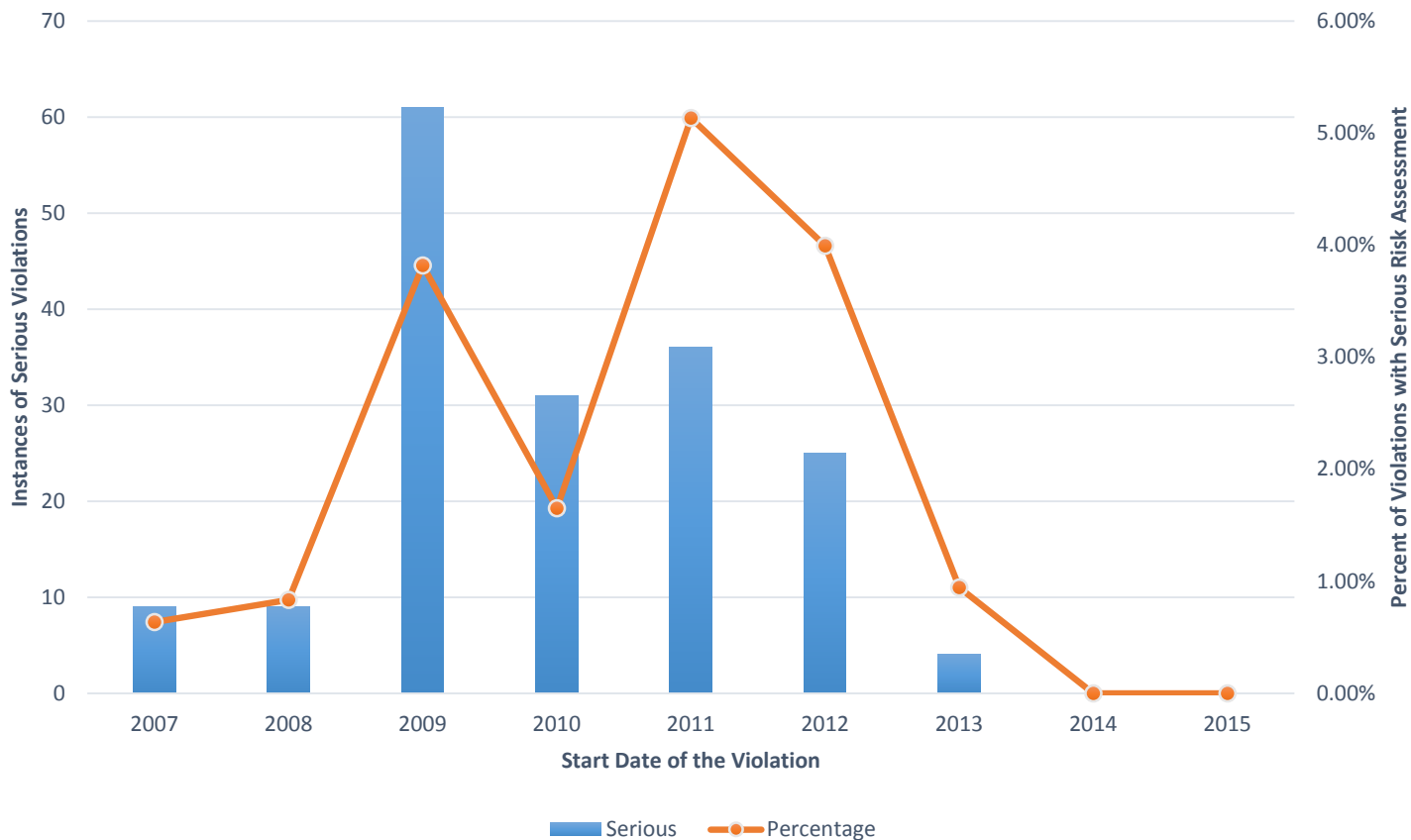


Violation Trends for CIP and Non-CIP From 2007 to Q2 2015



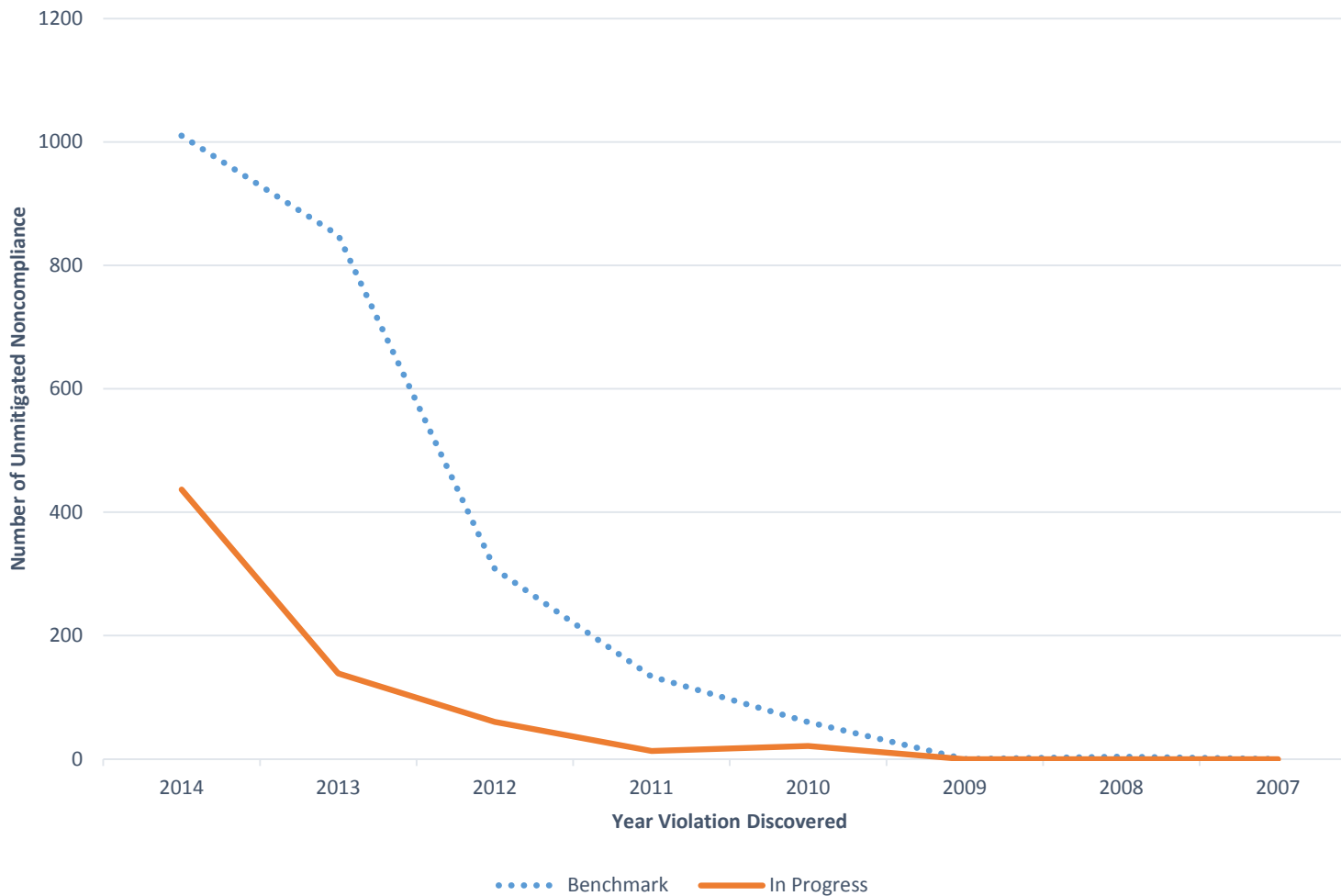
Overall Violations Continue to Decline

Serious Risk Violations by Start Date



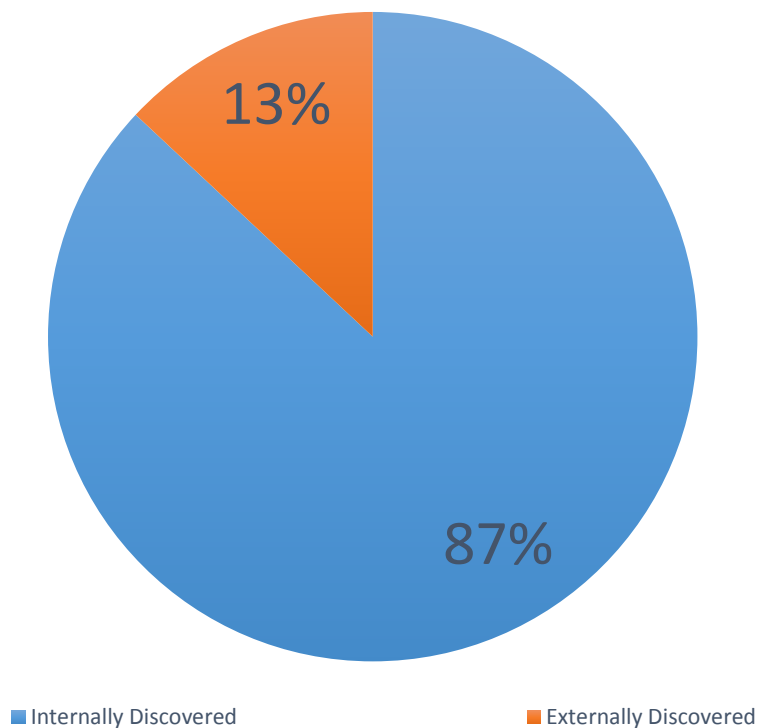
**Few Serious Risk Violations
(processed to date)**

Mitigation Completion Status for Pre-2015 Cases

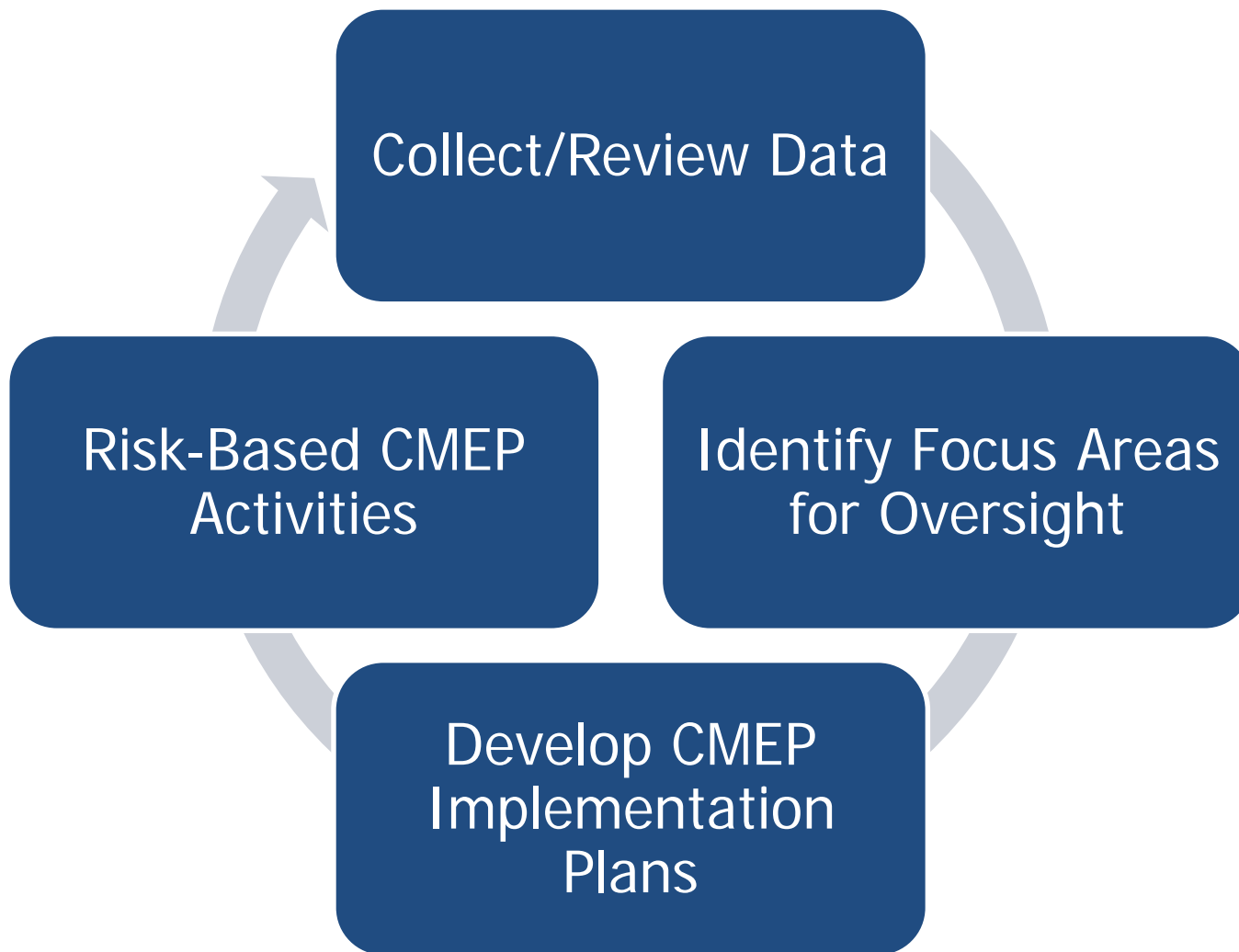


Violations Are Timely Mitigated

Noncompliance Discovered Internally and Externally in Q1 and Q2 2015



Most Violations Are Self-Identified



Compliance Monitoring

- Monitoring is customized based on risk

Enforcement

- Lesser risk issues are proactively and timely identified, mitigated, and tracked

Self-Logging

- Common procedure available on NERC.com
- 39 registered entities participating
- Self-Logging entities cover all functions

Compliance Exceptions and Find, Fix, Track, and Report

- 75% of all minimal risk noncompliance processed as Compliance Exceptions
- Compliance Exception is the overall leading disposition method
- Find, Fix, Track, and Report used primarily for moderate risk issues

Inherent Risk Assessment

- Covered 72% of registered entities on 2015 audit schedule
- Covered 13% of registered entities in the United States

Internal Control Evaluation

- 20 Internal Control Evaluations for registered entities on 2015 audit schedule
- 15 Internal Control Evaluations for registered entities not on 2015 audit schedule

ERO Enterprise Staff Training

- Inherent Risk Assessment
- Internal Control Evaluations
- Risk analysis
- Enforcement processes
- Over 80% satisfaction rate

Industry Outreach

- Outreach conducted by NERC and each Regional Entity



Questions and Answers