

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

Agenda Item 6b

# Compliance Monitoring and Enforcement Program Quarterly Report

Q1 2020

May 12, 2020

**RELIABILITY | RESILIENCE | SECURITY**



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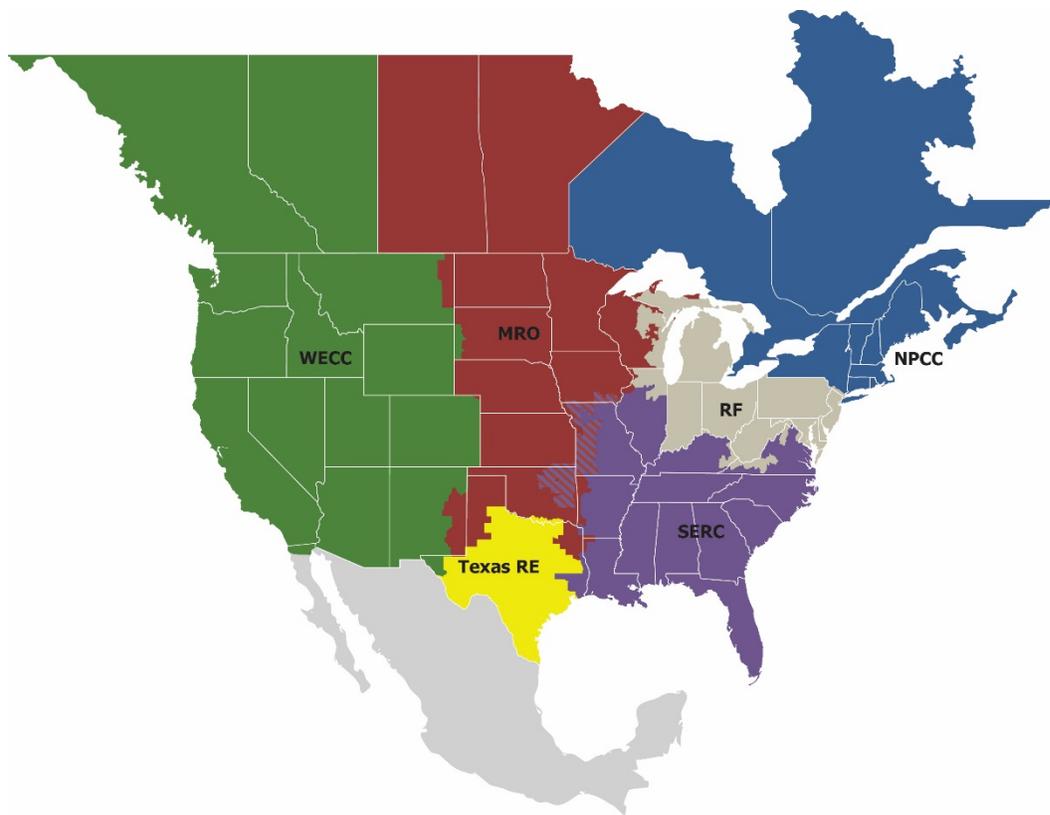
# Preface

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Electricity is a key component of the fabric of modern society, and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six Regional Entities (REs), is a highly reliable and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Reliability | Resilience | Security  
*Because nearly 400 million North Americans are counting on us*

The North American BPS is divided into six RE boundaries as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one RE while associated Transmission Owners/Operators participate in another.



<b>MRO</b>	Midwest Reliability Organization
<b>NPCC</b>	Northeast Power Coordinating Council
<b>RF</b>	ReliabilityFirst
<b>SERC</b>	SERC Reliability Corporation
<b>Texas RE</b>	Texas Reliability Entity
<b>WECC</b>	Western Electricity Coordinating Council

## Executive Summary

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This report highlights key ERO Enterprise<sup>1</sup> Compliance Monitoring and Enforcement Program (CMEP) activities that occurred in Q1 2020 and provides information and statistics regarding those activities.

In Q1 2020, CMEP activities throughout the ERO Enterprise reflected continued implementation of a risk-based approach and program alignment. The ERO Enterprise:

- Worked with the Federal Energy Regulatory Commission (FERC or Commission) to provide guidance to the industry regarding regulatory discretion during the novel coronavirus (COVID-19) pandemic;
- Began work on addressing Commission directives in its order accepting NERC's Five-Year Performance Assessment;
- Continued development of the Align tool and supporting documentation and training materials;
- Continued the roll out of the Centralized Organization Registration ERO System (CORES) tool;
- Filed four Full Notices of Penalty (Full NOPs) and five Spreadsheet Notices of Penalty (SNOPs);
- Monitored RE implementation of Compliance Oversight Plans (COPs) for their registered entities; and
- Certified one new Balancing Authority and Transmission Operator, processed over 100 registration changes, and issued two NERC-led Review Panel decisions.

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<sup>1</sup> The "ERO Enterprise" refers to the affiliation between NERC and the six REs for the purpose of coordinating goals, objectives, metrics, methods, and practices across statutory activities. The operation of the ERO Enterprise does not conflict with obligations of each organization through statutes, regulations, and delegation agreements. The activities discussed in this report relate to compliance monitoring and enforcement performed in connection with United States registered entities. ERO Enterprise activities outside of the United States are not specifically addressed.

## Chapter 1: CMEP Activities

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### Coordination Between FERC, NERC, and Regional Entities on Potential Coronavirus Impacts

On March 18, 2020, FERC and NERC announced steps to ensure that operators of the bulk electric system could focus their resources on keeping people safe and the lights on during the unprecedented public health emergency posed by the COVID-19 pandemic.<sup>2</sup> The announcement stated that FERC and NERC were using regulatory discretion to advise all registered entities that they would consider the impact of the coronavirus outbreak in complying with certain Reliability Standards, and would continue to evaluate the situation to determine whether to extend the dates in the announcement. The announcement also stated that REs would postpone on-site audits, certifications, and other on-site activities until at least July 31, 2020.

On April 2, 2020, NERC began posting frequently asked questions that NERC and the REs have received from industry regarding the joint NERC-FERC guidance for COVID-19.<sup>3</sup> On April 6, 2020, NERC filed a motion with the Commission to request that the Commission defer the implementation of several Commission-approved Reliability Standards that have effective dates or phased-in implementation dates in the second half of 2020 to help ensure grid reliability amid the impacts posed by the COVID-19 pandemic.<sup>4</sup> On April 17, 2020, the Commission approved NERC's motion to defer the implementation of several Reliability Standards.<sup>5</sup> NERC is pursuing similar efforts with applicable governmental authorities in Canada. NERC and the REs will continue to monitor the COVID-19 pandemic and work with registered entities, the Commission, applicable governmental authorities in Canada, and other partners to ensure the reliability and security of the grid.

### FERC Order on Five-Year Performance Assessment

On July 22, 2019, NERC filed its Five-Year Electric Reliability Organization Performance Assessment (Performance Assessment). On January 23, 2020, the Commission issued an order accepting the NERC Performance Assessment, finding that NERC and the REs continue to satisfy their applicable statutory and regulatory criteria.<sup>6</sup> In its order, the Commission directed NERC to submit two compliance filings to provide additional information and address specific matters discussed in the order, including several areas of improvement related to the CMEP. Specifically, the Commission sought clarification and/or improvements in the areas of: 1) periodic audits of REs' compliance with the CMEP; 2) NERC's reliability and security guidance document process; 3) the NERC Sanction Guidelines used to develop penalties for noncompliance with the Reliability Standards; and 4) the NERC certification process. On April 2, 2020, the Commission issued a notice stating that, due to the emergency conditions related to COVID-19, NERC would be granted an extension to comply with the Commission's directives in the January 23 Order, extending the deadline for the first compliance filing to June 1, 2020 and the second compliance filing to September 28, 2020.<sup>7</sup> NERC has already posted proposed revisions to the sections of the Rules of Procedure that involve the Organization Registration and

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<sup>2</sup> Joint FERC and NERC Press Release, *FERC, NERC Provide Industry Guidance to Ensure Grid Reliability Amid Potential Coronavirus Impacts*, available at <https://ferc.gov/media/news-releases/2020/2020-1/03-18-20.pdf>.

<sup>3</sup> *COVID-19 ORC and CMEP Frequently Asked Questions*, available at [https://www.nerc.com/pa/comp/CAOneStopShop/COVID19\\_ORC\\_CMEP%20FAQs\\_Posted.xlsx](https://www.nerc.com/pa/comp/CAOneStopShop/COVID19_ORC_CMEP%20FAQs_Posted.xlsx).

<sup>4</sup> Motion to Defer Implementation of Reliability Standards and Request for Shortened Response Period and Expedited Action (April 6, 2020), available at <https://www.nerc.com/news/Headlines%20DL/Motion%20to%20Defer%20Implementation%20of%20Reliability%20Standards.pdf>.

<sup>5</sup> Order Granting Deferred Implementation of Certain NERC Reliability Standards (April 17, 2020), available at <https://www.nerc.com/FilingsOrders/us/FERCOrdersRules/order%20granting%20motion%20to%20defer%20the%20implementation%20date.pdf>.

<sup>6</sup> Order on Five-Year Performance Assessment (January 23, 2020), available at <https://www.nerc.com/FilingsOrders/us/FERCOrdersRules/Order%20on%20Five-Year%20Performance%20Assessment.pdf>.

<sup>7</sup> Notice of Extension of Time (April 2, 2020), available at [https://www.nerc.com/FilingsOrders/us/FERCOrdersRules/20200402\\_Notify%20of%20Extension%20of%20Time\\_RR19-7-000.pdf](https://www.nerc.com/FilingsOrders/us/FERCOrdersRules/20200402_Notify%20of%20Extension%20of%20Time_RR19-7-000.pdf).

Certification Program.<sup>8</sup> NERC is working on responses to the Commission order and expects to submit its compliance filings to the Commission in the second and third quarters of 2020.

## Align Project and Secure Evidence Locker

In Q1 2020, the Align project team continued its scheduled activities, including completing user acceptance testing, identifying critical enhancements, completing data integration and reporting efforts, and developing training materials. This work will continue throughout 2020. In addition, the project team created the functional criteria for the ERO Enterprise Secure Evidence Locker (SEL), which will be hosted at NERC, and is designed to facilitate the secure submission, review, and retention of evidence generated in connection with CMEP activities. NERC expects to delay Release 1 of the Align tool and the ERO Secure Evidence Locker (SEL) until Q1 2021. This delay will allow for discussion and approval of the investment in the ERO SEL and its intended financing approach at the May 2020 Board of Trustees meeting, FERC approval of the 2020 budget variance required to acquire and fund the ERO SEL, and recognizes the potential delays that could result from supply chain disruption due to the COVID-19 health crisis.

## CORES Project

The roll out of the CORES tool continued in Q1 2020. To improve the registered entity experience with the new software, and to increase the ERO Enterprise resources available to assist registered entities, the software has been released sequentially. The first release occurred in 2019 for registered entities that were involved in the focus group and the pilot sessions. These entities were already familiar with the software, had already been trained on how to use it, and provided excellent feedback before, during, and after having the production software released to them. This feedback led to additional enhancements intended to dramatically improve the roll out experience for registered entities. After completing the enhancements, the roll out continued on a regional basis from November 2019 through March 2020.

In addition, a survey was sent to individuals that had the software released to them in 2019. The survey focused on the registered entity experience and whether the ERO portal, the registration forms that CORES uses, and the video-based training material were intuitive. The overall scores indicated that the software is very user-friendly and easy to use for registered entities.

There is additional work planned for Q2 2020 on the CORES application. The plan includes additional training for ERO Enterprise staff and a survey will be sent to all individuals that have had the software released to them.

## Upcoming Compliance Assurance and Enforcement Oversight Activities

In 2020, NERC will perform a review to identify areas of improvement and opportunities to document audit findings and recommendations consistently to ensure that relevant information is captured and documented in a way to reduce administrative and procedural burdens on all CMEP staff. The objective of this oversight activity is to ensure that compliance monitoring staff are capturing details consistently across the REs and that relevant information that is identified in the engagements is also provided to the Risk Assessment and Mitigation (RAM) and Enforcement groups to be used for other CMEP activities (i.e. Enforcement proceedings, compliance oversight plans, etc.). The outputs of compliance monitoring engagements should be comprehensive enough to be useful for subsequent activities in the CMEP areas.

NERC will select specific entities in each RE from its 2019 observed compliance monitoring engagements that had potential noncompliances (PNCs) identified. In Q2 2020, NERC will send notification letters to the REs to request

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<sup>8</sup> Proposed revisions to the NERC Rules of Procedure can be found at the Rules of Procedure page, available at <https://www.nerc.com/AboutNERC/Pages/Rules-of-Procedure.aspx>. A summary of the proposed changes to the Organization Registration and Certification Program is available at [https://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/Summary%20of%20Proposed%20Registration%20and%20Certification%20Revisions\\_3.12.2020%20.pdf](https://www.nerc.com/FilingsOrders/us/RuleOfProcedureDL/Summary%20of%20Proposed%20Registration%20and%20Certification%20Revisions_3.12.2020%20.pdf).

auditor work papers, related evidence, and enforcement documentation in order to start the review. NERC groups will conduct an internal assessment and review the work papers and evidence to ensure that the documentation supports the PNCs that were identified during the observed audits and is consistent with the observation. NERC will also identify areas for enhanced alignment across the REs in documentation of PNCs. The review will also identify possible gaps in the documentation, which will help reduce the administrative burden of sending RFIs to create a more comprehensive work product. NERC will complete this review and conduct a webinar in Q4 to share the results with the REs. The results and recommendations will be implemented for audit work papers going forward in conjunction with the new Align tool.

## **Program Alignment**

The ERO Enterprise is enhancing alignment of CMEP activities under a broader ERO Enterprise Program Alignment Process (Program Alignment).<sup>9</sup> In Q1 2020, NERC staff did not receive any new cases submitted through the Reporting Tool. Currently, there are six CMEP Practice Guides in-progress scheduled to be completed by end of 2020.

## **Coordinated Oversight Program**

The purpose of the Coordinated Oversight Program is to increase efficiency and eliminate unnecessary duplication of compliance monitoring and enforcement activities for Multi-Region Registered Entities (MRREs). A registered entity operating in or owning assets in two or more REs' jurisdictions with one or more NERC Compliance Registry (NCR) identification number is a potential candidate for inclusion in the voluntary Coordinated Oversight Program. In connection with the program, the ERO Enterprise takes into account reliability considerations such as, but not limited to, a registered entity's registered functions, load and generation capacity, transmission assets, and transmission and generation control centers.

In Q1 2020, the ERO Enterprise approved eight additional MRREs for entry into the Coordinated Oversight Program, increasing the total count of registered entities participating to 223.<sup>10</sup>

## **Enforcement Streamlining Project**

NERC and the REs have been working on a Risk Alignment and Streamlining Project to create a more streamlined method for processing noncompliances, particularly minimal risk noncompliances, which represent the majority of noncompliance across the ERO Enterprise. One key aspect of the project is to find ways to reduce the time it takes to make a risk determination and then use existing risk-based processes to process the noncompliance appropriately. In Q1 2020, the project team gathered data on risk assessment criteria and processes and is working on documenting consistent criteria and processes for risk assessment and related topics for use across the ERO Enterprise. Ultimately, the ERO Enterprise intends to share many of the lessons learned from this effort with industry to allow registered entities to provide relevant and useful information to the REs in a timely manner.

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<sup>9</sup> <http://www.nerc.com/pa/comp/Pages/EROEnterProAlign.aspx>

<sup>10</sup> Appendix B includes further information on the MRREs participating in the Coordinated Oversight Program.

## Chapter 2: RE Oversight

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### Enforcement Oversight

#### Serious Risk Violations

In Q1 2020, NERC filed four Full NOPs with FERC resolving six violations of the NERC Reliability Standards, with penalties totaling approximately \$450,000.<sup>11</sup> The Full NOPs filed in Q1 2020 addressed four serious and two moderate risk violations, including:

- Inaccurate Facility Ratings that were not consistent with the associated Facility Ratings Methodology or equipment in the field;
- Exceedances of established voltage schedules provided by the Transmission Operator; and
- A failure to ensure vegetation did not grow into the Minimum Vegetation Clearance Distance (MVCD) of a transmission line.

#### Spreadsheet NOPs

In Q1 2020, NERC filed five SNOPs that included 26 violations of NERC Reliability Standards and carried a total combined penalty of \$345,000. Seventeen of the violations were violations of the CIP Reliability Standards, while the remaining nine were violations of Operations and Planning (O&P) Reliability Standards.

#### Annual Find, Fix, Track, and Report and Compliance Exception Programs Review

In Q1 2020, NERC completed its review of the documentation provided by the REs for the FY2019 Annual Find, Fix, Track, and Report and CE Survey that is performed with FERC. In Q2, NERC will issue RFIs to the REs and finalize the feedback that will be shared with the REs. The review includes SMEs from other departments for technical feedback related to evidence documents provided by the REs.

### Compliance Monitoring Oversight

#### NERC Oversight

In Q1 2020, NERC executed monitoring oversight activities planned for 2020. These activities include the following:

- RE-specific follow-up related to prior oversight recommendations,
- Planned audit observation activities, and
- Recurring oversight coordination specific to ERO Enterprise efforts around Compliance Oversight Plan enhancement and alignment during 2020.

#### Compliance Oversight Plans

During Q1 2020, REs continue to develop COPs using results of the Inherent Risk Assessment (IRA) and performance considerations such as internal controls, mitigation plans, compliance history, event analysis trends, or other regional considerations to identify key risks. COPs will include the NERC Reliability Standards associated with identified risks, the interval of monitoring activities, and the type of CMEP tools (such as Compliance Audit, Spot Check, or Self-Certification). NERC will continue to monitor development of COPs throughout the remainder of 2020 to ensure ERO Enterprise alignment.

#### Compliance Guidance

During Q1 2020, the ERO Enterprise received three new proposed Implementation Guidance documents; one is in the final stages of the review and endorsement process and two have not been endorsed. Additionally, the ERO Enterprise completed the review and endorsement process on four Implementation Guidance Documents carried over from 2019; one has been endorsed and three have not been endorsed.

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<sup>11</sup> One of the violations was for a federal entity, so the Full NOP included no monetary penalty, in accordance with *Sw. Power Admin. v. FERC*, 763 F.3d 27 (D.C. Cir. 2014).

The ERO Enterprise has two CIP Practice Guides involving generation segmentation and the service host process that are nearing completion.

## Certification

### Q1 2020 Certification Completions

In Q1 2020, the ERO Enterprise completed certification of one new Balancing Authority and Transmission Operator in SERC and completed the review of Energy Management System changes at one already certified and operational Transmission Operator and one Balancing Authority and Transmission Operator. Additionally, the ERO Enterprise completed the review of Control Center relocations at one already certified and operational Transmission Operator and another Balancing Authority and Transmission Operator. No new entity certifications are in process. Nine certification reviews are in process, with no site visits scheduled for the second quarter. Appendix D provides a breakdown by RE.

## Registration

In Q1 2020, NERC processed 102 Registration changes, of which 65 were functional activations and 37 were functional deactivations. Of the 37 functional deactivations:

- Three were due to facility shutdown,
- Five were determined not to meet registration criteria,
- Six were assets being sold to another registered entity, and
- Twenty-three were due to compliance responsibility being assumed by another registered entity.

Also in Q1 2020, the NERC-led Review Panel issued decisions for two cases from WECC.<sup>12</sup> In the first case, the entity requested review by the Panel of its application to deactivate its registration from the NCR as a TO. The Panel determined that the entity had a material impact on BES reliability as a TO, and therefore, the Panel denied the entity's request to deactivate its registration as a TO. In the second case, the entity requested review by the Panel that it not require the entity to register as a TO for its BES facilities. The Panel determined that the entity had a material impact on BES reliability that supported registration as a TO, and therefore, the Panel denied the entity's request. The Panel also recommended the entity perform the following actions: (1) register as a TO; (2) take steps to register as, or formally identify, a TOP; and (3) evaluate its registration status as a BA based on the functions the entity currently performs.

### BES Exception Requests

In Q1 2020, NERC worked on reviewing two Exception Requests and expects to complete its reviews in the second and third quarters of 2020, respectively.

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<sup>12</sup> See Decisions on NERC-led Review Panels, available at <https://www.nerc.com/pa/comp/Pages/Registration.aspx>.

## Chapter 3: ERO Enterprise Performance Objectives

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### Priorities for 2020

To guide CMEP Activities throughout 2020, NERC identified the following key objectives in support of the ERO Enterprise Operating Plan goal of risk-informed Entity Registration, Compliance Monitoring, Mitigation, and Enforcement:

- Provide training and education to RE CMEP staff to enhance the ERO Enterprise work products (e.g., work papers);
- Continue to focus on program alignment, including consistency efforts on non-monetary penalties, mitigation, coordinated oversight for MRREs, training exercises, technical training, documentation, and risk assessments;
- Monitor the progress of the ERO Enterprise's enforcement streamlining efforts by examining the balancing of efficient resolution of minimal risk noncompliance with timely, comprehensive resolution of higher risk violations;
- Begin rollout of new Compliance Oversight Plans for engagements in 2020;
- Continue to focus on how registered entities have mitigated reliability and security risks while achieving compliance with the Reliability Standards, including applicable internal controls; and
- File proposed revisions to the NERC ROP, specifically around the CMEP and ORCP, with FERC for approval.

## Appendix A: Enforcement

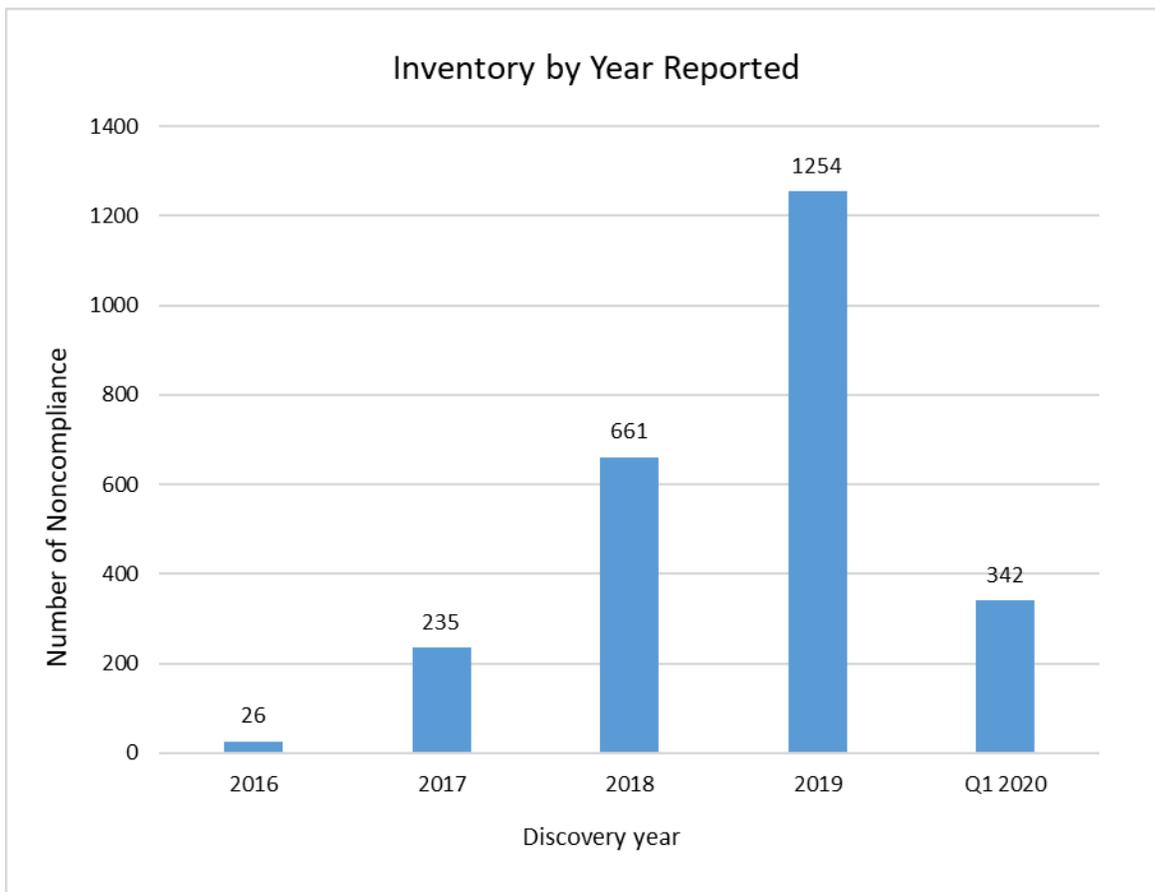
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Information regarding the ERO Enterprise’s Enforcement activities and metrics is provided below, focusing on noncompliance inventory; identification, mitigation, disposition, and risk of noncompliance; and vegetation management.

### Noncompliance Inventory

#### Open Noncompliance in the ERO Enterprise Inventory

The ERO Enterprise’s open noncompliance inventory consists of noncompliance reported to the REs or NERC that has not yet been processed by filing with FERC (Full NOPs and SNOPs), public posting on the NERC website (FFTs and CEs), or being dismissed. As of Q1 2020, approximately 36 percent of the open inventory is from 2018 or earlier.



**Figure A.1 ERO Enterprise’s Inventory by Year Reported**

### Reported Age of Noncompliance in ERO Enterprise Inventory

Figure A.2 shows the age of all open noncompliance in the ERO Enterprise inventory. As of Q1 2020, the age of all open noncompliance in the ERO Enterprise inventory has not changed significantly from the figures reported at the end of 2019. Information about mitigation of the oldest noncompliance in inventory can be found in the “Mitigation of Noncompliance” discussion below.

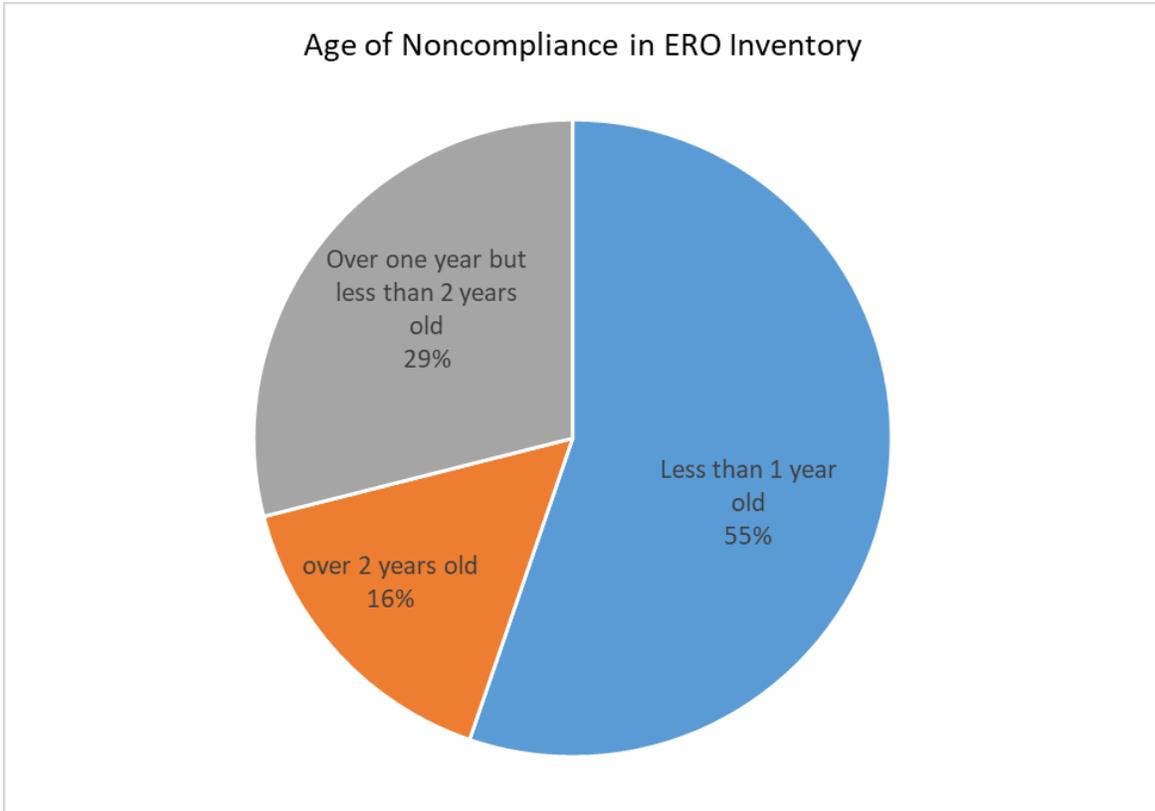
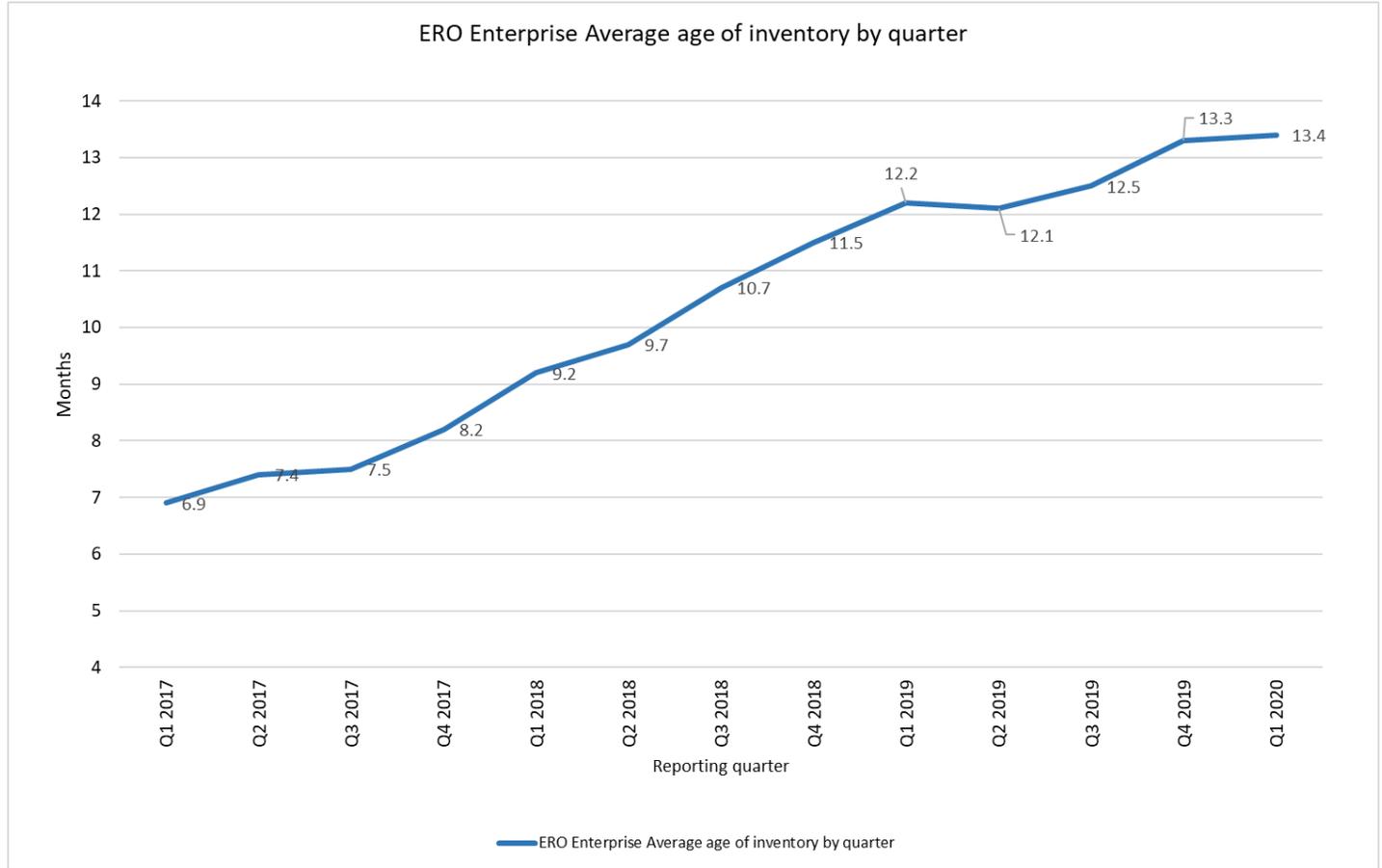


Figure A.2: Age of Noncompliance in ERO Enterprise’s Inventory

### Average Age of Noncompliance in the ERO Enterprise Inventory

Figure A.3 shows that the average age of noncompliance in the ERO Enterprise’s inventory at the end of Q1 2020 was 13.4 months.<sup>13</sup> The increase in the average age of noncompliance in the ERO Enterprise inventory over the last few years has been driven, in large part, by new Reliability Standards with phased implementation plans becoming effective and more registered entities having to comply with Versions 5 and 6 of the CIP Standards, along with the increased technical analysis needed to process noncompliance involving these newer Reliability Standards.



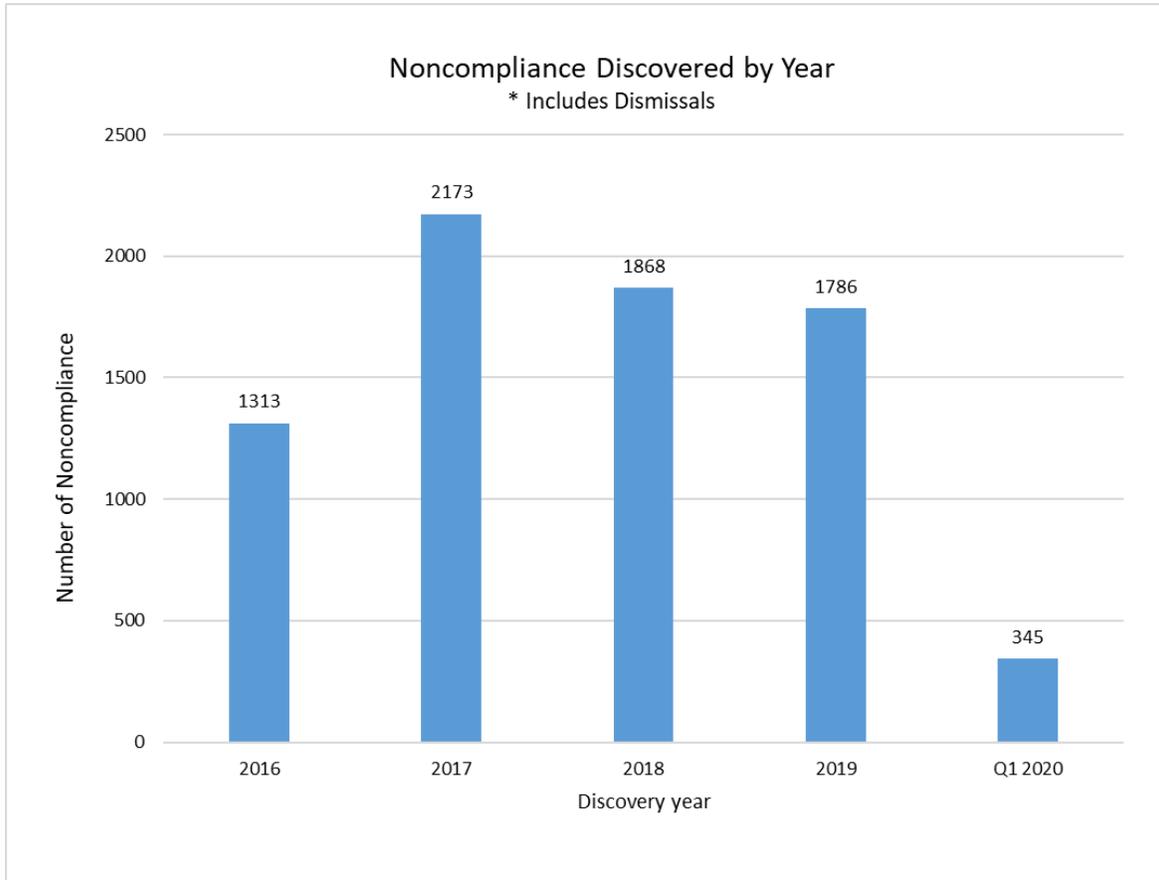
**Figure A.3: Average Age of Noncompliance in the ERO Enterprise Inventory**

<sup>13</sup> The age of noncompliance runs from the time the noncompliance is identified to the time it is resolved (e.g., through CE, FFT, SNOP, or Full NOP processing).

## Identification of Noncompliance

### Number of New Noncompliance Discovered in Q1 2020

Figure A.4 shows the number of new noncompliance discovered in Q1 2020 compared to the number of noncompliance discovered in prior years.



**Figure A.4: Noncompliance Discovered by Year**

### Self-Assessment and Self-Identification of Noncompliance

Figure A.5 illustrates registered entities' internal and external identification of noncompliance by year. The percentage of internally discovered noncompliance rose significantly in Q1 2020 to approximately 95 percent of all reported noncompliance, well above the levels seen in 2018 and 2019. Audit findings decreased in Q1 2020 to less than five percent of all reported noncompliance. The ERO Enterprise will continue to monitor this trend to determine if it continues or was an anomaly.

Figure A.6 shows the percentage of noncompliance by discovery method over the last four quarters. As noted above, the percentage of self-reported noncompliance rose significantly to approximately 90 percent in Q1 2020, well above its range in the three previous quarters of 70 to 76 percent. Audit findings also dropped significantly in Q1 2020, to less than five percent, compared to approximately 20 percent or more over the three previous quarters.

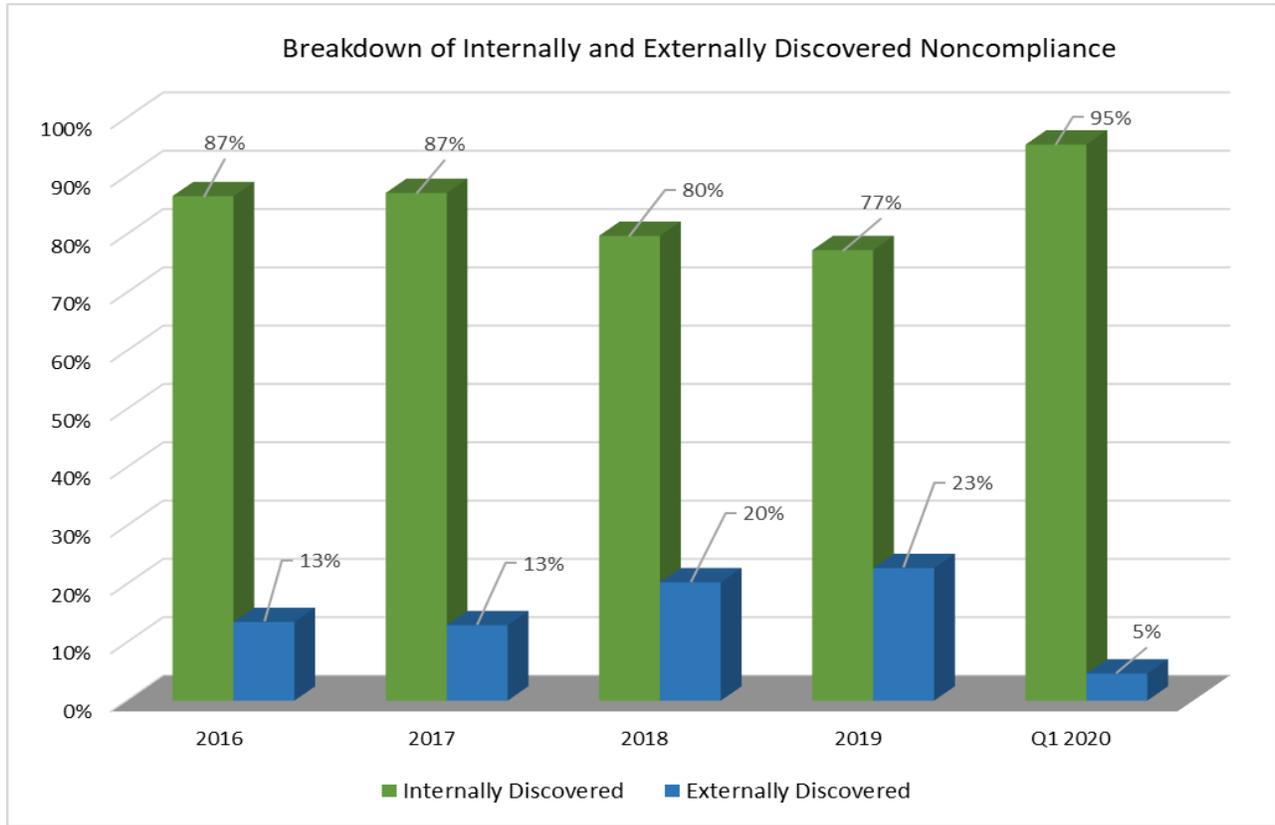
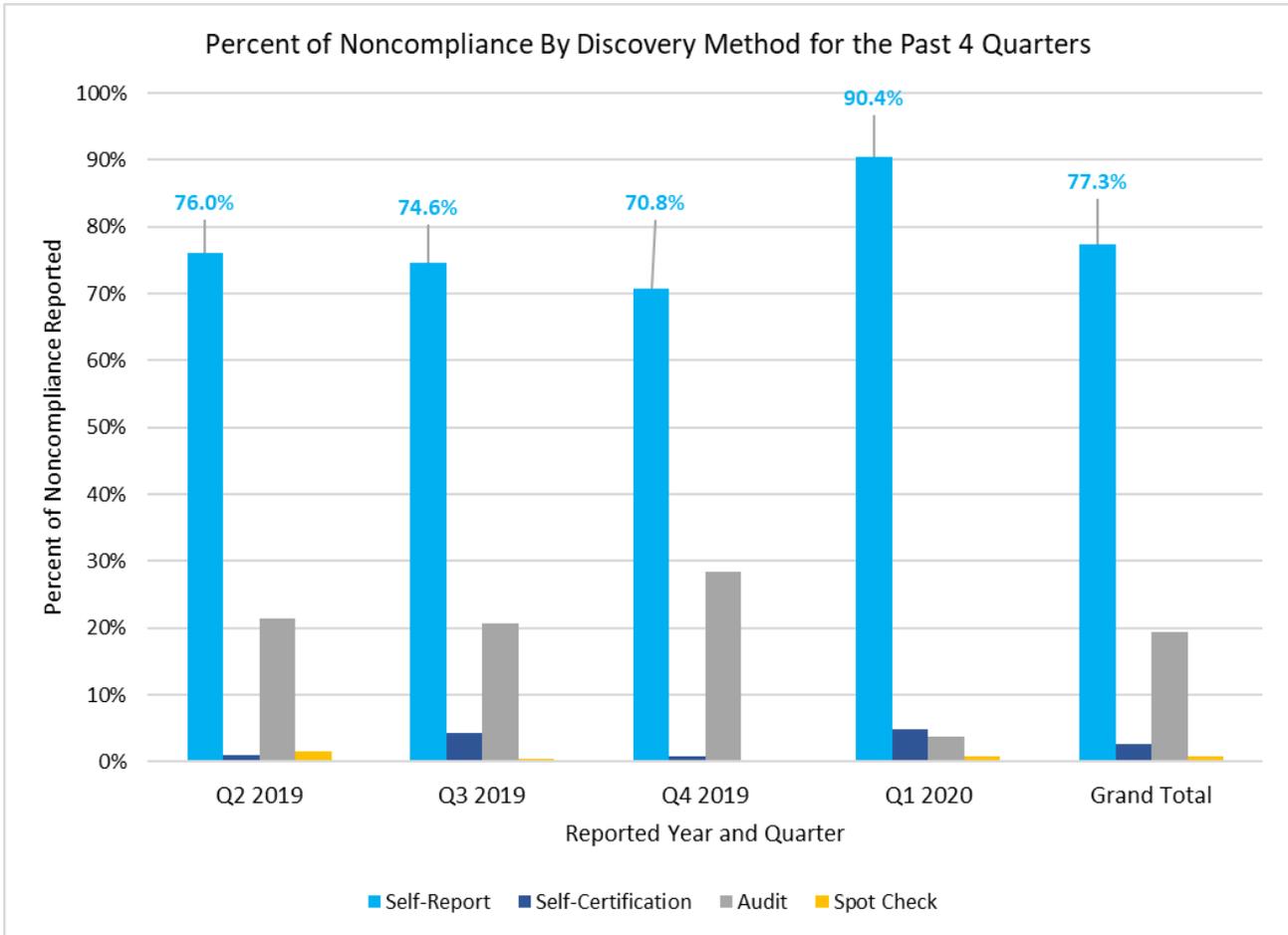


Figure A.5: Breakdown of Internally and Externally Discovered Noncompliance by Year



**Figure A.6: Breakdown of Noncompliance by Discovery Method**

## Mitigation of Noncompliance

### Mitigation Completion Status

Registered entities continue to make progress in mitigating the older noncompliance they have reported as shown in Table A.7. Mitigation of the oldest noncompliance, dating from 2017 and earlier, is largely complete. The noncompliance without verified mitigation completion dates involves noncompliance that has been certified as complete but have not yet been verified complete by the RE, has mitigation activities that have passed the expected completion date (and presumably have been completed), or has a future completion date, ensuring risk to the BPS is being addressed. A small percentage of pre-2018 noncompliance do not yet have verified mitigation completion dates, but are part of ongoing discussions between REs and registered entities regarding appropriate mitigation activities. NERC continues to monitor these noncompliances as priorities for mitigation completion.

Time Frame	Required Mitigation	Noncompliance Without Verified Mitigation Completion Date	Percentage of Noncompliance with Verified Mitigation Completion Date
2014 and older	9,494	0	100.0%
2015	718	6	99.2%
2016	1,136	38	96.7%
2017	1,877	168	91.0%
2018	1,664	408	75.5%
2019	1,674	1,009	39.7%

## Disposition of Noncompliance

### Number and Percentage of Self-Logged CEs

Table A.8 shows both the number and percentage of self-logged CEs filed since the start of the self-logging program in 2014. In Q1 2020, self-logged CEs continued at a high level consistent with the last two years.

Filing Year	Self-Logged CEs	Total CEs	Percentage of Self-Logged CEs
2014	14	113	12.4%
2015	83	514	16.2%
2016	42	479	8.8%
2017	86	939	9.2%
2018	159	771	20.6%
2019	220	1,159	19.0%
Q1 2020	43	246	17.5%

### Disposition of Noncompliance

Figure A.9 shows the percentage of all noncompliance processed by disposition type in Q1 2020. The ERO Enterprise processed a majority of instances of noncompliance in Q1 2020 as CEs, with approximately 10 percent of noncompliance processed by the SNOP or Full NOP disposition methods, both of which can involve a monetary penalty or sanction. Figure A.10 shows the number of noncompliance processed by disposition type over the last five years. Figure A.11 shows the number of noncompliance processed by assessed risk level over the last five years.

Disposition Breakdown in Q1 2020

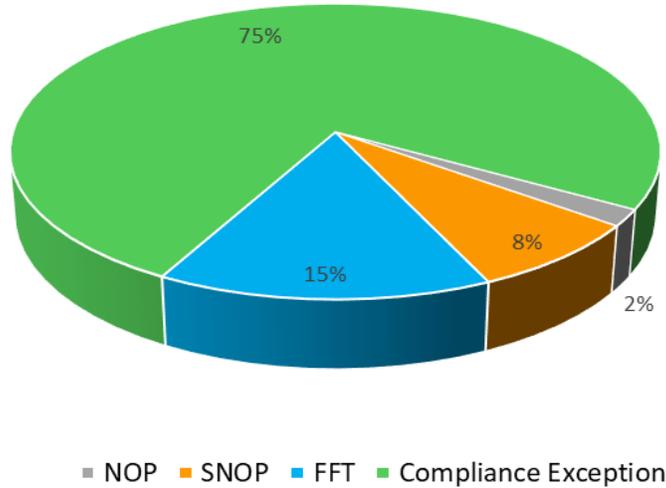


Figure A.9: Disposition Type of Noncompliance Processed in Q1 2020

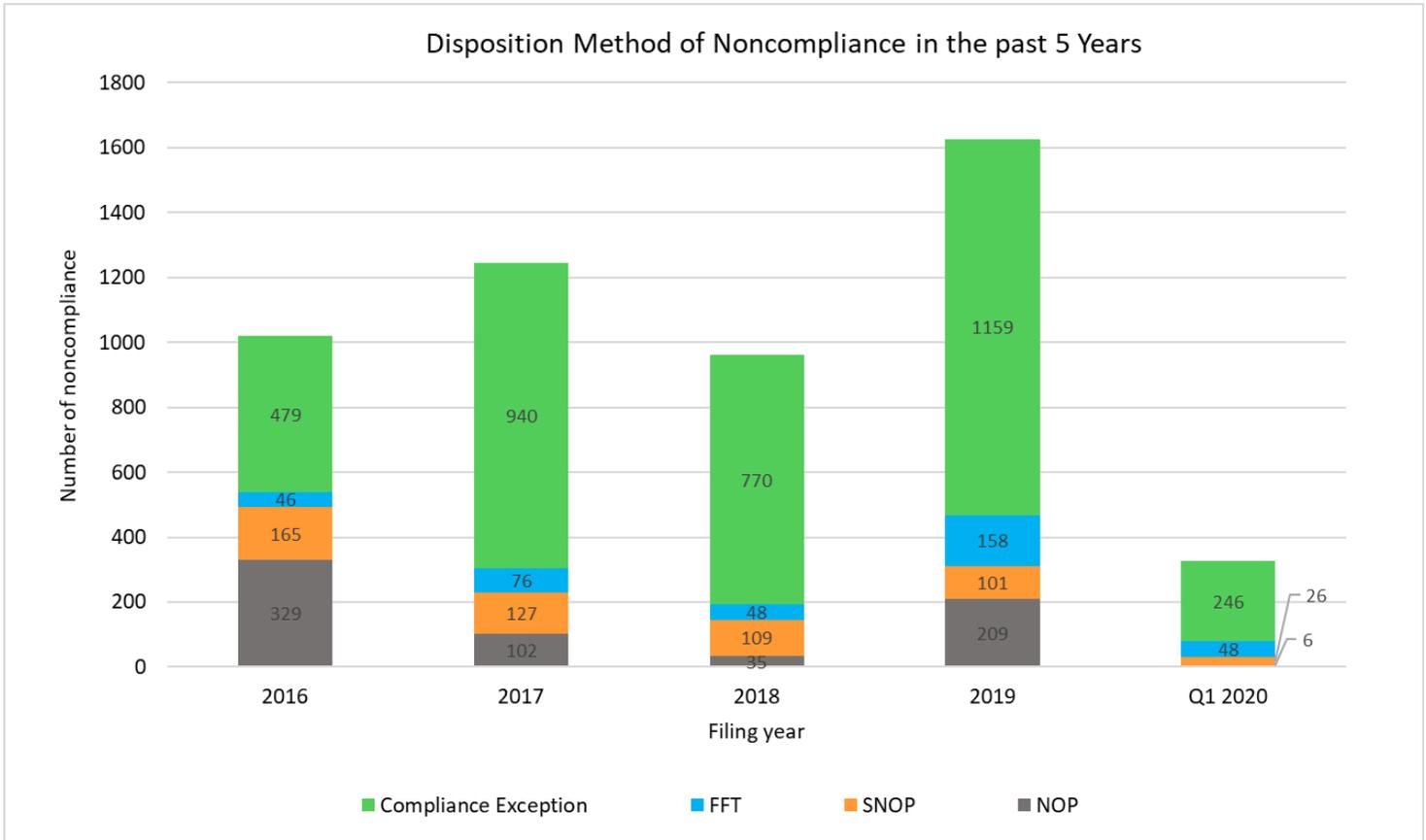


Figure A.10: Disposition Method of Noncompliance by Filing Year

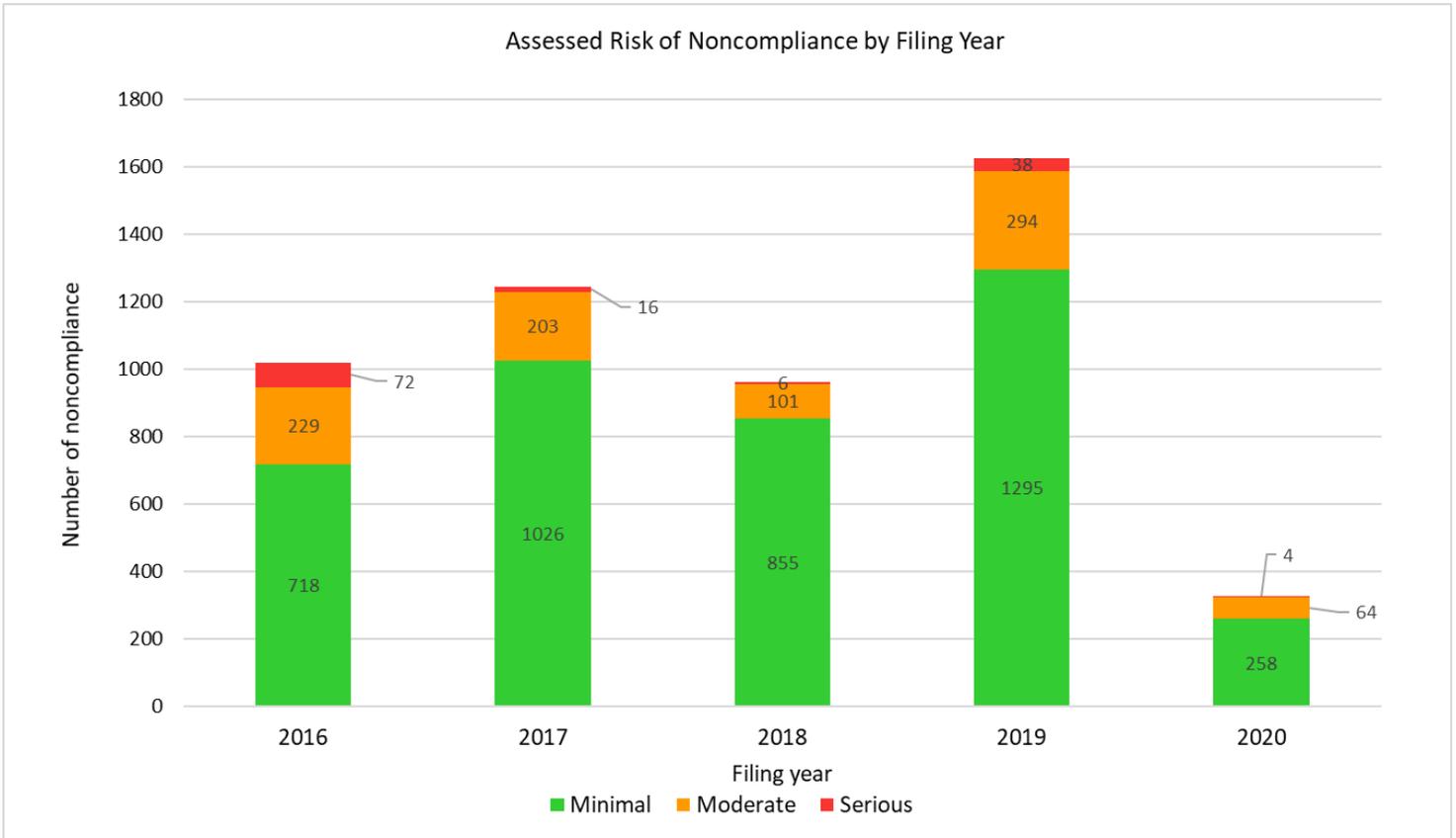
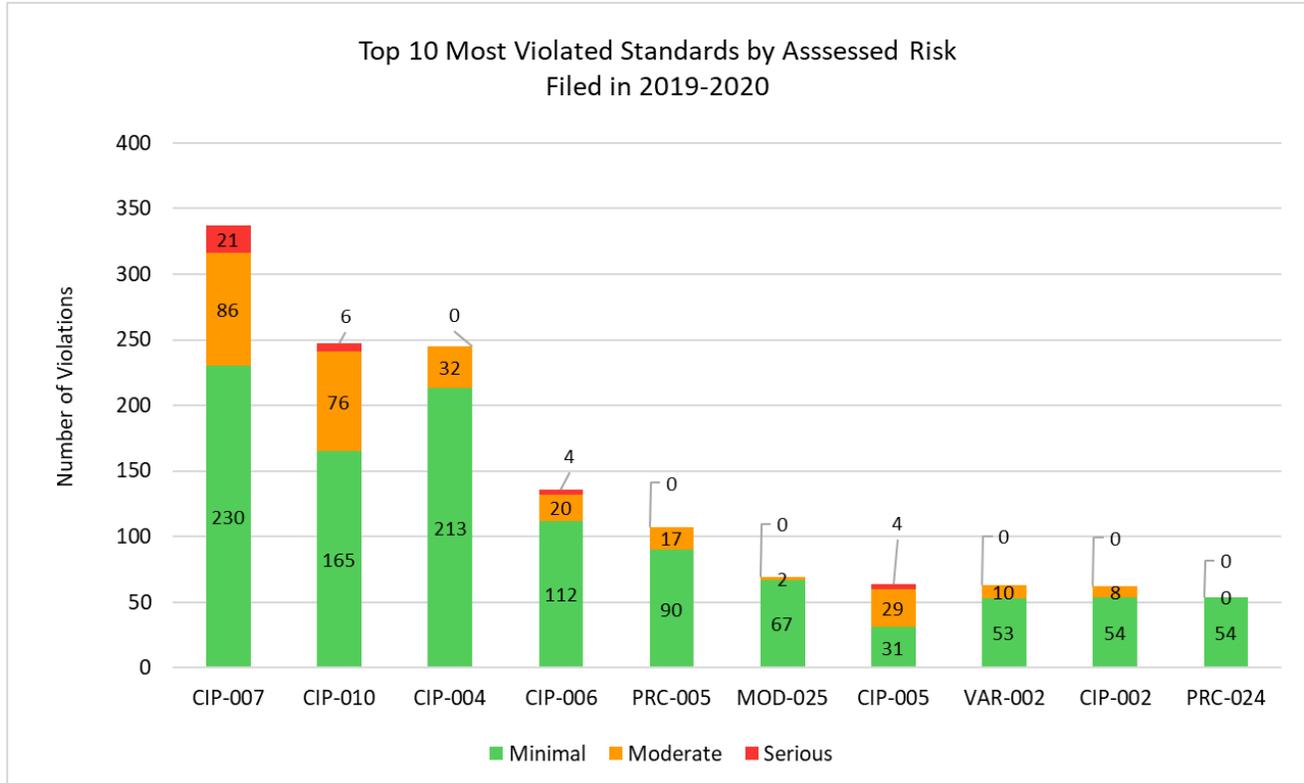


Figure A.11: Assessed Risk of Filed Noncompliance by Filing Year

## Risk of Noncompliance

### Most Violated Standards by Risk in 2019–Q1 2020

CIP-007 remains the most frequently violated Reliability Standard followed by CIP-010 and CIP-004. The vast majority of these noncompliances were disposed of as CEs. CIP-007 was the most frequently violated Reliability Standard for minimal, moderate, and serious risk violations, as shown in Figure A.12.



**Figure A.12: Most Violated Reliability Standards by Risk Level in 2019–Q1 2020**

### Violations Posing a Serious Risk

NERC has gathered data and regularly monitored violations posing serious risk to the reliability of the BPS. In the period from 2019-Q1 2020, the ERO Enterprise has filed 42 serious risk violations with FERC, which represented approximately 2.2 percent of all filed noncompliance during that period. As shown in Figure A.13, the vast majority of these serious risk violations were in CIP Standards, particularly those relating to Electronic Security Perimeters and interactive remote access, ports and services, security patches, account management, and baselines. The serious risk O&P violations involved vegetation management and Facility Ratings.

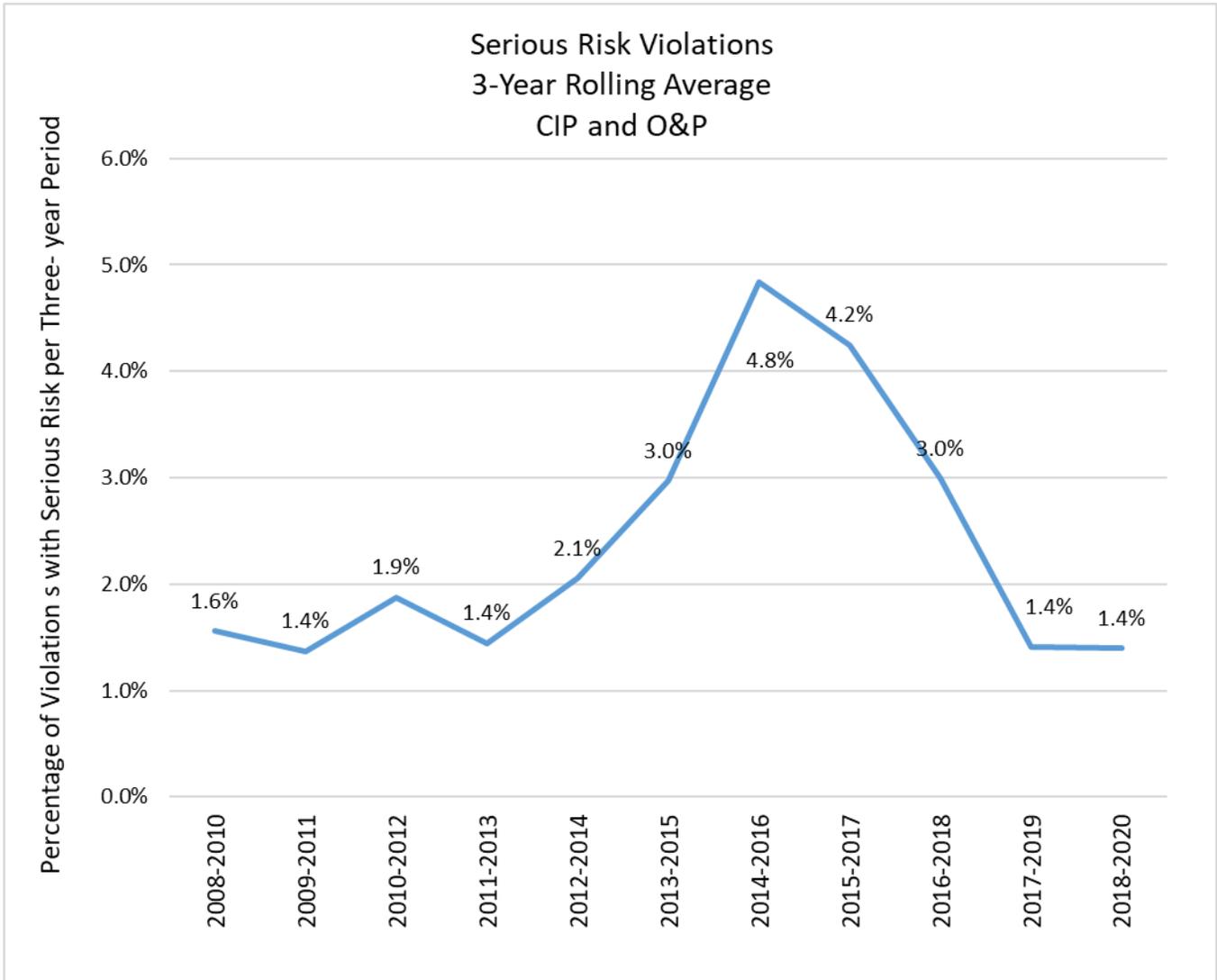


**Figure A.13: Reliability Standards with Serious Risk Violations<sup>14</sup>**

**Serious Risk Averages**

Figure A.14 shows the percentage of serious risk violations, both CIP and O&P, over a rolling three-year average. The percentages are determined based on the number of serious risk violations compared to the total number of noncompliance filed in a given three-year period. In prior years, NERC Enforcement has had a target of keeping the percentage of serious risk violations for each period below five percent. Figure A.14 shows that the percentage of serious risk violations remained well below the five percent ceiling in the 2018-Q1 2020 period.

<sup>14</sup> Although the currently effective version of the Reliability Standard addressing Facility Ratings is FAC-008-3, some violations involving Facility Ratings extend back in time to FAC-009-1, as seen in Figure A.13.



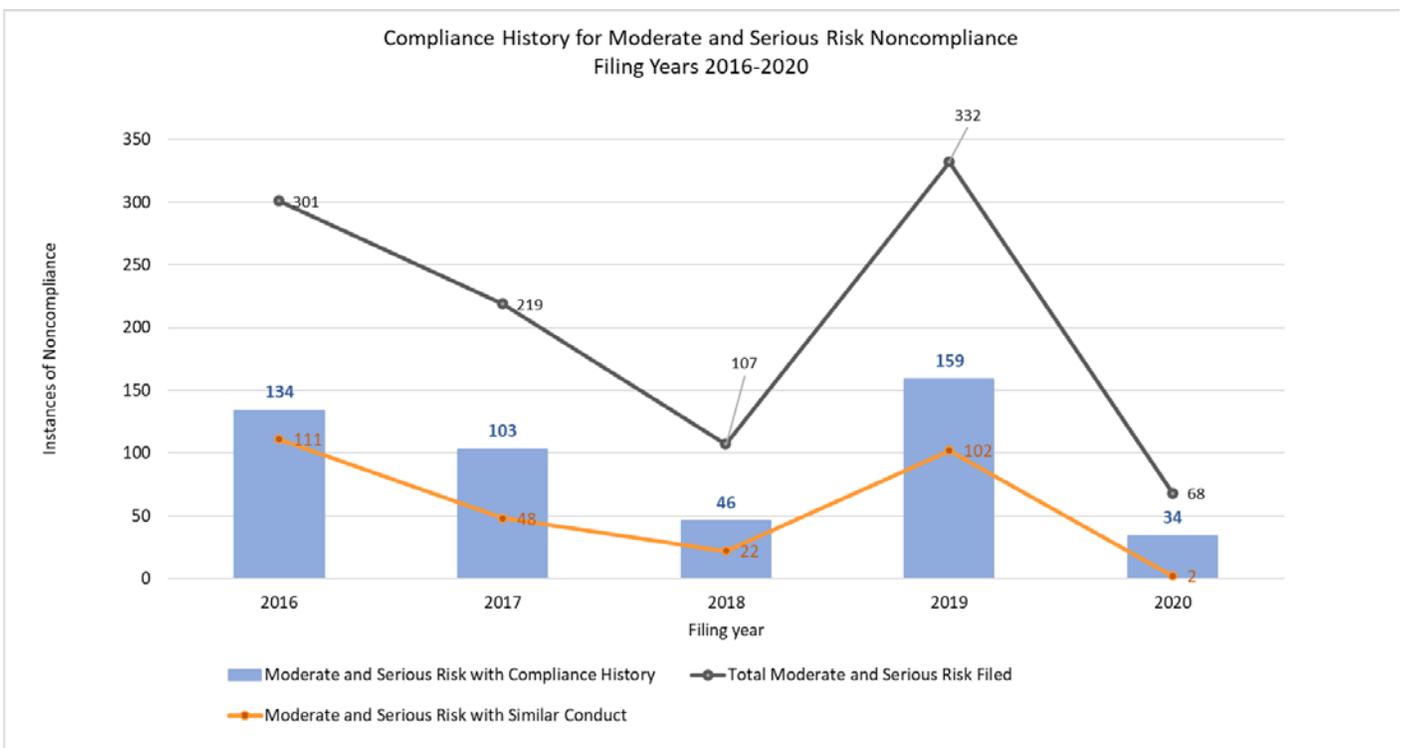
**Figure A.14: Rolling Average of Serious Risk Violations (CIP and O&P)**

### Increased Repeat Moderate and Serious Risk Violations

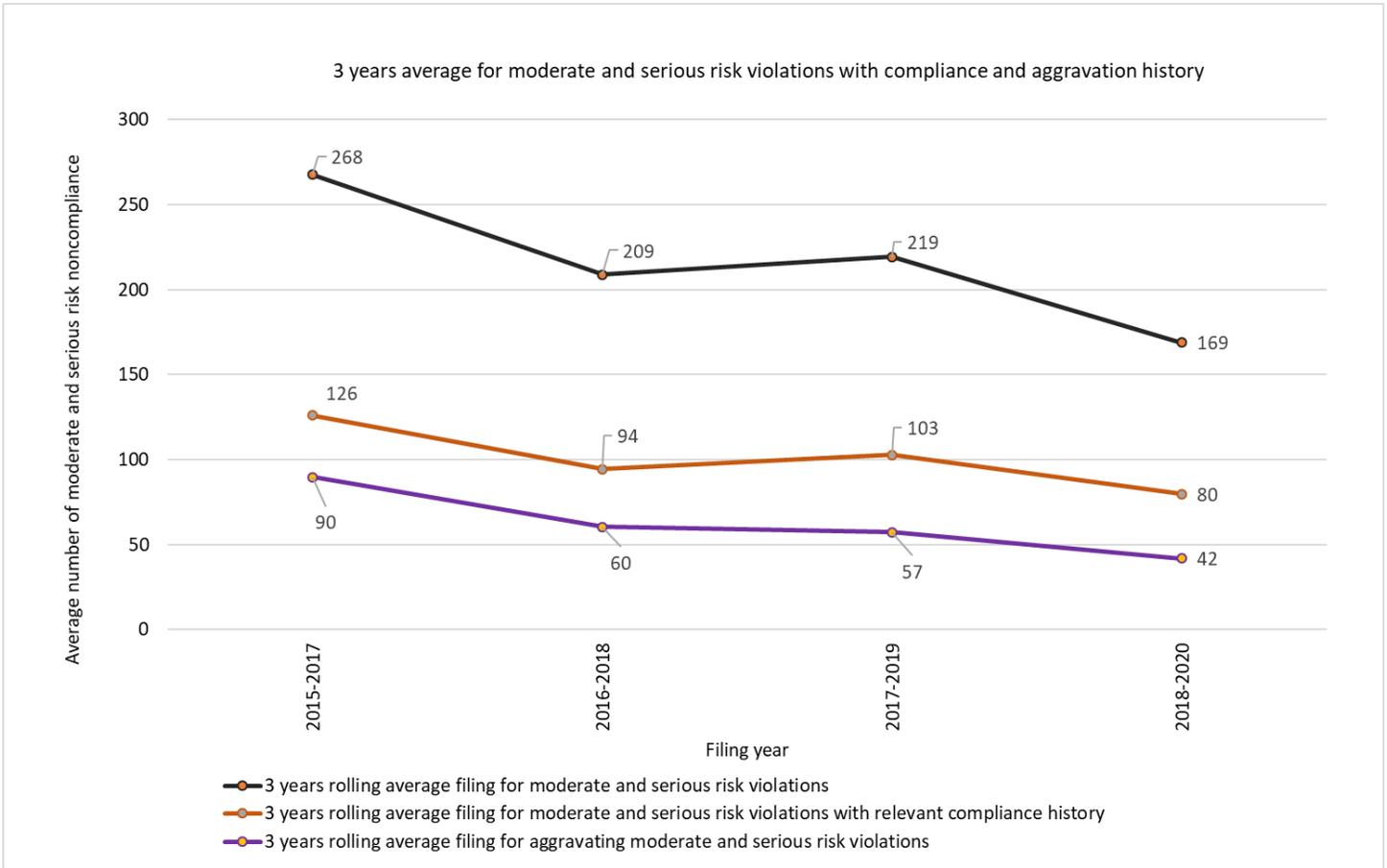
The ERO Enterprise monitors compliance history (defined as a prior violation of the same Reliability Standard and requirement) and repeat noncompliance with similar conduct (defined as a prior violation that stemmed from similar actions or conduct) to further explore the relationship of prior mitigation to repeat noncompliance and to identify any additional areas of focus and future actions.

Figure A.15 compares three categories of moderate and serious risk noncompliance: noncompliance with compliance history (blue columns), noncompliance with compliance history involving similar conduct (orange line), and all filed moderate and serious risk noncompliance (gray line). Noncompliance with similar conduct is a subset of the wider group of repeat noncompliance, in which the entity’s current noncompliance looks to involve similar conduct or a similar cause to prior violations of the same or similar Standard and Requirement. Such situations could result in aggravation of the disposition method or aggravation of a penalty for the current noncompliance. The total moderate and serious noncompliance, shown by the gray line, includes both “new” noncompliance and repeat noncompliance.

Figure A.16 shows the same information as in Figure A.15, but averaged over a three-year period. With only a few Full NOPs and SNOPs filed in Q1 2020, it is difficult to determine whether there is any relevant trend in Figures A.15 or A.16, but the ERO Enterprise will continue to analyze the information as the year progresses and highlight any notable trends in future quarterly reports.



**Figure A.15: Compliance History and Similar Conduct for Moderate and Serious Risk Violations**



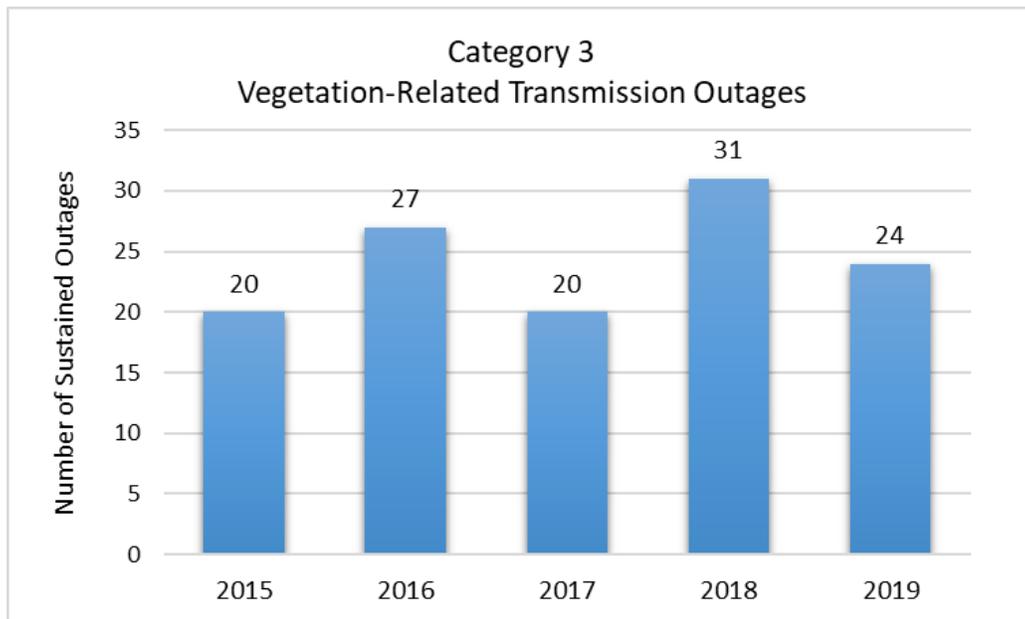
**Figure A.16: Compliance History and Similar Conduct for Moderate and Serious Risk Violations (3-year Rolling Average)**

## Vegetation Management

NERC regularly reports on two items related to vegetation management. First, NERC tracks all sustained outages caused by vegetation contacts submitted to REs on a quarterly basis, as displayed in Figure A.17 below. Second, NERC tracks transmission outages resulting from possible violations of FAC-003, as displayed in Figure A.18 below. These are usually submitted to REs through Self-Reports. Not all sustained outages caused by vegetation contacts are possible violations of FAC-003; however, some outages may fall into both tracking items.

The majority of vegetation-related sustained outages result from vegetation falling into transmission lines from outside the right-of-way. Fall-ins are shown as Category 3 outages below. There were 24 Category 3 outages in 2019.<sup>15</sup> There were no Category 1B outages reported in 2019. Category 1B outages occur when vegetation grows into transmission lines from within the right-of-way, resulting in a sustained outage. Registered entities reported these outages through Periodic Data Submittals on a quarterly basis. Due to the timing of these reports, no Q1 2020 submissions for vegetation-related sustained outages have been received as of the end of Q1 2020.

In Q1 2020, NERC filed one Full NOP resolving a violation of FAC-003 R2 that was initially reported in 2017.



**Figure A.17: Category 3 Transmission Outages**

<sup>15</sup>Vegetation-related outage information is consolidated on a delayed quarterly basis. Information related to Q1 2020 will be available in Q2 2020.

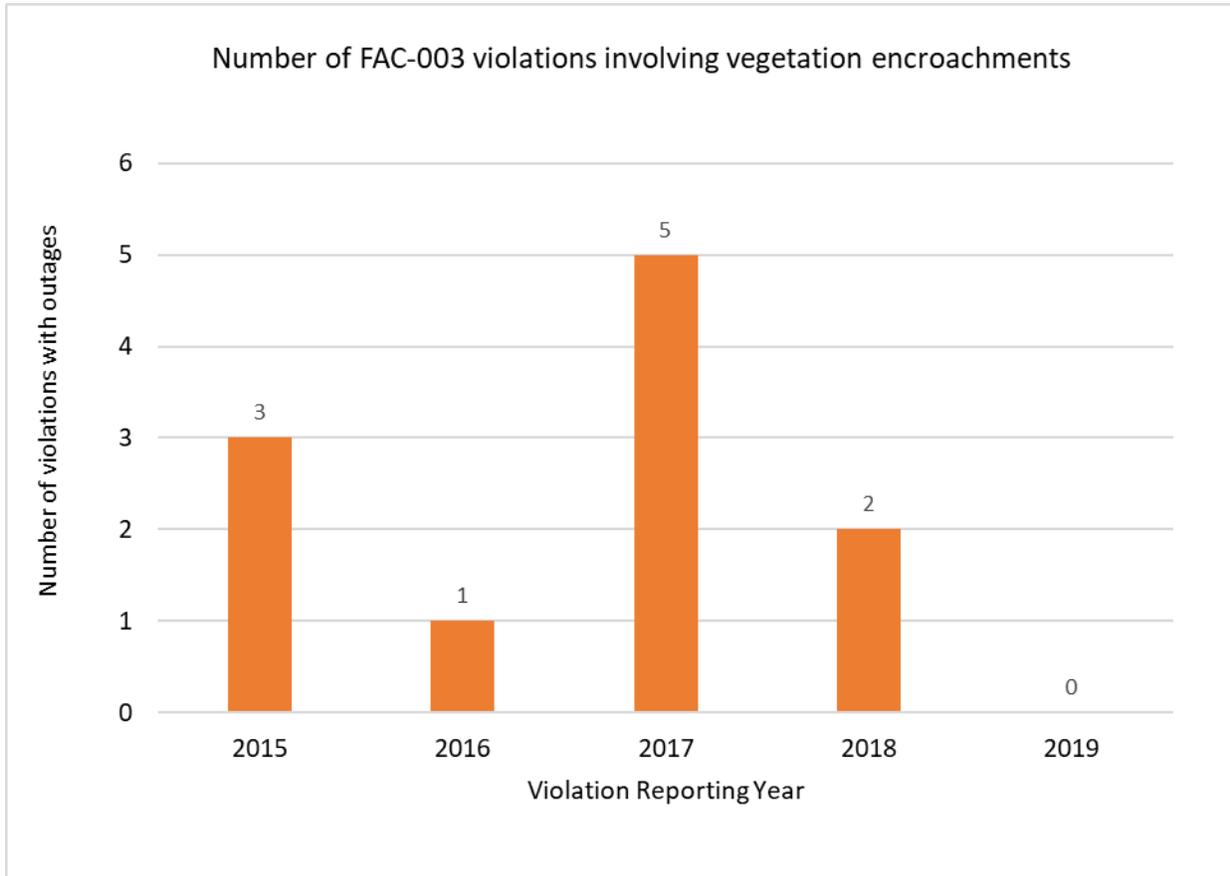


Figure A.18: FAC-003 Violations

## Appendix B: Compliance Assurance

### Coordinated Oversight Program for MRREs

Figure B.1 represents the distribution of the 52 MRRE groups (comprising 223 separate registered entities) by Lead RE, and Figure B.2 represents the distribution of MRREs by registered function. The registered entities that opted to join the program include various reliability functions in multiple REs.

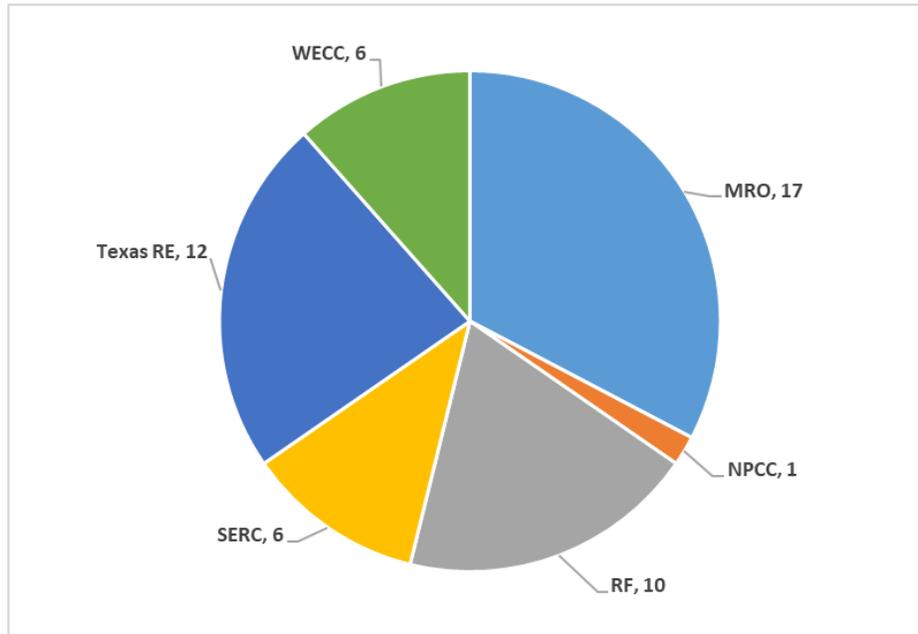


Figure B.1: Distribution of MRREs under Coordinated Oversight by Lead RE

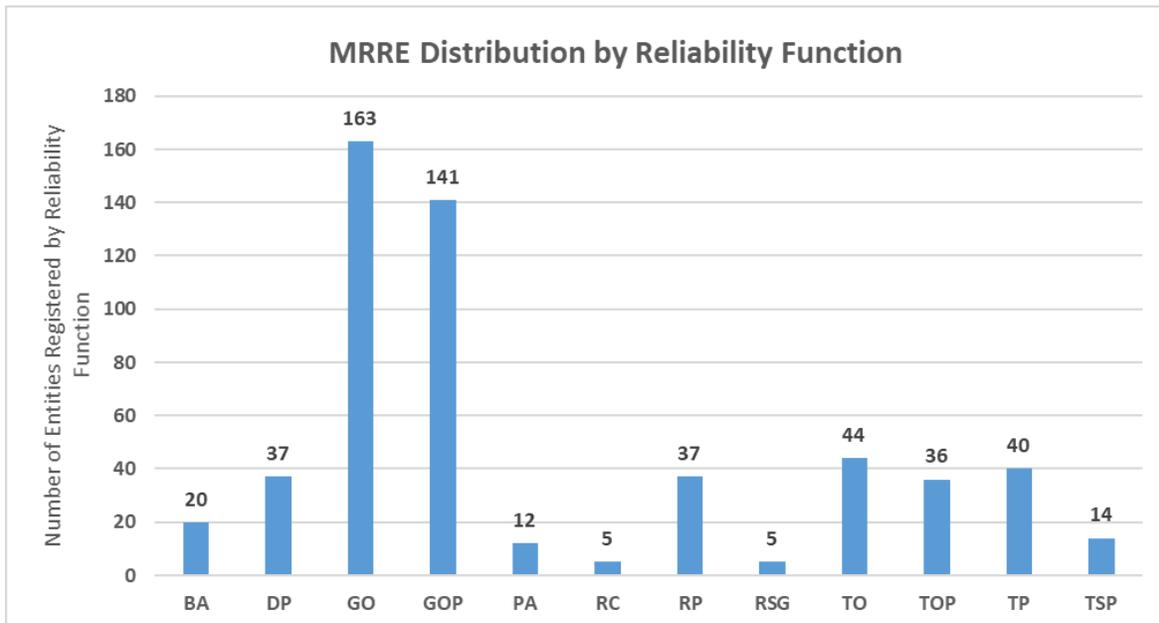


Figure B.2: Coordinated Oversight Distribution by Registered Function<sup>16</sup>

<sup>16</sup> Each bar represents the number of registered entities by function in the Coordinated Oversight Program for MRREs.

## Appendix C: Registration

### Registration Change Activity by Function

Figure C.1 and Table C.1 depict Q1 2020 registration change activity by RE. Figure C.2 and Table C.2 depict Q1 2020 registration change activity by function.

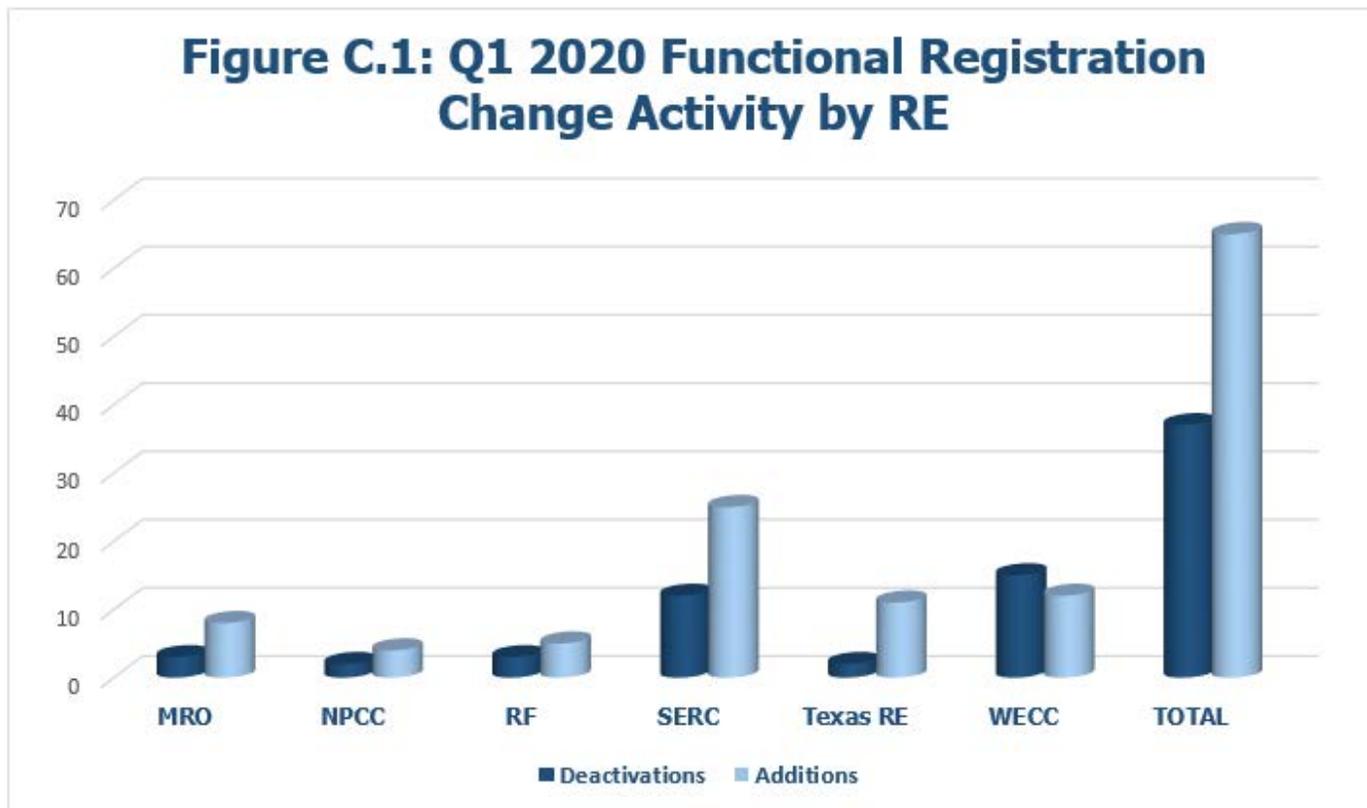


Figure C.1: Q1 2020 Functional Registration Change Activity by RE

Table C.1: Q1 2020 Functional Registration Change Activity by RE							
	MRO	NPCC	RF	SERC	Texas RE	WECC	TOTAL
Deactivations	3	2	3	12	2	15	37
Additions	8	4	5	25	11	12	65

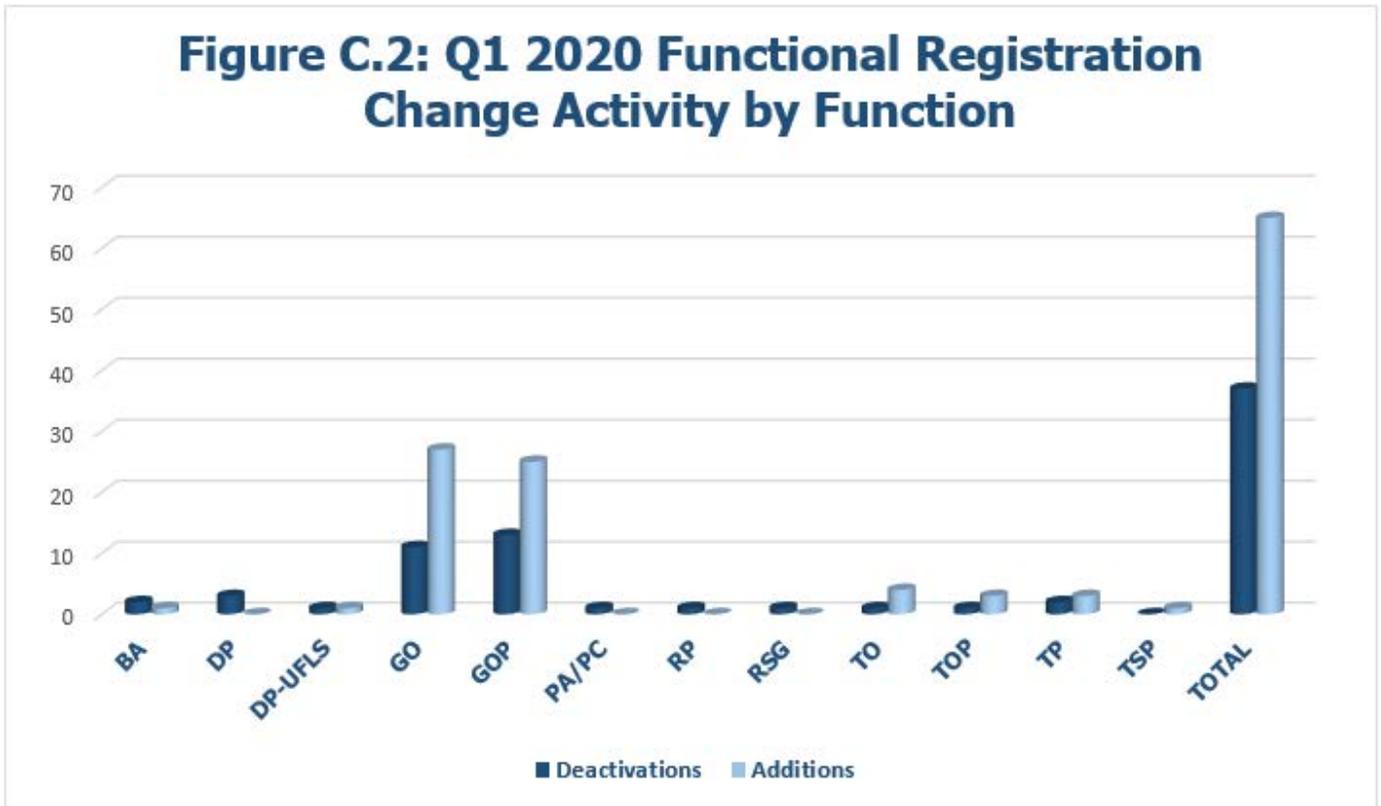


Figure C.2: Q1 2020 Registration Change Activity by Function

	BA	DP	DP-UFLS	GO	GOP	PA/PC	RP	RSG	TO	TOP	TP	TSP	TOTAL
Deactivations	2	3	1	11	13	1	1	1	1	1	2	0	37
Additions	1	0	1	27	25	0	0	0	4	3	3	1	65

Table C.3 shows the basis for Q1 2020 registration changes. NERC seeks justification from each RE when approving registration change activity.

Compliance responsibility assumed by another Registered Entity	23
Sold to another Registered Entity	6
Determined to not meet registration criteria	5
Facility Shutdown	3

## Appendix D: Certification and Bulk Electric System

### ERO Enterprise Organization Certification Utilization

Certification activities are responsive to the number of new entities requiring certification and the types of changes implemented to already-certified and operational entities. Program utilization metrics help to plan resource needs, including staff, travel, and training.

Figure D.1 identifies the number of new entity certifications completed by each RE during Q1 2020 and the number of new entity certifications where an onsite visit has been performed but the certification activity has not yet been concluded (in process). Figure D.2 identifies the number of reviews of changes to already-certified and operational entities completed by each RE during Q1 2020 and the number of certification reviews in process at the end of Q1 2020.

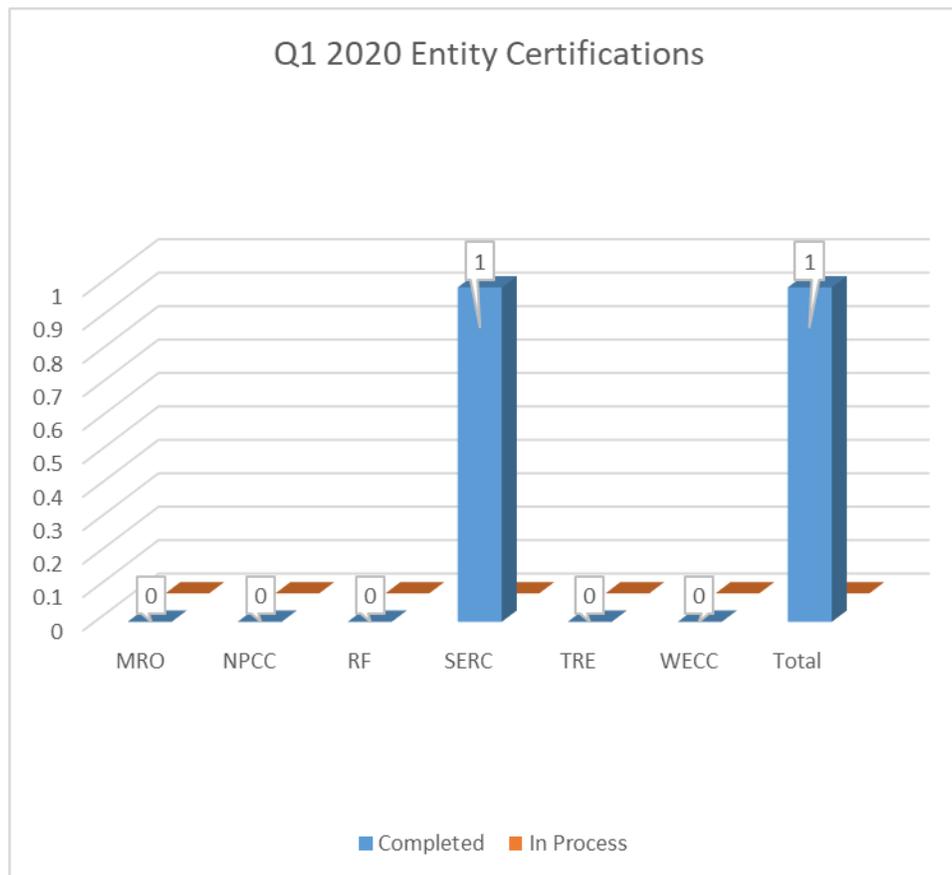


Figure D.1: 2019 New Entity Certifications by RE

Table D.1: 2019 Organization Certification		
Function	Completed	In Process
Reliability Coordinator	0	0
Transmission Operator	1*	0
Balancing Authority	1*	0

\*Single entity performing both BA and TOP functions



Figure D.2: Q1 2020 Certification Review Activity by RE

Table D.2: Q1 2020 Certification Review*		
Change Basis	Completed	In Process
Changes to a Registered Entity's Footprint	0	1
Relocation of the Control Center	2	5
Changes to Supervisory Control and Data Acquisition (SCADA)/Energy Management System (EMS) System	2	7

\*some entities have multiple triggering events