

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

North American Electric Reliability                    )  
Corporation    )                   Docket No. RC11-6-000  
  )

**NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION’S REPORT ON  
THE COMPLIANCE ENFORCEMENT INITIATIVE**

North American Electric Reliability Corporation (“NERC”) submits the attached Report on the Compliance Enforcement Initiative (the “Report”) in fulfillment of the commitment made on September 30, 2011 in this docket,<sup>1</sup> and in compliance with the March 15 Order.<sup>2</sup> In the March 15 Order, among other things, the Federal Energy Regulatory Commission (“FERC” or “Commission”) accepted, with limited conditions, NERC’s petition requesting approval of its proposal to make informational filings in a Find, Fix, Track and Report (“FFT”) spreadsheet format of lesser-risk, remediated possible violations of Reliability Standards. The first seven months of the implementation of the Compliance Enforcement Initiative (“CEI”), and in particular of the utilization of FFTs, have shown significant benefits to NERC, the Regional Entities and registered entities. The Report describes the experience from September 2011 to March 2012 as well as the feedback received with regard to the initiative.

NERC launched the CEI in September 2011 as part of the organization’s broader objective to refocus efforts on reliability excellence. This objective is manifested in other efforts

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<sup>1</sup> See Petition Requesting Approval of New Enforcement Mechanisms and Submittal of Initial Informational Filing Regarding NERC’s Efforts to Refocus Implementation of its Compliance Monitoring and Enforcement Program (“Petition”).

<sup>2</sup> *North American Electric Reliability Corporation*, 138 FERC ¶ 61,193 (2012) (“March 15 Order”). The Commission also required NERC to make a compliance filing within sixty days of the date of this order, and directed NERC to submit two information reports regarding the implementation of the new enforcement mechanisms (at 60 days and twelve months of the date of the order).

throughout the organization, particularly those related to the identification of reliability priorities. NERC has the requisite expertise and responsibility to systematically identify reliability priorities and address them effectively and efficiently. NERC's prioritization efforts are based on NERC's expert knowledge of the bulk power system and related risks. As indicated in the Petition, all reliability risks, whether large or small should be identified, corrected and prevented.

NERC appreciates the Commission's acknowledgment, in the March 15 Order, that the change in paradigm for monitoring and enforcing compliance with Reliability Standards represented by NERC's CEI and FFT proposals is warranted at this time and that the Commission is willing to consider and evaluate ways to improve the program as further experience is gained. The Commission correctly determined that NERC and the Regional Entities should have the flexibility to more efficiently process and track lesser risk violations in order to focus their resources on the issues that pose the greatest risks to reliability.

The CEI has been instrumental in allowing NERC and the Regional Entities to differentiate the processing of issues of noncompliance based on the level of risk that they pose to the reliability of the bulk power system ("BPS"). As indicated in NERC's September 30, 2011 filing, NERC, Regional Entities and registered entities, have continued to identify, correct and report all instances of noncompliance.

As discussed more fully in the attached Report, the CEI has allowed NERC and Regional Entities to eliminate undue regulatory burdens, streamline paperwork and filing requirements and improve caseload processing. Importantly, the benefits from the CEI are not simply process-related. CEI, and in particular the FFT, has encouraged continued timely and thorough self-reporting and mitigation.

To date, 449<sup>3</sup> FFTs have been filed as of March 2012. All of these consisted of issues that posed a lesser risk<sup>4</sup> to the reliability of the BPS and have included both documentation and operational issues. As of March 2012, NERC has made seven filings under the new reporting mechanisms and all eight Regional Entities have been using all of the new reporting formats.

The FFT process has some important features. The FFT spreadsheet includes a detailed description of the issue, the risk assessment and actions taken to correct the issue and prevent reoccurrence. Registered entities have the ability to opt out of the FFT processing and return to processing under the CMEP. FFTs differ from NOPs in that no penalty or sanction is assigned and formal Mitigation Plans are not required. In addition, mitigating activity completion may be verified any time by the Regional Entity. However, remediated issues become part of a Registered Entity's compliance history.

The March 15 Order directed NERC to submit a Compliance Filing, which is being concurrently filed in this docket. It addresses the impact of a registered entity's compliance history in the determination of whether FFT treatment is appropriate in a given situation. The Compliance Filing also discusses NERC's continuing training and outreach efforts.

The attached Report indicates efficiency gains have already been realized. More work, of course, must be done to ensure the FFT process reaches its full potential. NERC and the Regional Entities are working to ensure the sustainability and expandability of the program as well as to ensure consistency and due process in violation processing. Many of these efforts are described in the concurrently filed Compliance Filing. In conclusion, NERC requests that the Commission accept the attached Report in compliance with the March 15 Order.

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<sup>3</sup> One FFT was subsequently processed through a Spreadsheet NOP because it involved manual load shedding.

<sup>4</sup> FFTs filed since the March 15 Order have only included minimal risk issues.

Respectfully submitted,

*/s/ Rebecca J. Michael*

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Dated: May 14, 2012

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Report on the Compliance Enforcement Initiative

## First Informational Filing on Implementation

May 14, 2012

**RELIABILITY | ACCOUNTABILITY**



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# Table of Contents

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- Table of Contents ..... ii
- Report on the Compliance Enforcement Initiative ..... 1
  - Self-Identified Violations Remain Strong ..... 1
  - Improvement in Processing Efficiencies ..... 3
  - Standards Receiving the Highest FFT Treatment ..... 10
  - Regional Implementation Experience ..... 12
  - Registered Entity Feedback on the FFT Program ..... 14
    - Registered Entity Survey ..... 14
    - Other Feedback Collected ..... 18
    - Status Updates in Response to Feedback ..... 19
  - Next Steps in the CEI Implementation ..... 22
- Attachment A – Summary of Survey Results ..... 23

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# Report on the Compliance Enforcement Initiative

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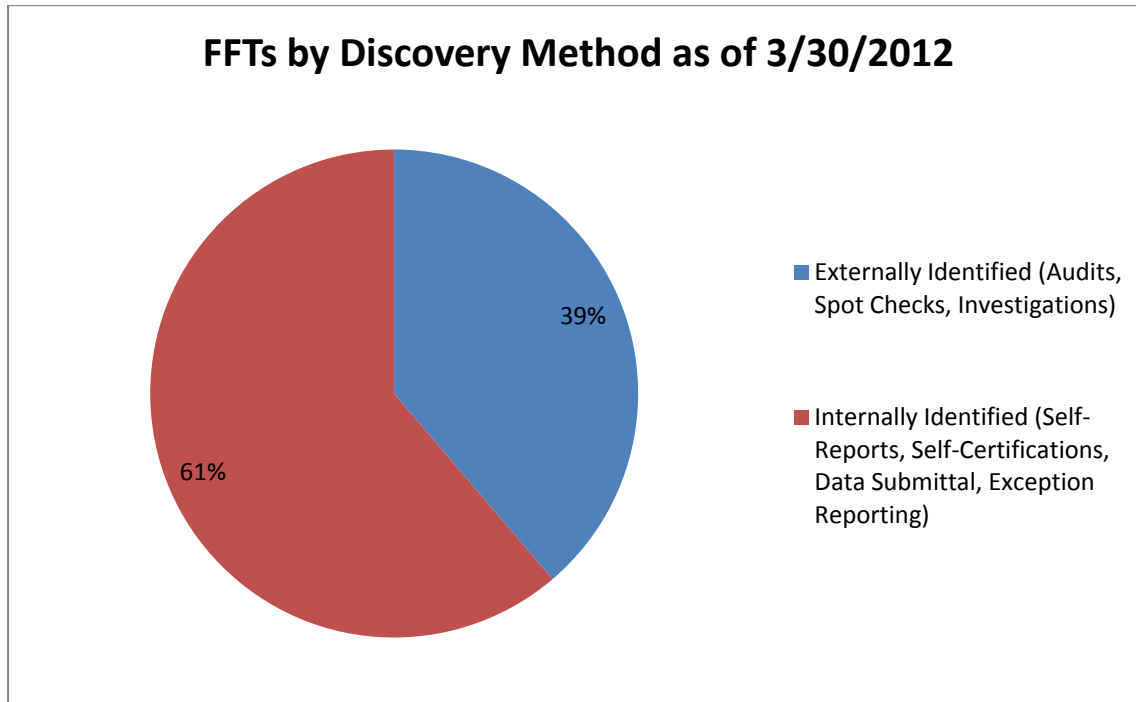
On September 30, 2011, NERC presented several new reporting mechanisms through its Compliance Enforcement initiative (“CEI”). The two improvements introduced were an abbreviated reporting format for Notices of Penalty (“NOP”) in the form of a spreadsheet, Spreadsheet NOP (“SNOP”), and an innovative approach coined Find, Fix Track and Report (“FFT”). These new approaches were designed to better align the enforcement efforts of NERC, the Regional Entities and registered entities with the risk exposure of a possible violation. Specifically, those violations that posed a lesser risk to the Bulk Power System (“BPS”) would receive expedited and streamlined processing, allowing the Electric Reliability Organization (“ERO”) to redirect its focus to the more serious and substantial risks to the BPS.

## Self-Identified Violations Remain Strong

During the first seven months of the CEI (September 2011 to March 2012), registered entities have continued to self-identify possible violations.<sup>1</sup> As shown below, 61% of the FFTs filed since September 2011 were also self-identified. In addition, since the September CEI filing, 754 possible violations (out of 1140, or approximately 66%) have been self-identified by Registered Entities. For comparison purposes, during the period June 18, 2007 – August 2011, 3803 possible violations, or 67% of all non-dismissed, possible violations discovered within that period, were self-identified.

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<sup>1</sup> Self-identification methods include: self-reports, self-certifications, data submittals, and exception reporting. Externally identified violations include those identified through audits, spot checks, and investigations.



**Figure 1: FFTs by Discovery Method as of 3/30/12**

FFT provides incentives for registered entities to develop, improve and effectively utilize internal controls and perform self-assessments to find issues, report them to Regional Entities, NERC and FERC and ultimately fix them. This is similar to the incentives provided during the period prior to the effective date of the Reliability Standards where utilizing internal controls and performing self-assessments to find issues, report them to Regional Entities, NERC and FERC and ultimately fix them enabled entities to minimize enforcement actions. Prompt, robust self-reporting of a violation continues to be a consideration in the ultimate disposition of a possible violation. Avoiding a monetary penalty coupled with an abbreviated enforcement process under FFT provides the continued incentive to registered entities to maintain compliance, identify and self-report violations that pose a minimal risk to the BPS. NERC anticipates that self-identification of violations will remain strong. NERC will continue to closely monitor the level of self-reports and other self-identified issues as an indicator of the ongoing



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effectiveness of the program. NERC encourages registered entities to place increasing emphasis on internal controls and on performing self assessments to ensure that compliance is integrated into operations. As such, compliance supports reliability in a proactive and positive way that does not rely solely on reactive compliance monitoring methods of audits, spot checks and investigations.

## **Improvement in Processing Efficiencies**

The CEI is designed to allow the ERO and industry to handle minimal risk issues more efficiently, focus on issues posing a higher risk to reliability, streamline administrative paperwork, and continue to encourage self-reporting and mitigation. For example, there is no need for formal Notices of Alleged Violations, protracted settlement negotiations or contested penalties or sanctions for FFTs. In addition, there is no requirement for formal mitigation plans and processing for FFTs that have been submitted to date. Registered entities are also among the beneficiaries of the increased processing rates of minimal risk issues. Overall, by identifying, mitigating and resolving issues that do not pose a serious risk to the reliability of the BPS, more resources can be focused on violations that do pose a greater risk to reliability. With respect to NERC performing the role as CEA (NCEA), the NCEA staff filed approximately 16 FFTs prior to the issuance of the March 15 Order. NCEA staff accorded due time and attention to the matters; however, such resolution enabled greater focus on other more serious risk issues pending before the NCEA.

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Regional Entities have had similar experiences. Examples of such experiences follow.<sup>2</sup> Since the initial CEI filing, on September 30, 2011, the Florida Reliability Coordinating Council (FRCC) has experienced a decrease in time from discovery to settlement. The resultant violation caseload turnover with the availability of the FFT process has allowed for the disposition of minimal risk issues without the use of the often lengthy settlement process. To date, FRCC has been able to process 97 FFTs, which FRCC estimates would have required approximately 6 months of scheduled settlement meetings if processed by other means. Entity reaction to the FFT process has been very positive and FRCC has seen a decrease in the time for notification of mitigating activities by the registered entities (which FRCC has attributed to the expectation that a quicker notification would result in a quick FFT filing), as well as an overall improvement by the registered entities in the development of the initial risk statement. FRCC has found that registered entities have been better prepared to support risk statements with well-developed evidence, which has decreased the number of data requests issued by the FRCC.

Midwest Reliability Organization (MRO) has analyzed, addressed, resolved, and filed 5 violations through SNOPs while simultaneously analyzing and dispensing 74 lesser risk violations through the FFT process. More significantly, during this time, MRO was able to focus enforcement and mitigation resources to reach a settlement agreement with a Registered Entity that had difficulty documenting its compliance with multiple CIP Standards.

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<sup>2</sup> The numbers reported by the Regional Entities include FFTs that have been filed as well as those in progress.

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NPCC has processed 44 possible violations as FFTs and 24 have been processed as SNOPs. This process allowed NPCC to focus on moderate violations such as Docket No. NP12-10-000, which resolved an issue concerning a failure to perform CT and PT testing.

ReliabilityFirst Corporation (RFC) has analyzed, addressed, resolved, and filed 186 possible violations posing a moderate to serious risk to the BPS (61 through full NOPs and 125 through SNOPs) while simultaneously analyzing and dispensing 107 lesser risk violations through the FFT process. These included: (a) Docket No. NP11-267, which resolved an issue concerning a failure to effectively manage vegetation along transmission lines which resulted in a flashover event was resolved; (b) Docket No. NP12-9, which resolved a substantial number of CIP possible violations that were caused by a single employee's failure to effectively manage CIP compliance and a general lack of oversight of that single employee; and (c) Docket No. NP12-1, which resolved a possible violation that impacted a registered entity's ability to perform fundamental functions for which it was registered.<sup>3</sup>

SERC reports that the CEI has allowed it to refocus its efforts on issues that pose a more serious risk to the reliability of the BPS. It has helped to facilitate timely processing of issues with the appropriate amount of rigor based on the risk. The documentation and administrative requirements for utilizing the CEI are commensurate with the risk posed by the issues and has allowed streamlined paperwork and filing requirements by SERC which will continue to improve caseload processing. For example, since the initial CEI filing, on September 30, 2011, SERC has filed or dismissed 140 possible violations. Utilizing the CEI process, SERC has processed 58 possible violations posing minimal risk. Sixty-two (62) possible violations were dismissed and

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<sup>3</sup> These settlement agreements were executed post-July 1, 2011, as part of the work and effort leading up to the September CEI filing.

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20 possible violations posing a moderate to serious risk to the BPS were processed as full NOP and SNOP (1 through full NOP and 19 through SNOPs). These included Docket No. NP12-24-000, which resolved an issue concerning a failure to properly compare total Net Actual Interchange to total NSI plus Frequency Bias obligation to determine its ACE, because an employee overrode the NSI input and substituted altered values, which made ACE's recovery appear to have happened sooner than if the actual NSI values had been used.

Since the initial CEI filing, on September 30, 2011, SPP RE has filed 47 violations utilizing the Full NOP disposition process, 55 violations utilizing the SNOP disposition process and 58 violations utilizing the FFT process. SPP RE reports that significant man-hour savings and efficiency gains have been realized by SPP RE enforcement with the use of the SNOP and FFT processes. SPP RE anticipates that even greater efficiency gains will materialize when the Compliance Enforcement Initiative is fully implemented.

Texas RE has analyzed, addressed, resolved, and filed 48 possible violations posing a more serious risk to the BPS while simultaneously analyzing and dispensing 49 lesser risk violations through the FFT process.

The Spreadsheet NOPs also have provided processing efficiencies. The records are scaled to reflect the level of risk posed by a given Possible Violation. All relevant information is included in the spreadsheet format. For Spreadsheet NOPs, Regional Entities may or may not require formal mitigation plans; however, mitigating activities taken to address the issue and prevent recurrence are identified.

The CEI mechanisms have already had a positive impact in reducing the caseload by allowing more efficient processing of lesser risk violations. Since January 2011, the ERO's caseload of active possible violations expanded from 3014 in January 2011 to 3702 in March

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2012. The rate of new possible violations coming into the caseload over this same period has increased from an average of 168 violations per month in January 2011 to an average of 251 possible violations per month in March 2012.<sup>4</sup> With the additional efficiencies attained through the CEI implementation, both FFT and SNOP approaches, NERC has been able to increase its processing rate since September 2011. In the period from September 2011 to the end of March 2012, as reflected in Figure 2, NERC filed 1071 total possible violations, or on average 153 per month. Of the 1071 possible violations, 449<sup>5</sup> were FFTs, representing an average filing rate of 64 FFTs per month. Taking into consideration dismissals, the average monthly processing rate during the September 2011 through March 2012 period was 270.<sup>6</sup> By comparison, the average monthly processing rate during the period January 2011 through September 2011, prior to the CEI implementation, was 205 violations per month.<sup>7</sup> This represents an improvement of 65 violations per month. This translates into more outgoing violations (through FERC filings and dismissals) than new incoming ones for 8 of the last 10 months, as shown in Figure 2 below. This is very encouraging and is primarily a result of the new CEI enforcement tools introduced in September 2011.

The CEI gains are incremental to the ones experienced with the utilization of other streamlining efforts, including the Administrative Citation Notice of Penalty process in place from January to August, 2011. However, the CEI also represents a paradigm shift in

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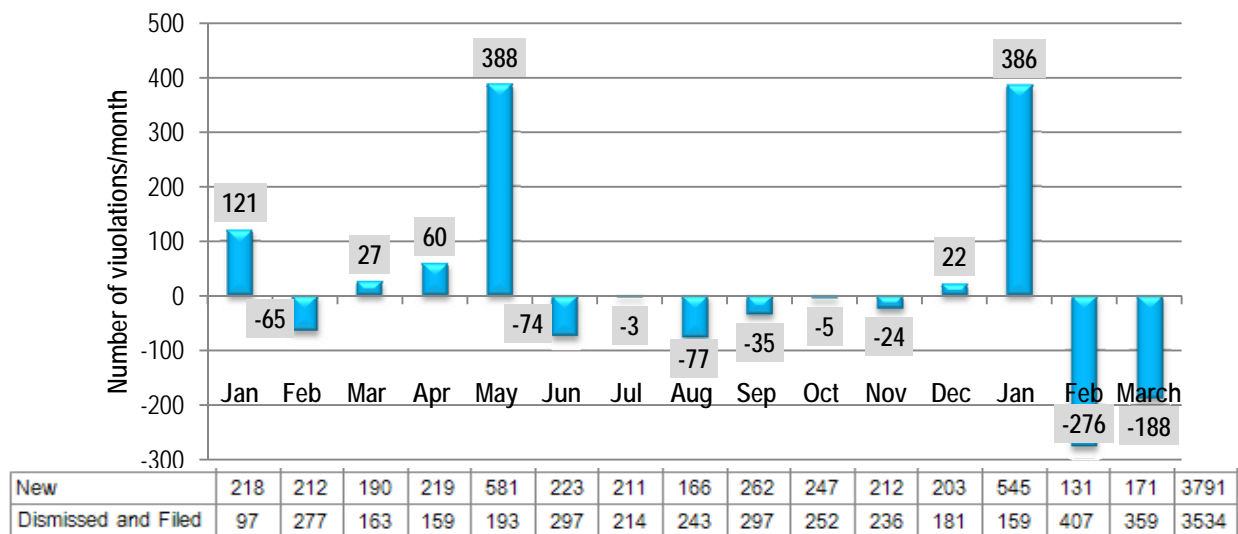
<sup>4</sup> The increase in caseload is primarily attributable to the large number of violations of CIP Reliability Standards that have been and will be entering the system, as well as a large number of duplicate violations primarily in WECC that were subsequently dismissed. WECC has committed to address this issue going forward.

<sup>5</sup> One FFT was subsequently processed through a Spreadsheet NOP because it involved manual load shedding.

<sup>6</sup> From September 2011 through March 2012, NERC filed 449 FFTs, 448 SNOP violations, and 174 Full NOP violations.

<sup>7</sup> Through August 2011, by enforcement processing method, NERC filed 285 ACPs, and 751 NOPs. In 2010, the average processing was 90 possible violations per month (both filed and dismissed possible violations).

enforcement that goes beyond these earlier streamlining efforts and introduces a risk-informed approach to processing of violations.



**Figure 2: Violation Process Rate**

In addition to processing efficiencies in general that apply to all types of possible violations, implementation of the CEI also has resulted in direct improvements in the duration of time it takes to process minimal risk issues. FFT violations that were originally discovered after July 1, 2011 and were filed during the CEI implementation period, subsequent to September 2011, had an average duration from discovery date to filing with the Commission of approximately 4.5 months as compared with an average discovery to filing duration of 14.6 months for possible violations discovered before July 1, 2011 which were filed as FFTs.<sup>8</sup> NERC will continue to monitor this metric in the coming months. By reducing time spent on lesser

<sup>8</sup> The July 1, 2011 date was selected to eliminate most of the legacy issues pending prior to the implementation of CEI in September 2011.

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risk issues, more time and resources can be devoted to addressing and analyzing more serious risk issues.

Furthermore, for violations discovered prior to September 1, 2011 that were subsequently processed as FFTs, the average duration from discovery to mitigation activity completion was 7.8 months.<sup>9</sup> Comparatively, the FFTs discovered after September 1, 2011 had a lower average mitigation activity duration of approximately 3 months.<sup>10</sup>

NERC encourages registered entities to develop and track efficiency metrics that would provide further information on the impact of the program on their own processes. The metrics provided herein may be useful for registered entities. This initiative was undertaken to promote reliability excellence by devoting more time, attention and resources to the detection and prevention of the most serious risks to the reliability of the BPS, while continuing to identify and correct minimal risk issues. Therefore, efficiency metrics should focus on the impact of the program on the registered entity's efforts to promote reliability. NERC will work with the registered entities to develop common efficiency metrics.

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<sup>9</sup> September 2011 was selected due to the filing of the first FFTs on September 30, 2011. As it is known, FFTs are only filed upon completion of mitigation activities.

<sup>10</sup> The mitigation timeframes are based on the earliest known date of completion, certification or verification.

## Standards Receiving the Highest FFT Treatment

Figures 3 and 4 below show a breakdown by Reliability Standard, of the FFTs filed through March 30, 2012.

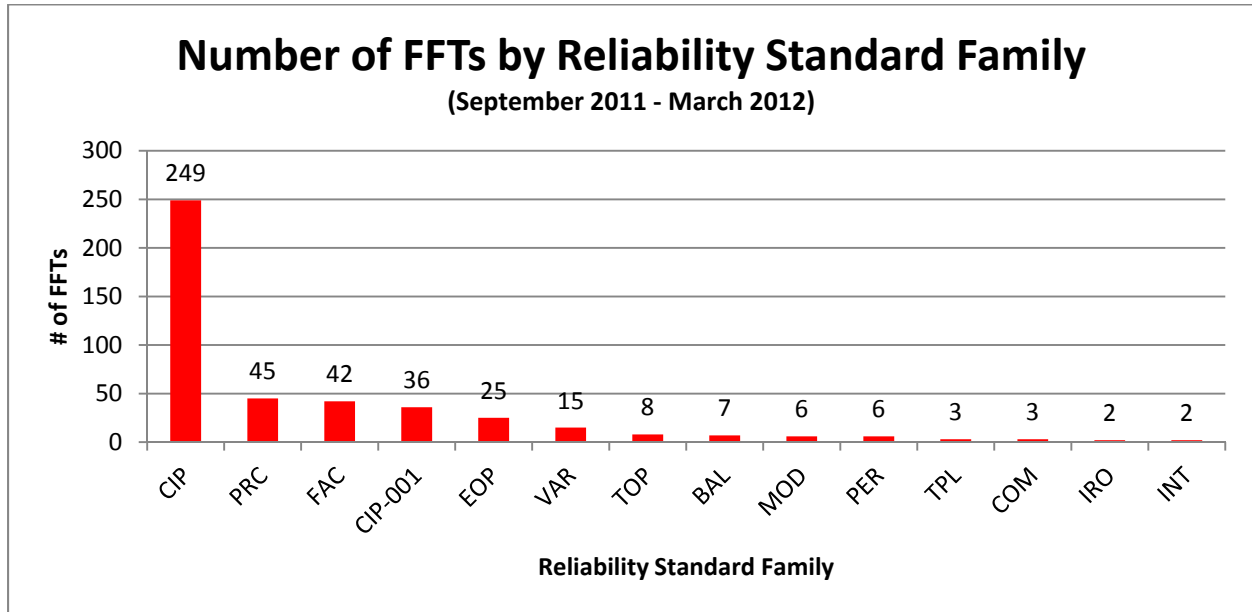


Figure 3: Number of FFTs by Reliability Standard Family

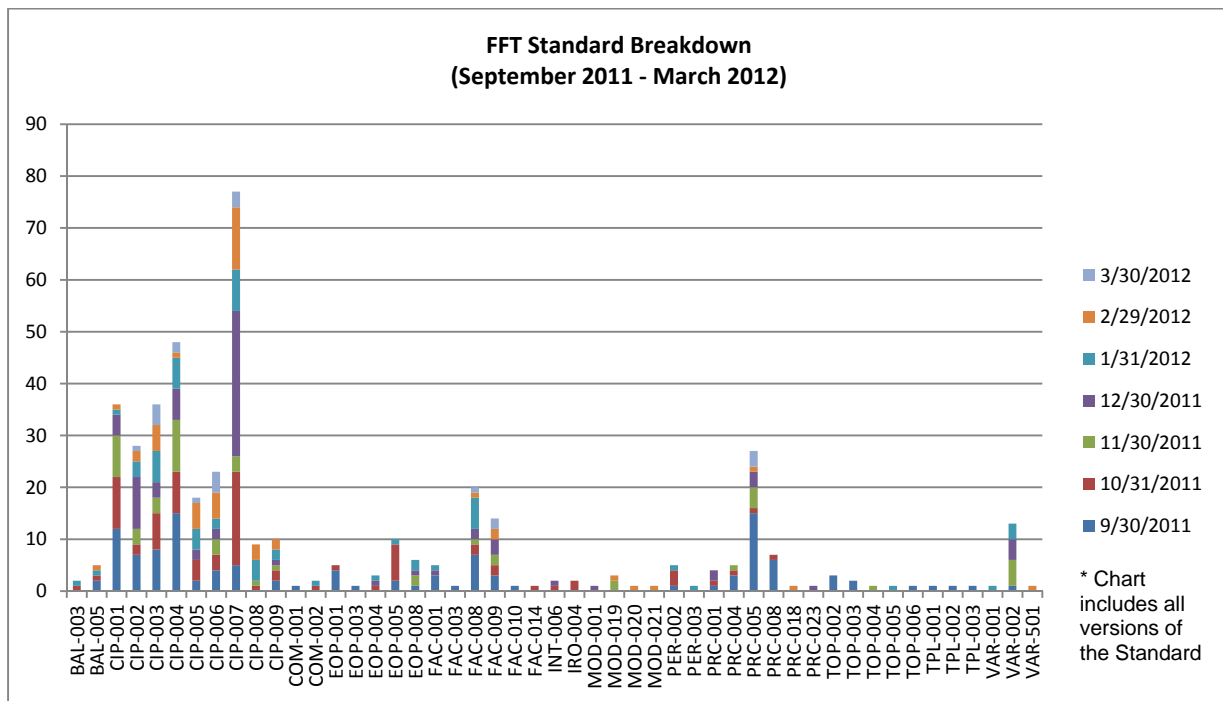


Figure 4: FFTs by Reliability Standard



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The CIP-002 through CIP-009 standards account for the greatest number of FFT violations filed with the Commission. Of the 449 FFTs filed, 249 or 55% were for CIP-002 through CIP-009 standards violations. Furthermore, 68 of the 249 CIP-002 through CIP-009 possible violations were late-filed Technical Feasibility Exceptions (“TFEs”).<sup>11</sup> Of this family of CIP standards, CIP-007 had the most FFTs filed with 77 violations or about 31% of all the CIP FFTs. The second highest in this family was CIP-004 with 48 violation or about 19% of all CIP FFTs. The highest number of FFTs filed for the non-CIP-002 through CIP-009 standards, were the PRC standards with 45 violations filed, followed by the FAC standards at 42 violations and then the CIP-001 standard at 36 violations. The highest number of FFT processed possible violations within the PRC family of standards was PRC-005 accounting for 27 FFT violations filed.

Examples of a CIP-007 and a PRC-005 FFTs are provided below:

**CIP-007 Issue:** Entity did not have a patch management procedure in place and updates were not documented; discovered through self-report. **Risk:** Patches *were* performed informally using an application to identify vulnerabilities in third-party applications. **Mitigation:** Ticket tracking system put in place and documented; all devices and updates now tracked and documented.

**PRC-005 Issue:** Entity could not provide basis for maintenance and testing intervals for Protection System devices; found at audit. **Risk:** Entity did have intervals in the program, but only failed to document the basis; performed testing in accordance with the intervals. **Mitigation:** Entity added the basis for its maintenance and testing intervals to its program.

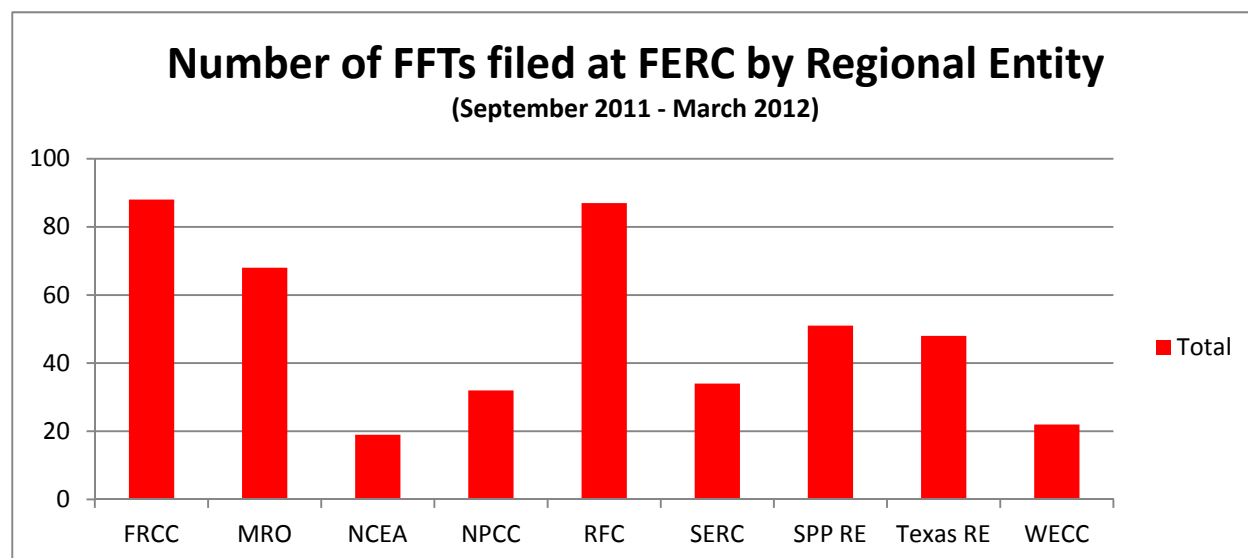
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<sup>11</sup> The late-filed TFEs consisted of cases in which legacy equipment could not meet the requirements of a Reliability Standard. In each of these cases, appropriate compensating measures were in place, but the actual TFE requests were submitted late.

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## Regional Implementation Experience

All eight Regional Entities have implemented the FFT and SNOP processes. It is premature, at this point, to draw specific conclusions with respect to any particular Regional Entity's participation. NERC anticipates that the March 15 Order will facilitate greater participation. For comparison purposes only, FRCC and RFC have had the highest contributions to the number of FFTs filed, with 88 violations and 87 violations respectively. The lowest contributor during the seven-month period was WECC with 22 violations.<sup>12</sup> The average monthly filed FFTs were 54 FFTs per region, excluding NCEA.



**Figure 5: Number of FFTs Filed by Regional Entity**

Lesser participation by the some Regional Entities is, in part, due to concerns over enforcement action closure. This concern, however, has been alleviated by the March 15 Order establishing the Commission will consider an FFT matter closed sixty days after the FFT

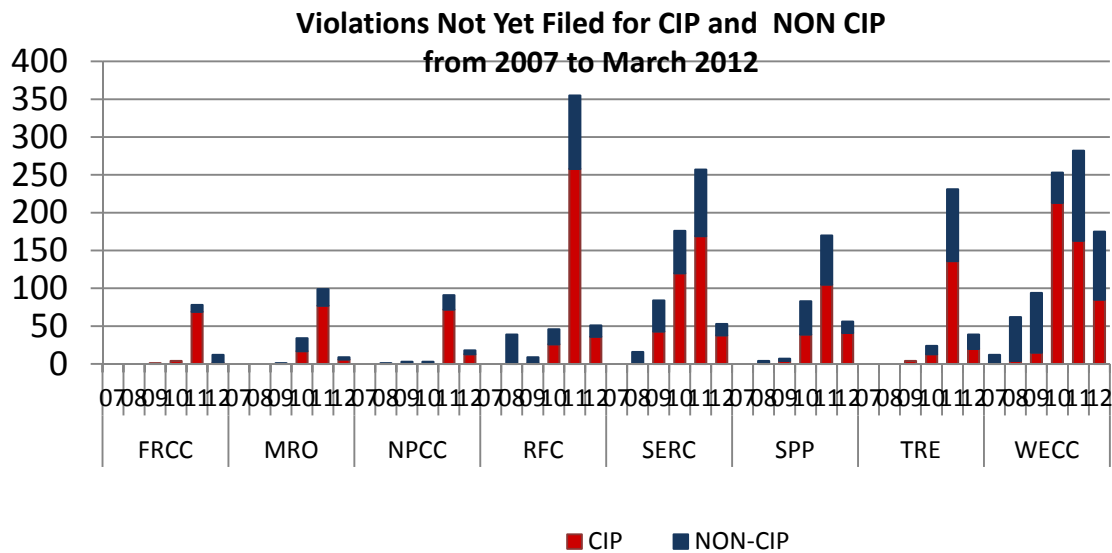
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<sup>12</sup> As noted below, WECC had the largest number of SNOPs in the same period.

informational filing is submitted to the Commission unless there is cause to open a specific matter.

The Spreadsheet NOPs also have been used to address a large number of Possible Violations. Of the 448 Spreadsheet NOPs that have been filed, 206 were filed by WECC and 115 were filed by RFC.

The figure below also helps put these numbers in the context of violations in process in each Regional Entity as of March 30, 2012.<sup>13</sup>



FRCC	MRO	NPCC	RFC	SERC	SPP	TRE	WECC
95	143	116	500	586	320	298	878

**Figure 6: Violations Not Yet Filed for CIP and Non-CIP from 2007 to March 2012**

<sup>13</sup> The numbers include 307 matters that are awaiting the outcome of a FERC decision on the legal issue regarding the authority of NERC and the Regional Entities to levy a monetary civil penalty for Reliability Standard violations by federal entities under Section 215 of the Federal Power Act, in Docket No. NP11-238-000.

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## Registered Entity Feedback on the FFT Program

### *Registered Entity Survey*

In early January 2012, NERC administered a survey<sup>14</sup> to gather the registered entities' perspective on the implementation of the FFT program. While experience at that point with the new process was limited, the primary purpose of the survey was to assist NERC in identifying opportunities for improvement and ensure the continued success of the program. A summary of the responses is included as Attachment A hereto. A number of the issues raised by the registered entities in the survey have since been addressed through subsequent training and outreach.

With respect to the survey, 397 registered entities responded. Responses were received from all Functional Entity types from all eight Regional Entities. The response rate varied among the Regional Entities with the highest response rate in MRO and SPP RE among BA and TSPs.

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<sup>14</sup> The survey was administered through SurveyMonkey between the dates January 18 through February 1, 2012.

<u>Regional Entity</u>	<u>Respondents</u>	<u>Registered</u>	<u>Response Rate</u>
FRCC	30	71	42.25%
MRO	64	128	50.00%
NPCC	72	296	24.32%
RFC	106	350	30.29%
SERC	88	251	35.06%
SPP RE	56	133	42.11%
TRE	59	220	26.82%
WECC	135	463	29.16%
Overall (Unique Responses)	397	1912	20.76%

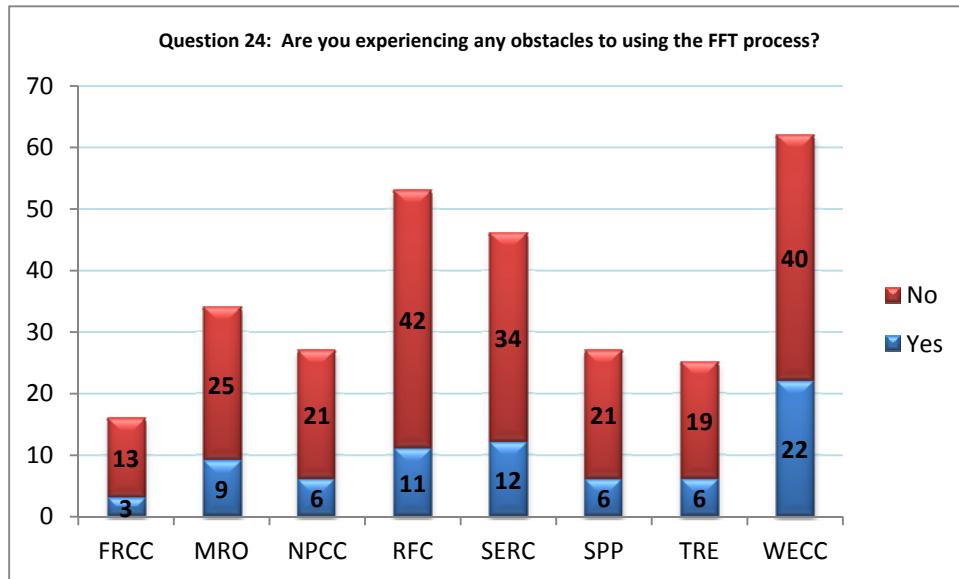
**Table 1: Survey Response Rate by Regional Entity**

	<u>BA</u>	<u>DP</u>	<u>GO</u>	<u>GOP</u>	<u>IA</u>	<u>LSE</u>	<u>PA</u>	<u>PSE</u>	<u>RC</u>	<u>RP</u>	<u>RSG</u>	<u>TO</u>	<u>TOP</u>	<u>TP</u>	<u>TSP</u>
FRCC	70.0%	44.4%	48.4%	48.4%	50.0%	15.5%	38.5%	16.7%	0.0%	33.3%	0.0%	37.5%	56.3%	53.8%	37.5%
MRO	80.00%	53.70%	71.43%	71.43%	60.00%	53.45%	66.67%	52.05%	33.33%	58.82%	0.00%	75.00%	85.00%	91.30%	92.31%
NPCC	66.67%	25.86%	30.43%	31.11%	57.14%	27.12%	66.67%	43.02%	66.67%	66.67%	50.00%	58.62%	64.29%	60.00%	84.62%
RFC	66.67%	38.57%	44.87%	47.37%	33.33%	46.30%	66.67%	31.68%	50.00%	66.67%	0.00%	50.00%	46.67%	58.33%	33.33%
SERC	53.13%	46.25%	49.04%	50.52%	42.86%	46.25%	47.62%	41.38%	25.00%	48.39%	42.86%	39.22%	48.15%	43.33%	47.06%
SPP RE	58.82%	43.75%	57.14%	57.41%	0.00%	44.90%	0.00%	41.54%	0.00%	45.83%	0.00%	47.50%	55.56%	60.00%	40.00%
TRE	100.00%	23.91%	39.09%	37.78%	100.00%	20.69%	100.00%	33.33%	100.00%	100.00%	0.00%	60.00%	75.00%	42.86%	100.00%
WECC	66.67%	28.07%	47.95%	38.21%	0.00%	33.79%	58.62%	35.37%	100.00%	42.59%	66.67%	49.41%	62.26%	52.27%	61.76%
<b>NERC</b>	<b>66.41%</b>	<b>36.70%</b>	<b>44.26%</b>	<b>44.05%</b>	<b>45.61%</b>	<b>38.51%</b>	<b>53.09%</b>	<b>38.08%</b>	<b>45.45%</b>	<b>49.17%</b>	<b>35.29%</b>	<b>51.63%</b>	<b>59.44%</b>	<b>54.59%</b>	<b>64.21%</b>

**Table 2: Survey Response Rate by Regional Entity and Function**

Approximately 74% of the responders stated they experienced no obstacles to FFT use.

About one third of responders had had FFT treatment considered for both past and new violations.



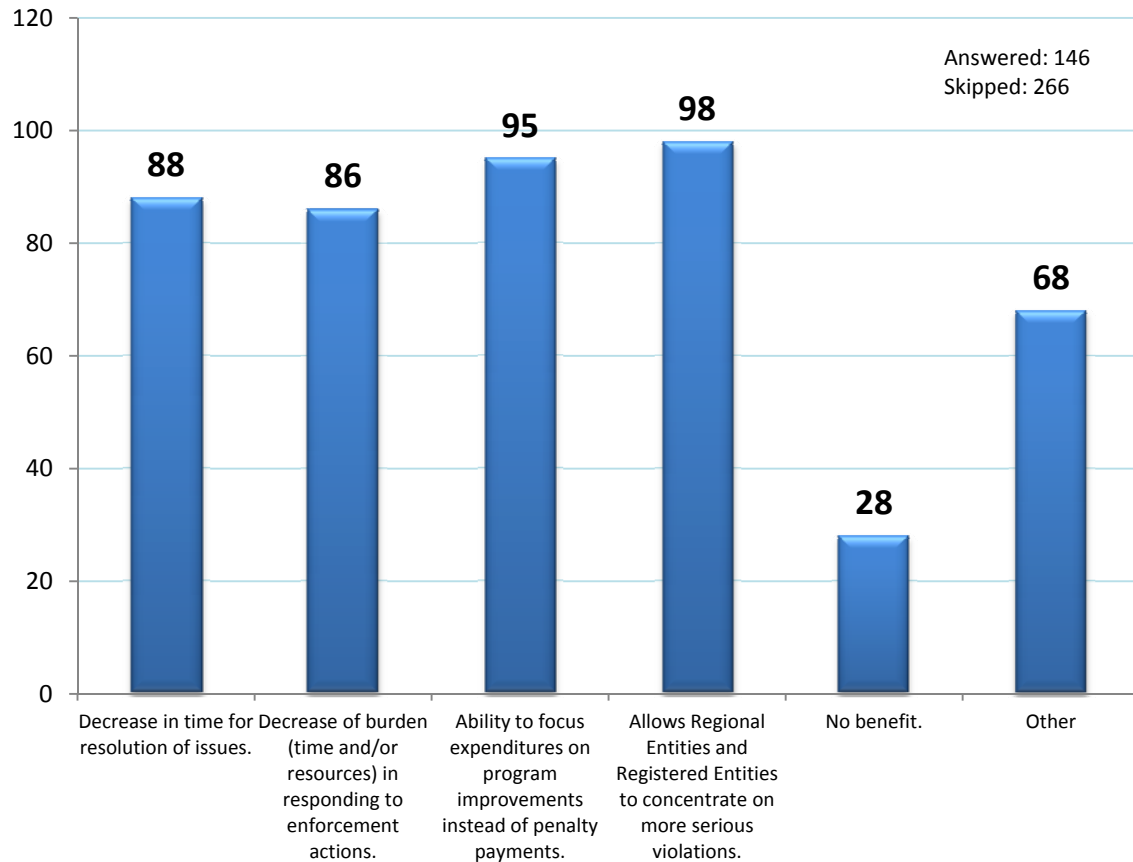
**Figure 7: Obstacles Reported**

Obstacles reported by registered entities during the initial implementation of the FFT program include:

- Regional Entities require formal Mitigation Plans
- Lack of sufficient training
- Inability to request FFT treatment
- Lack of consistency among Regional Entities
- Length of time until FFT decision is made by Regional Entities
- Perception that FFT and SNOP require the same level of detail and supporting record
- Some Regional Entities reluctant to promote and use the process
- Belief that some standards are ineligible for FFT treatment

Over 80% of responders stated they perceive benefits from the FFT program and that the program is anticipated to bring more benefits as it matures, some areas of improvement were identified. Of the four benefit category response choices in the survey, registered entities most often selected that FFT allows Regional Entities and registered entities to concentrate on more serious violations.

## Q26: What has been the greatest benefit of the FFT Program?



**Figure 8: Benefits Reported**

While a majority of the responses support the conclusion that the registered entities are generally familiar with the process, the responses state that the program would benefit from the development and publication of formal, publicly available guidelines, which include factors to be considered in evaluating a possible violation for a FFT treatment on regional level. Registered entities expressed the view that uniform and detailed guidelines from the Regional Entities would be helpful and requested that NERC ensure they publish guidelines on their websites. Registered entities report that most regional guidance has been in the form of power point presentations and workshops where many registered entities do not believe that a power

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point presentation qualifies as a formal guideline. Many registered entities suggested that additional training and webinars would also be very helpful.

As discussed in the concurrent Compliance Filing, training and outreach activities have been undertaken since the inception of the CEI. More specific training on the factors to be considered in identifying FFT candidates, risk assessment and related process issues is being designed and is expected to be available to CEA staff in 2012. A detailed description of the FFT process is a part of the training program materials included in the Compliance Filing.

Some additional benefits include: improvement in settlement process, improvement in reliability; reduced caseload, reduced fines for violations with minor risk and improved focus on reliability because registered entities are less hesitant to raise issues that are resolved quickly. The real improvement is when the registered entities focus more on improving reliability rather than reducing compliance risk.

Although addressed in the March 15 Order, many registered entities believed at the time of the survey that FERC approval and comment on the existing process would help address concerns about violation closure. Many commenters also sought a more consistent approach among the Regional Entities and that NERC act as an appellate body if FFT treatment differs.

### ***Other Feedback Collected***

In addition to the survey, NERC collected registered entity feedback through the policy input provided by various trade associations, industry representatives and Regional Entities in advance of the February 2012 meeting of the board of trustees and the Member



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Representatives Committee. In addition, NERC set up an email account dedicated to receiving comments on the CEI.

The policy input was largely positive and indicated support for the initiative. Commenters emphasized the need for reduction of compliance costs, consistency across Regional Entities in the utilization of FFTs and training. Commenters also highlighted the need for further improvements that would continue to streamline compliance and enforcement processes. One commenter cautioned that emphasis should not be placed on the volume of FFTs processed.

The email commenters also were largely supportive of the CEI. Comments were received from registered entities, including Independent System Operators and Regional Transmission Organizations, trade associations and industry groups, Regional Entities and state regulatory commissions. Among the improvements requested in these comments were additional training, consistency in utilization of FFTs across Regional Entities, and more information and documentation regarding the FFT process. Commenters also requested prompt expansion of the program to compliance monitoring staff and more participation by registered entities in the process (including the ability to request FFT treatment). Another focus of commenters was the need for metrics to gauge the results of the implementation of the CEI. Regional Entity commenters as well as registered entities also discussed possible further streamlining of reporting of FFTs.

### ***Status Updates in Response to Feedback***

NERC appreciates the feedback it received and provides the following status updates. As discussed below, NERC is in the process of implementing improvements to the program

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which are informed by the comments received to date. As an initial matter, there is no need for a registered entity to request FFT treatment because all possible violations are considered by a Regional Entity for FFT treatment. Registered entities can help expedite the FFT determination process by providing, at the outset, sufficient information that is consistent with NERC's Guidance for Self-Reports and by mitigating issues in a timely fashion. FERC has found the data listed in the NERC's Guidance for Self Report are sufficient information to meet documentation needs for FFT treatment. Registered entities are encouraged to provide information in accordance with the Guidance for Self-Reports for all monitoring methods, not solely Self Reports. The Regional Entities will retain the ability to develop and finalize the draft spreadsheet as necessary (including converting it into a notice of penalty, if appropriate).

NERC encourages registered entities to continue to place greater emphasis on internal controls and managing compliance programs in a forward-looking manner. Internal controls are proactive and, coupled with a solid internal compliance program, will demonstrate an entity's commitment to manage compliance with a focus on reliability. The industry has already demonstrated a commitment to compliance as evidenced by the high numbers of self-identified possible violations as detailed earlier in the report. With this proactive and responsible compliance mentality, registered entities will be able to deploy and utilize resources to improve reliability.

The Compliance Filing also discusses the timing and content for specific CEA compliance and enforcement staff training and qualification, that will allow these individuals to recommend FFT treatment for certain possible violations. NERC will continue to work on ensuring consistency and due process within and among the Regional Entities. NERC reviews all possible violations for comparison against possible violations that have already been processed,

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regardless of the enforcement processing track they will follow. Possible violations involving similar facts and circumstances or similar Reliability Standard or Requirements are being reviewed to ensure the respective outcomes are consistent (even if not identical). NERC also reviews any applicable settlement agreements, mitigation plans and proposed penalties in order to ensure consistency among the Regional Entities. There is constant communication among NERC and the Regional Entity's compliance and enforcement staffs to ensure alignment of expectations and consistency with respect to how matters are evaluated and processed. Utilization of common forms, letters and spreadsheets also help promote consistency in processing issues.

NERC expects the recent March 15 Order also will facilitate consistency in CEI implementation. The Commission acknowledged that Mitigation Plans were not required for FFT; rather, mitigation activities will be delineated. The Commission also noted the significant paradigm shift in how issues are processed and reiterated that records can be scaled to reflect the associated risk to the reliability of the BPS. The Commission further noted its anticipation that a higher number of FFTs would likely be filed and extended the time by which it must act on a given filing. NERC believes that the finality afforded by the March 15 Order also will facilitate greater consistency in application. The Commission also declined to identify specific Reliability Standard requirements that would not be eligible. To the contrary, the Commission encouraged NERC, the Regional Entities and the industry to evaluate whether certain requirements could be modified or eliminated.

NERC and the Regional Entities have tracked the success of the program through various established metrics, as described above, including the "discovery to filing," "discovery to mitigation activity completion," and general filing statistics. As a result of the March 15 Order,

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NERC and the Regional Entities will also focus on those items specifically identified by the Commission for the twelve month report. Also, NERC will continue to consider improvements in the reporting mechanisms.

## **Next Steps in the CEI Implementation**

NERC is committed to working to ensure the sustainability and expandability of the CEI. These efforts are explained in the concurrent Compliance Filing. NERC and the Regional Entities are developing a robust training program for CEA compliance and enforcement staff that will address the factors to be considered for identifying FFTs and the changes to existing processes that will result from the extension of FFT recommendations by CEA compliance monitoring staff to enforcement staff. NERC and the Regional Entities are also continuing public education and outreach activities and will evaluate and implement improvements to the program as appropriate to ensure that the CEI process continues to be effective and efficient.

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## **Attachment A – Summary of Survey Results**

# Summary of Survey Results NERC's FFT Implementation Survey to Registered Entities

May 14, 2012

**RELIABILITY | ACCOUNTABILITY**

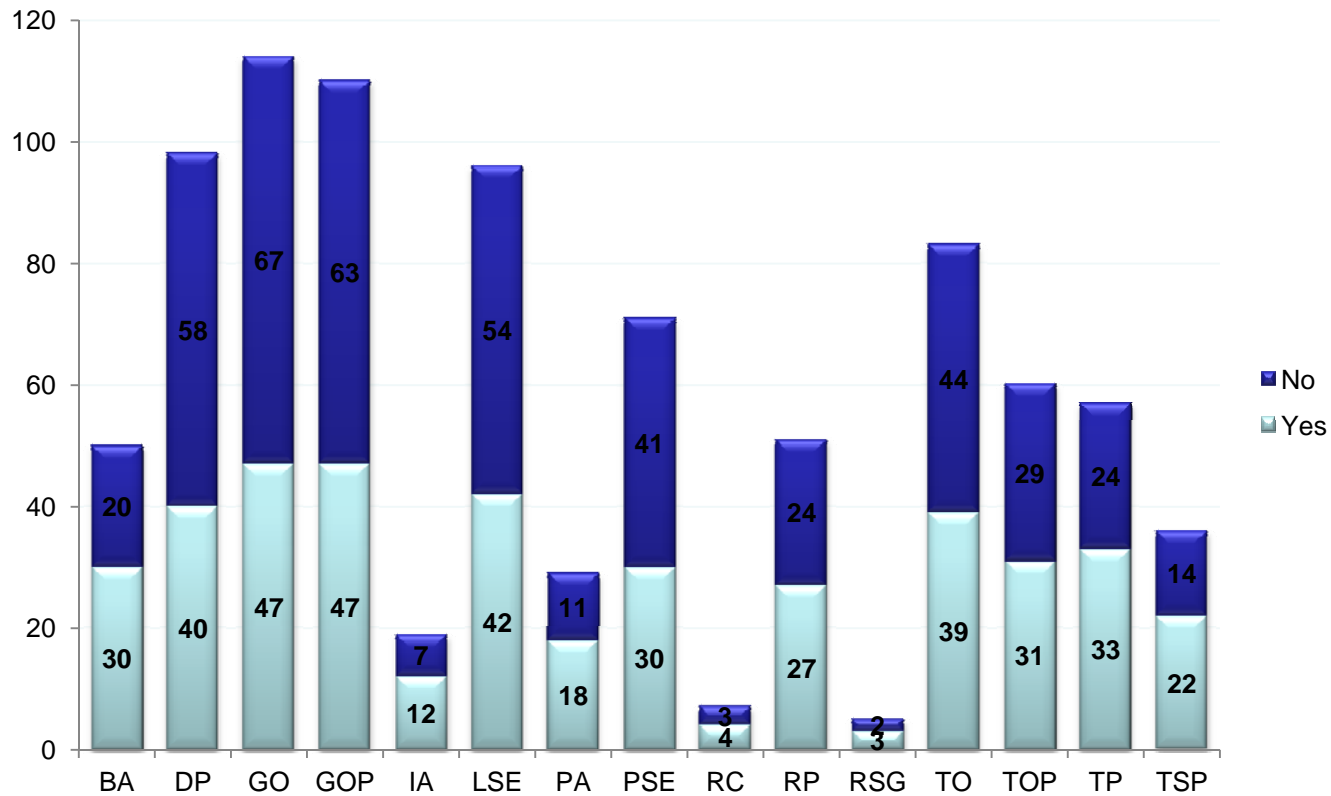


- In September 2011, NERC and the Regional Entities instituted a new program to process possible violations: Find, Fix, Track and Report (“FFT”).
- The purpose of this survey was to gather information from the registered entity perspective on the implementation of the FFT program to:
  - assist NERC in identifying opportunities for improvement;
  - ensure the continued success of the program, and;
  - aid in preparation for NERC’s informational report to the Commission and industry stakeholders.
- The survey was administered through SurveyMonkey between January 18 – February 1, 2012.

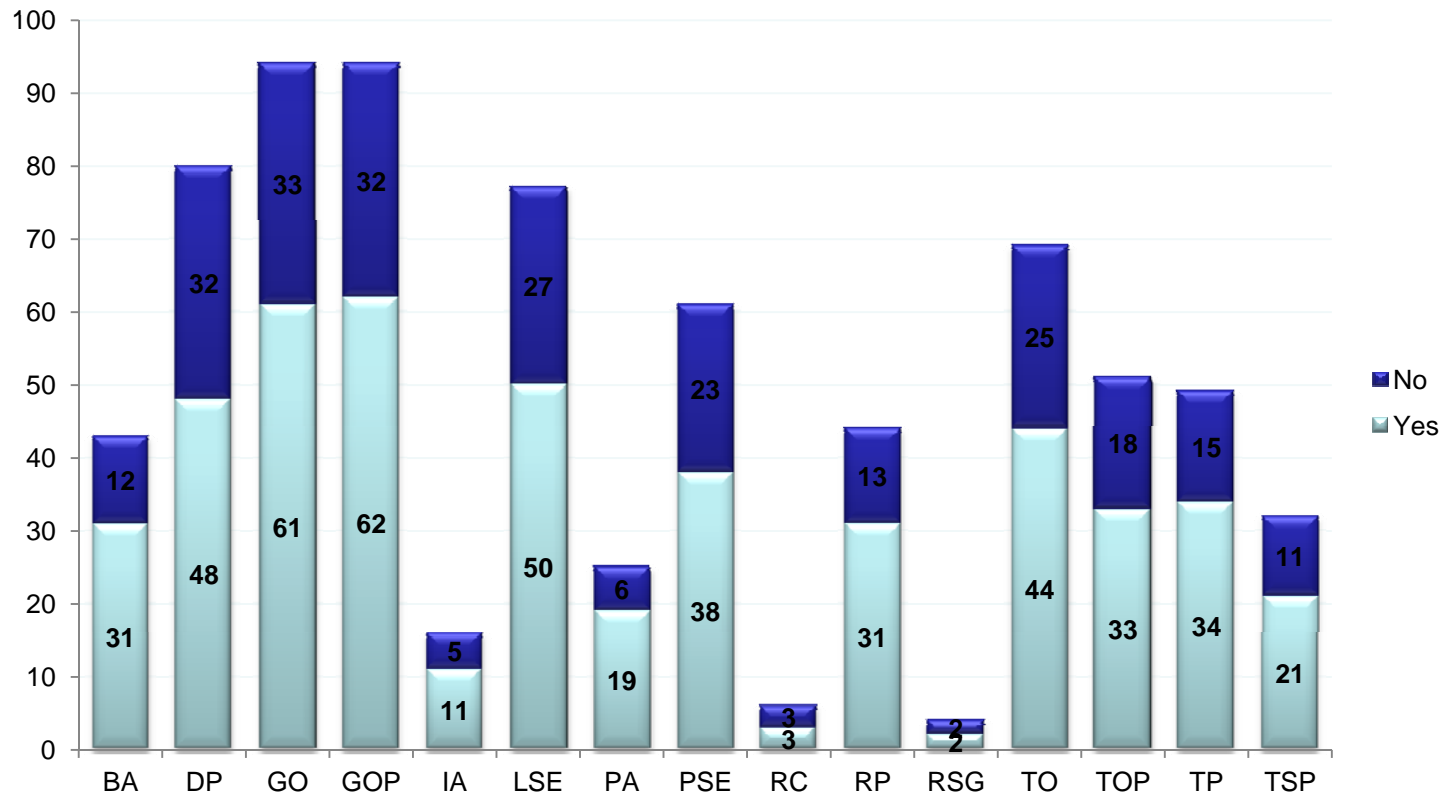
- 397 registered entities responded to the survey.
  - Response rate among the Regional Entities is 24% to 50%
- 74% of the responders stated they are experiencing no obstacles to FFT use.
- Over 80% of responders stated they perceive benefits from FFT.
- 56% of responders participated in training or had an introduction to the FFT process.
- Of those that responded, none rejected an offer by their Regional Entity to treat a Potential Violation as FFT.
- 68.5% of the regions still require formal mitigation plans.
- About one third of responders have had FFT treatment considered for both past and new violations.



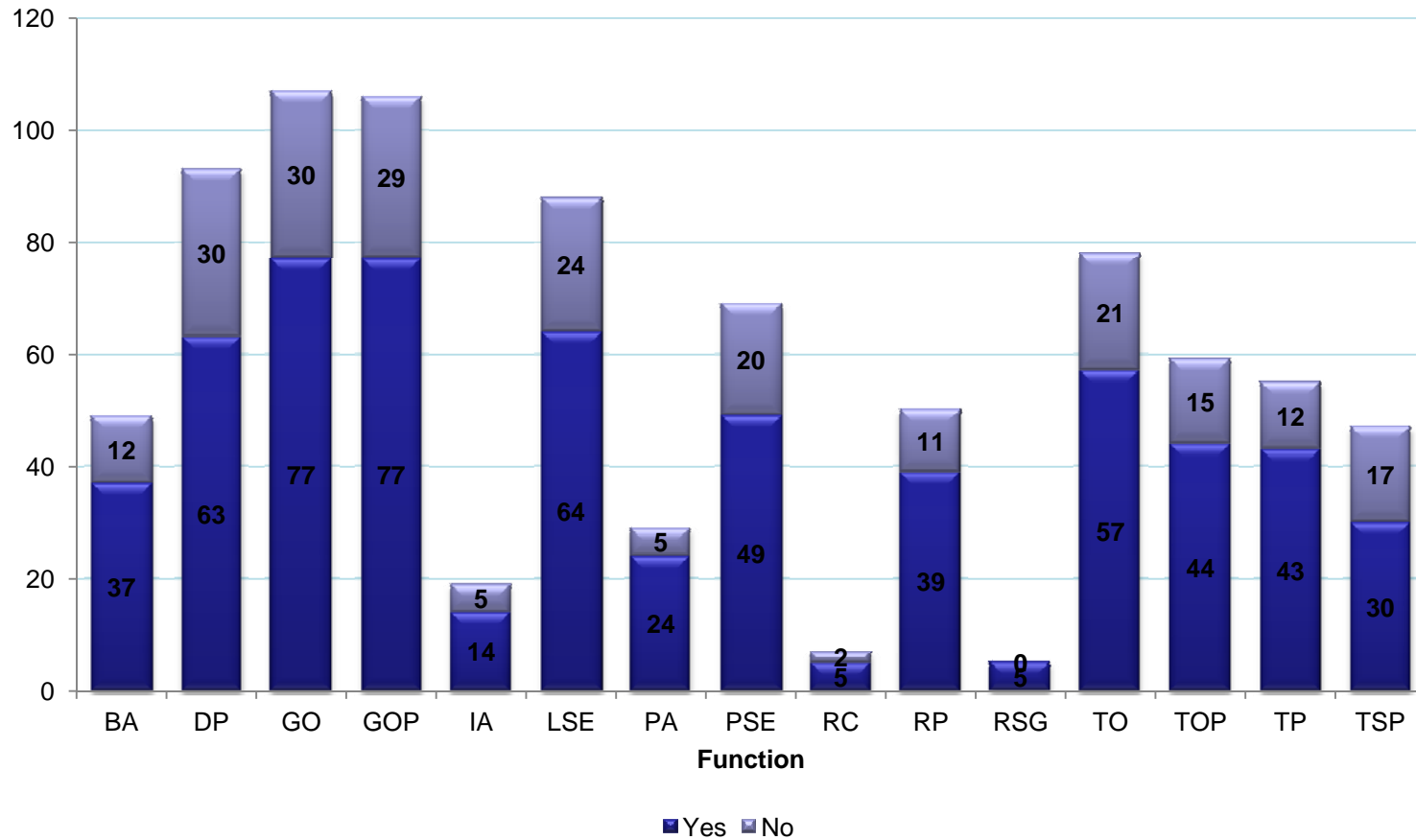
Question 17: Was FFT treatment considered by the Regional Entity for both existing possible violations and new possible violations?



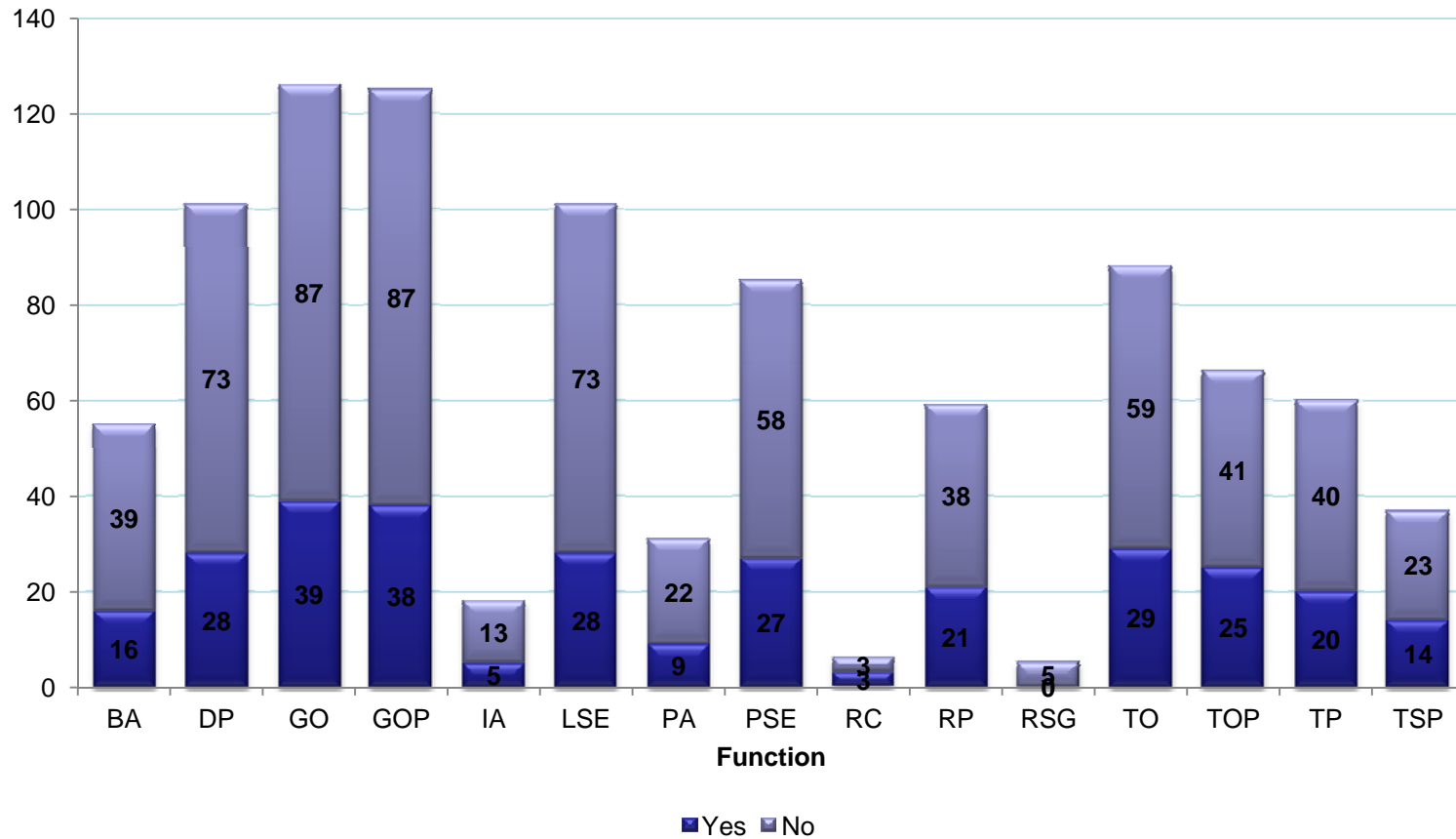
Question 18: Was the information you initially provided to the Regional Entity determined to be sufficient for FFT candidate consideration?



20. Did you initially submit a formal Mitigation Plan on the standard template to the Regional Entity?



24. Are you experiencing any obstacles to using the FFT process?



- Additional guidance sought
  - A small groups of respondents stated that additional information is needed
  - Another small group stated that the NERC guidelines are sufficient to ensure participation in the FFT process
  - The majority asked for written formal guidelines from the Regional Entities, posted on Regional Entity websites
  - Some asked NERC to provide strict criteria to the Regional Entities; or to leave FFT entirely to the discretion of the Regional Entities
  - Others asked NERC to ensure consistent approach among the Regional Entities regarding FFT treatment
  - FERC approval, comment on existing process would be helpful
  - Additional training and webinars would be helpful

- Questions for consideration in NERC/Regional Entity guidelines
  - When during the FFT process is a registered entity notified of the decision?
  - Can a registered entity request and advocate for FFT treatment?
  - Are there clear-cut exclusions from FFT treatment for some standards?
  - List of risk factors considered, weight of each factor in FFT determination
  - Transparency in Regional Entity determinations, examples
  - How does prior compliance history and volume of the violations impact the FFT determination?
  - When is an FFT finalized/closed?

- Some Regional Entities require formal Mitigation Plans and evidence of completion
- Others require attestation that the mitigation activities have been completed, supporting evidence
- Uncertainty as to whether Mitigation Plans need to be complete before FFT consideration is given by the Regional Entity

- Reasons for opting out of the FFT program
  - Most indicated that the situation was not applicable to the registered entity (no violations) or that the registered entity was not aware of the program
  - The Regional Entities automatically consider all violations for FFT treatment, so registered entities do not request or opt out of it
  - In other cases, Regional Entities did not offer or promote the FFT program, so the registered entity did not make a choice

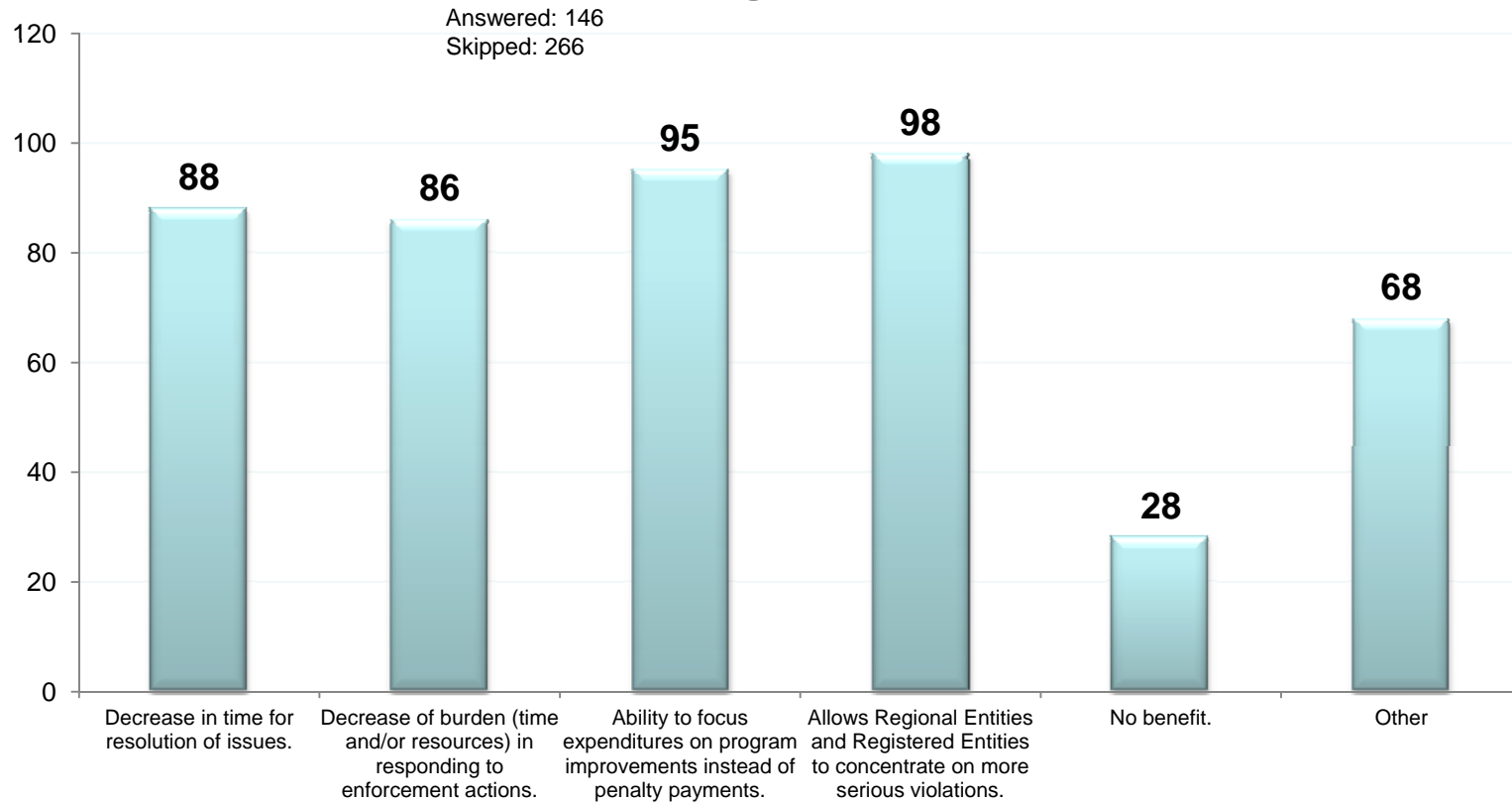


- The following obstacles to FFT identified:
  - Some Regional Entities require formal Mitigation Plans
  - Lack of sufficient training of registered entities
  - Inability to request FFT treatment
  - Lack of consistency among Regional Entities
  - Length of time until FFT decision is made by Regional Entities
  - Perception that FFT and SNOP require the same level of detail and supporting record
  - Some Regional Entities reluctant to promote and use the process
  - Belief that some standards are ineligible for FFT treatment

- Specific suggestions for improvement include:
  - Additional training
  - Formal documentation of the FFT process
  - Short form for requesting FFT treatment
  - Reduction of FFT processing time
  - FFT determination to be made by Regional Entities' technical staff, not enforcement
  - Elimination of duplicative work efforts if registered entity is registered in several Regional Entities
  - Allow registered entities to resolve internally moderate and low risk violations by establishing Corrective Action Program

- Most comments state that the FFT program is a step in the right direction and expect it to bring more benefits as it matures
- Specific comments include:
  - Improvement in settlement process
  - Improvement in reliability
  - Reduced caseload, time and resources spent on compliance issues
  - Reduced the amount of fines for violations with minor risk
  - Improved compliance culture, as people are less hesitant to raise issues that are resolved quickly
  - Allocated resources to serious violations

## Q26: What has been the greatest benefit of the FFT Program?



- Implementation concerns include:
  - No adequate training provided to the registered entities
  - No real focus on the FFT process on regional level
  - Did not achieve the time savings expected
  - Process continues to be administratively burdensome
  - Focus still on issues with no impact on the bulk power system
  - Does not allow registered entities to resolve minor violations internally

## FFT Survey Results

**1. Please identify the Regions you are currently registered in and which registered functions you are registered as.**

387 answered the question

9 skipped the question

	BA	DP	GO	GOP	IA	LSE	PA	PSE	RC	RP	RSG	TO	TOP	TP	TSP	Resp. Count
FRCC	23.3% (7)	40% (12)	50% (15)	50% (15)	16.7% (5)	30% (9)	16.7% (5)	23.3% (7)	0.0% (0)	16.7% (5)	0.0% (0)	30% (9)	30% (9)	23.3% (7)	10% (3)	30
MRO	25% (16)	45.3% (29)	54.7% (35)	54.7% (35)	4.7% (3)	48.4% (31)	6.3% (4)	59.4% (38)	1.6% (1)	31.3% (20)	0.0% (0)	46.9% (30)	26.6% (17)	32.8% (21)	18.8% (12)	64
NPCC	5.6% (4)	20.8% (15)	58.3% (42)	58.3% (42)	5.6% (4)	22.2% (16)	5.6% (4)	51.4% (37)	5.6% (4)	5.6% (4)	1.4% (1)	23.6% (17)	12.5% (9)	12.5% (9)	15.3% (11)	72
RFC	7.5% (8)	25.5% (27)	66% (70)	67.9% (72)	0.9% (1)	23.6% (25)	1.9% (2)	48.1% (51)	0.9% (1)	9.4% (10)	0.0% (0)	17.9% (19)	6.6% (7)	6.6% (7)	0.9% (1)	106
SERC	19.3% (17)	42% (37)	58% (51)	55.7% (49)	13.6% (12)	42% (37)	11.4% (10)	40.9% (36)	2.3% (2)	17% (15)	3.4% (3)	22.7% (20)	14.8% (13)	14.8% (13)	9.1% (8)	88
SPP	17.9% (10)	37.5% (21)	57.1% (32)	55.4% (31)	0.0% (0)	39.3% (22)	0.0% (0)	48.2% (27)	0.0% (0)	19.6% (11)	0.0% (0)	33.9% (19)	17.9% (10)	16.1% (9)	3.6% (2)	56
TRE	1.7% (1)	18.6% (11)	72.9% (43)	57.6% (34)	1.7% (1)	20.3% (12)	1.7% (1)	23.7% (14)	1.7% (1)	1.7% (1)	0.0% (0)	30.5% (18)	15.3% (9)	20.3% (12)	5.1% (3)	59
WECC	16.3% (22)	35.6% (48)	60.7% (82)	60% (81)	0.0% (0)	36.3% (49)	12.6% (17)	38.5% (52)	0.7% (1)	17% (23)	1.5% (2)	31.1% (42)	24.4% (33)	17% (23)	15.6% (21)	135

**2. Has your Regional Entity provided guidelines for Find, Fix, Track and Report (FFT) selection?**

Yes 57.7% (177 Responses)

No 42.3% (130 Responses)

**3. If yes, are those guidelines publicly available?**

Yes 71.8% (153 Responses)

No 28.2% (60 Responses)

**4. What additional guidance would be helpful?**

Summary: The responses indicate that a limited number of the registered entities that participated in the survey do not know what an FFT is or have a very incomplete understanding of the process, and would appreciate any additional information.<sup>1</sup> Another small group of

<sup>1</sup> Responses #22, 36, 38, 40, 49, 89, 94, 121 and 124 indicate lack of knowledge and that any additional information would be helpful.

registered entities responded that the information provided to them so far by NERC and the Regional Entities is sufficient to ensure effective participation in the FFT process.<sup>2</sup>

The majority of the responses point to the conclusion that the registered entities are familiar with the process but would like to see formal, publically available guidelines, which include detailed criteria for evaluating a possible violation for FFT treatment on regional level. From the comments, it appears that the registered entities are lacking uniform and detailed guidelines from the Regional Entities, not NERC,<sup>3</sup> and are asking NERC to require the Regional Entities to address in a uniform manner some specific questions and to publish guidelines on its websites. Most comments show that so far, all guidelines and information provided from the Regional Entities to the registered entities has been in the form of power point presentations and workshops, which a small number of registered entities consider being sufficiently formal. However, most of the responders are asking for an easily accessible written formal document from the Regional Entities and do not believe that a power point presentation qualifies as a formal guideline. Many registered entities suggested that additional training and webinars would be very helpful.

Specific suggestions for additional guidelines: One Entity stated<sup>4</sup> NERC should provide the Regional Entities with strict criteria for selecting FFT candidates, so that all registered entities are treated equally and fairly. Others suggested that collaboration among the Regional Entities was necessary to ensure consistent FFT treatment. Many of the responses were focused on constant application of NERC's and the Region's guidelines across the country, and suggested that NERC should act as an appellate body in cases where the FFT treatment differs from Region to Region.<sup>5</sup>

Registered entities submitted the following specific questions and proposals for consideration to be included either in the Regional Entities' guidelines or by NERC: who would make the decision to treat a violation under the FFT process (auditor or enforcement); would the Entity have the opportunity to provide input prior to this decision; <sup>6</sup> what information is needed for the Self-Report, within 30 days of the Self-Report, and in the FTT Mitigation Plan; <sup>7</sup> access to the Regional Entities' submission applications and timelines for determination; <sup>8</sup> greater transparency of the Regional Entities' FFT decisions; <sup>9</sup> what variables will the Regional Entities use to determine FFT classification; when can an Entity discuss the violation with the Region to determine if it is an

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<sup>2</sup> Response #14, 20, 48, 56, 93 and 115 indicate that no additional guidance would be helpful or necessary at this time.

<sup>3</sup> A few responses indicate that the guidelines should come from NERC, not the Regional Entities (#7) and some did not indicate the source of the necessary guidelines.

<sup>4</sup> Response #3.

<sup>5</sup> Response #44.

<sup>6</sup> Response #26.

<sup>7</sup> Response #43.

<sup>8</sup> Response #42.

<sup>9</sup> Response #44.

FFT candidate; how and when will the Regional Entities verify that the mitigating actions have been completed; does the Entity need to provide certification of mitigation completion; once a violation is classified as an FFT, can the Entity consider it closed and in compliance for purpose of Self-Certification; what information/data related to the FFTs would be held by the Regional Entities if a violation is classified as an FFT, for how long; <sup>10</sup> list of the risk factors considered and how each factor is weighted; <sup>11</sup> when during the FFT process is the Entity notified of the FFT treatment; how an Entity can appeal a decision of the Region not to include a violation as an FFT; <sup>12</sup> several requests for more FFT examples; how can an Entity request an FFT treatment<sup>13</sup>; clarity as to when an FFT is finalized given that the NERC's FFT filing with FERC is informational only; <sup>14</sup> how prior compliance actions impact the FFT evaluation by the Regional Entities;<sup>15</sup> are there clear-cut exclusions, such as for High VRF violations; <sup>16</sup> and explanation of the practical applications of an FFT treatment to an Entity. <sup>17</sup>

Some registered entities have indicated that they are under the impression that the details of the FFT program are still under development. <sup>18</sup>

Comments related to FERC's involvement: One Entity commented that FERC's approval of the process would provide assurances that an FFT determination can be relied upon, and another stated that a comment from FERC on the existing FFT process would also be helpful. <sup>19</sup> A third Entity responded that FERC should ratify the Regional Entities' discretion to use the FFT process. <sup>20</sup>

Negative Comments: In general, there were no comments suggesting a specific problem with NERC's FFT guidelines or process, as they are considered publicly available and easy to access. Lack of easily accessible written guidelines on the Regional Entities' websites was identified as an existing issue. Also, response #47 suggests that the guidelines given by NERC to the industry are inconsistent with the actual FFT process application, because, according to one Entity, NERC appears to require perfect information to approve the outcome of an FFT treatment.

Positive Comments: Comment #123 suggests that NERC must continue to support the implementation of the FFT process with the Regional Entities, and must support the Regional Entities' efforts to train auditors on the subject. In addition, the responders suggested that NERC's guidelines should be made readily available to Registered Entities and that NERC's

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<sup>10</sup> Response #50.

<sup>11</sup> Response #59.

<sup>12</sup> Response #62.

<sup>13</sup> Response #90.

<sup>14</sup> Response # 95.

<sup>15</sup> Response #113.

<sup>16</sup> Response #114.

<sup>17</sup> Response # 41.

<sup>18</sup> Responses # 68 (related to SERC) and #95 (related to WECC).

<sup>19</sup> Responses #83 and #97.

<sup>20</sup> Response #47.



published information spells out the process “pretty well.”<sup>21</sup> Response #56 stated that everything is working well and no additional guidance is necessary.

**5. Have you participated in training or an introduction on the FFT process?**

Yes 56.2% (172 Responses)  
No 43.8% (134 Responses)

**6. If yes, was it through your Regional Entity, one of the NERC webinars, or both? Please check all that apply.**

Regional Entity 76.4% (133 Responses)  
NERC Webinar 54.0% (94 Responses)

**7. Have you had any possible violations that were processed or are being processed as FFT?**

Yes 27.7% (76 Responses)  
No 72.3% (198 Responses)

**8. If yes, please state the number.**

Summary: The average number of violations that were processed or are being processed as FFT is 2.15 for each respondent. The minimum number is 1, while the maximum is 13. The most common numbers reported are 1 and 2.

**9. If no, please explain (including if you have had no possible violations at all).**

Summary: Most registered entities responded that they did not have violations or that some potential violations were being currently processed and the registered entities are awaiting a determination from the Region regarding an FFT treatment. However, the responses indicate that some registered entities believe that the Regional Entities are reluctant to use the FFT process, with WECC and SERC being named specifically.

Specific comments regarding FFT experience: Comment #1 stated that WECC did not treat some administrative violations as FFTs because of the volume of the Self-Reports and Self-Certifications submitted by the Entity. The Entity argued that the volume of the reported possible violations should not be considered as an indication of a weak compliance program and violations of administrative nature should be afforded FFT treatment despite the number of reported possible violations.

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<sup>21</sup> Response #48.

Some registered entities expressed a concern regarding a perceived reluctance on WECC's part to use FFTs.<sup>22,23</sup>

Another Entity indicated that SERC rejected FFT treatment to several violations, which appeared to meet NERC's criteria, because it considered some standards to be ineligible regardless of the facts and circumstances of the violations.<sup>24</sup>

Response #3 stated that the Entity had 14 violations that met NERC's FFT criteria but the Region decided that the criteria were not met.

Other responders indicated they were not informed whether any of the violations were subject to FFT treatment and did not request FFT consideration because they were not aware what the Region's formal FFT process was.

Additional issues raised: Response #102 stated that it was not clear how the FFT process would be implemented in Canada and Response #119 indicated that some registered entities consider the FFT process to be applicable retroactively.<sup>25</sup>

Negative Comments: Reluctance on behalf of the Regional Entities to use the FFT process or inform the registered entities that it could be used for some violations, and lack of a formal documented process.

Positive Comments: Most registered entities did not have violations to process; several are working with the Regional Entities to dispose of violations using FFTs. The respondents seem to be aware of NERC's criteria and apply it to determine whether a violation could qualify for an FFT.

**10. Was FFT treatment initiated by your Regional Entity for any of your possible violations?**

Yes 33.8% (68 Responses)  
No 66.2% (133 Responses)

**11. If yes, please state the number.**

Summary: The average number of possible violations that were given FFT treatment initiated by the Regional Entities is 2.3 for each respondent. The minimum number is 1, while the maximum is 13. The most common numbers reported are 1 and 2.

**12. Did you request FFT treatment by your Regional Entity for any of your possible violations?**

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<sup>22</sup> Response #10.

<sup>23</sup> Responses #28 and 40.

<sup>24</sup> Response# 72.

<sup>25</sup> Asking whether fines paid for past violations found to fit the FFT criteria would be applied towards credit for possible future violations.

Yes 21.7% (45 Responses)  
No 78.3% (162 Responses)

**13. If yes, for how many of your possible violations did you request FFT Treatment?**

Summary: The average number of possible violations that were given FFT treatment by the request of the registered entities is 2.5 for each respondent. The minimum and one of the most common numbers is 1, while the maximum is 21. Two responders indicated they were not aware that it was an option to make such a request. The most common numbers reported were 1 and 2.

**14. Did you decline (opt out) any offers by your Regional Entity to treat any of your possible violations as FFTs?**

Yes 0.0% (0 Responses)  
No 100.0% (205 Responses)

**15. If yes, for how many of your possible violations did you opt out?**

Summary: There were 17 responses in this section, with 15 indicating that the situation was not applicable to the registered entity. The remaining two indicated that there were no possible violations to decline or opt out.

**16. Provide a brief description of the reason(s) for opting out.**

Summary: There were only three informative responses in this section, with the remaining indicating that the situation was not applicable to the Entity. Response #12 stated that TRE had informed the registered entities that it would consider all possible violations for potential FFT treatment and the registered entities did not need to make a formal request. One Entity said it planned on asking for FFT treatment when working on results from its last audit and another said that it was not aware of the program but the situation was not applicable to it anyway.

**17. Was FFT treatment considered by the Regional Entity for both existing possible violations and new possible violations?**

Yes 35.5% (67 Responses)  
No 64.5% (111 Responses)

**18. Was the information you initially provided to the Regional Entity determined to be sufficient for FFT candidate consideration?**

Yes 57.6% (76 Responses)  
No 42.4% (56 Responses)

**19. If required to provide additional information, what information was required?**

Summary: Fifty one 51 responses were provided for this question, with many of them stating that the question was “not applicable” to the registered entity. The responses suggested that the Regional Entities had required additional information related to the scope of the violation and risk assessment,<sup>26</sup> formal Mitigation Plans and evidence of completion (NPCC)<sup>27</sup>, attestation that the mitigation activities were completed with supporting evidence.<sup>28</sup> For a PRC-005 violation, one Region requested a full inventory review in order to determine whether the violation qualified for FFT treatment.<sup>29</sup>

**20. Did you initially submit a formal Mitigation Plan on the standard template to the Regional Entity?**

Yes 66.9% (105 Responses)  
No 33.1% (52 Responses)

**21. Did your Regional Entity require a formal Mitigation Plan?**

Yes 68.5% (102 Responses)  
No 31.5% (47 Responses)

**22. Did your Regional Entity verify completion of the mitigation activities?**

Yes 64.4% (94 Responses)  
No 35.6% (52 Responses)

**23. If not, what evidence did you submit for later verification?**

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<sup>26</sup> Responses #28 and 47.

<sup>27</sup> Responses #3 and #43.

<sup>28</sup> Response #45.

<sup>29</sup> Response#44.

Summary: The majority of the responses indicated that the registered entities were required to submit a formal Mitigation Plan and certify its completion. One Entity stated that NPPC continued to require Mitigation Plans for FFTs,<sup>30</sup> and another said that it provided proposed mitigation measures to RFC and was not required to use the standard Mitigation Plan form. Some comments show that confusion exists as to whether formal Mitigation Plans were required and needed to be complete before the Regional Entities considered FFT treatment.<sup>31</sup>

**24. Are you experiencing any obstacles to using the FFT process?**

Yes 26.0% (46 Responses)  
No 74.0% (131 Responses)

**25. If yes, please briefly describe these obstacles.**

Summary: The responses presented vary, with some saying that FFT is a great program<sup>32</sup> and others suggesting that “there is no FFT process happening.”<sup>33</sup> However, the majority of the comments focused on the following issues: Regional Entities still requiring formal Mitigation Plans<sup>34</sup>, the fact that the registered entities are not allowed to request an FFT treatment and advocate for it<sup>35</sup>, lack of sufficient training given to the registered entities;<sup>36</sup> some Regional Entities being reluctant to promote and use the process;<sup>37</sup> need for further clarity of the FFT procedures mainly on regional level;<sup>38</sup> lack of consistency among the Regional Entities;<sup>39</sup> and length of time between determination of possible violation and FFT consideration.<sup>40</sup>

Specific comments: There seems to be a sense in the industry that the Regional Entities are reluctant to use the FFT process. Response #8 suggests that WECC’s reasoning for not using the process is based on the fact that FERC has not approved the FFT process. Also, WECC is seen as a Region that does not work to resolve minor, administrative reporting issues. In SERC, the concern is that SERC believes that it is required to provide perfect record to NERC for each FFT, and therefore, prefers not to use the process. Two other comments indicate a general unwillingness of the Regional Entities to promote FFT.

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<sup>30</sup> Response #25.

<sup>31</sup> Responses #20 and 27.

<sup>32</sup> Response #24.

<sup>33</sup> Response #42.

<sup>34</sup> Responses #6, 19, 29, 51, 59, and 59.

<sup>35</sup> Responses #6, 14, 28, 38, and 57.

<sup>36</sup> Responses #7,42,and 56.

<sup>37</sup> Responses # 8,9,16,31,32,48,64,and 65.

<sup>38</sup> Responses # 3,12,13,29,43,61, and 63.

<sup>39</sup> Responses #9 and48.

<sup>40</sup> Responses #19,39,and 55.

In addition, some Regional Entities continue to require formal Mitigation Plans, and thus prolong the time to process FFT classified violations. One Entity, however, suggested that the Regional Entities need to have the discretion to use FFT without NERC’s approval.<sup>41</sup>

Specific suggestions for improvement: As in previous sections, the respondents are asking for a documented process and additional training on FFTs. Specific suggestions for improvement include: providing a tool for registered entities that could help them determine whether a violation is a strong FFT candidate, and a short form to be used for requesting an FFT treatment.<sup>42</sup> Responses #34 and #51 contain several suggestions, including: NERC to rapidly implement Phase II and III of the FFT initiative in order to reduce administrative burden; allow the registered entities to resolve moderate and low risk violations internally through the use of a Corrective Action Program (CAP). The CAP would be subject to review by the Regional Entities to ensure that the violations presented low and moderate risk and corrective actions were taken. Also, it is suggested that NERC should reduce the FFT processing time and eliminate the duplication of efforts in situations where an Entity has a violation and is registered in more than one Region. In addition, #51 suggests that the FFT determination should be made by the technical staff without involvement by enforcement specialists.

Positive comments: Some registered entities consider FFT to be a great program and hope to process some violations as FFTs.<sup>43</sup> Others qualified it as promising but still new<sup>44</sup> with room for further improvements.<sup>45</sup>

Negative comments: According to some registered entities the program did not achieve the time savings that they originally hoped for,<sup>46</sup> and the initial benefits seem to be mainly at NERC and the Regional Entities.<sup>47</sup> In addition, one Entity felt that “there is no FFT process happening. There is no adequate training, not any real focus on the FFT process.”<sup>48</sup>

**26. What has been the greatest benefit of the FFT program? Check all that apply.**

Summary: The responses are mixed, with some indicating that there have been no benefits from the program, and others stating that they have seen monetary benefits and improved compliance culture. Most comments indicate that the program is a step in the right direction and the registered entities are hopeful that it would lead to overall benefits as it matures.

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<sup>41</sup> Response #31.

<sup>42</sup> Response #7.

<sup>43</sup> Response #25.

<sup>44</sup> Response #34.

<sup>45</sup> Response #34.

<sup>46</sup> Response #4.

<sup>47</sup> Response #6.

<sup>48</sup> Response #42.

Positive comments: Statements included saved labor efforts in the settlement process; <sup>49</sup> RFC has shown reasonableness and fairness in the use of FFT; <sup>50</sup> improves reliability rather than violation processing; <sup>51</sup> great initiative with more expected benefits in Phase II; <sup>52</sup> reduced backlog, time and resources spent on tracking compliance issues; <sup>53</sup> not being fined for “stupid things.” “In the year prior to FFT we accumulated nearly a quarter million dollars in fines for settled items, most of which would qualify for FFT today;”<sup>54</sup> and improved compliance culture, as individuals within the organization are less hesitant to raise issues when minor violations are resolved quickly. <sup>55</sup>

Negative comments: There are less negative comments than positive or neutral. The comments indicate that the registered entities were not able to benefit due to arbitrary reasons imposed by the Regional Entities; <sup>56</sup> NERC and the Regional Entities have seen more benefits than the registered entities; and the process continues to require administrative processing of non-material issues with no impact on the BPS. <sup>57</sup>

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<sup>49</sup> Response #12.

<sup>50</sup> Response #18.

<sup>51</sup> Response #33.

<sup>52</sup> Response #37.

<sup>53</sup> Response #41.

<sup>54</sup> Response #50.

<sup>55</sup> Response #65.

<sup>56</sup> Response #1.

<sup>57</sup> Response #34.

**CERTIFICATE OF SERVICE**

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, DC this 14th day of May, 2012.

*/s/ Rebecca J. Michael*  
Rebecca J. Michael  
Associate General Counsel for Corporate  
and Regulatory Matters