

# **SERC Compliance Monitoring and Enforcement Program**

## **Implementation Procedure 5.0 Consolidated Compliance Enforcement Tracking**



## SERC CMEP Implementation Procedure 5.0: Consolidated Compliance Tracking

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### Revision History

Revision	Date	Originator	Comments
0	May 31, 2007	T. Galloway	Document Origination.
1	June 28, 2007	T. Galloway	Include Compliance Assessment Notice, clarify determination sheet content, edits
2	November 15, 2007	T. Galloway	Major revisions to issue prioritization, peer review and determination process, and addition of Appendices G and H

### Responsible SERC Group(s)

SERC BCC

### Review and Re-Approval Requirements

This document will be reviewed every two years or as appropriate for possible revision. The existing or revised document will be re-approved by the SERC Board Compliance Committee (BCC), distributed by the Compliance Director to all applicable SERC staff, and posted on the website for member reference.

### List of Appendices

- Appendix A: Potential Threat to the Bulk Electric System Checklist
- Appendix B: NERC 48-hour Reportable Events
- Appendix C: Request for additional Information / Escalation for non-submittal
- Appendix D: Template for Determination of Alleged Violation
- Appendix E: SERC Peer Review Checklist
- Appendix F: SERC CMEP Process Overview

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### 1.0 Purpose

This procedure details steps to create and track an entry in the compliance tracking system and for processing through to closeout. This procedure ensures detailed screening / assessment is completed to determine issue priority and whether the issue poses an imminent threat to the bulk electric system or requires reporting to NERC per 48-hour notification requirements. It also guides the user(s) through development of the bases for an alleged violation, proper notifications and entity response, and integrates the requirements of other compliance implementation procedures.

### 2.0 Responsibilities

- Registered entities are responsible for timely response to: requests for information, remedial action directives, notice of alleged violations and sanctions/penalties, and required development of mitigation plans.
- Compliance Director (CD) or designee is responsible for issuance of Notice of Alleged Violation and proposed sanctions / penalties; preliminary settlement agreements, requests for Compliance Advisory Group (CAG) input, and initial approval and issuance of Remedial Action Directives.
- Compliance Enforcement Manager (CEM) is responsible for approvals involving determination of alleged violations, proposed sanctions and penalties, and staff approval of mitigation plans.
- SERC compliance staff are responsible for initial screening of potential compliance issues, recommending whether sufficient bases exists for determinations of alleged violations; development of sanctions / penalties, review of mitigation plans, development of remedial action directives, and for timely and accurate update of related database information and files.
- Compliance Advisory Groups (CAG) provide input, as requested, on alleged violation determinations, Remedial Action Directives, Mitigation Plans, and other topics as requested by the Compliance Director.

NOTE: Any information provided to CAGs in support of these inputs will be in a form that supports required confidentiality.

- Board Compliance Committee (BCC) is responsible as SERC's final approval authority for regional confirmation and approval of Alleged Violations, Proposed Sanctions / Penalties, Mitigation Plans, and Remedial Action Directives. The BCC also serves as the Hearing Body for contested compliance actions.

### 3.0 References

- NERC 48-hour Reporting Requirements for 2007
- SERC CMEP Sections 5.1 and 5.2
- NERC Security Guidelines for the Electricity Sector

### 4.0 Procedure Steps

#### 4.1 Compliance Tracking Initiation / Screening

**CAUTION: Registered entity compliance related information addressed in this procedure is considered unconfirmed and shall be treated as CONFIDENTIAL.**

NOTE: Issues involving non-FERC approved standards are not mandatory and enforceable. These issues will typically be termed noncompliances rather than violations and, will be pursued as good industry practice using the same basic steps from the enforcement process. However, penalties cannot be assessed for non-mandatory issues and an entity cannot be compelled to mitigate the issue.

NOTE: Designated SERC staff review data and other information supplied as part of any defined monitoring process (procedure series 3.0) and identify items that represent possible alleged noncompliances or violations. A designated on-call staff member, the Screener, will perform an initial screening and support prioritization of the issue (self-report, complaint, disturbance, or event). Subsequently, a Single Point of Contact (SPOC) will be assigned to assemble information, perform determinations, and render conclusions regarding bases to allege a noncompliance or violation.

- 4.1.1 Throughout this procedure, if additional data is required to identify a possible alleged non-compliance or violation, SERC staff will request registered entity submittal of additional data per attachment C. In the event an entity does not comply with a reasonable request for data, SERC compliance management will be notified and the request elevated.
- 4.1.2 The designated "Screener" promptly enters any possible alleged non-compliance or violation into the compliance tracking system, performing the following actions:
  - Obtains or assigns the next sequential unique tracking number,
  - Creates associated file folder(s) on S-drive with the unique tracking number / title,
  - Follows-up as needed with registered entity to obtain any required information,
  - Completes applicable sections of compliance tracking initiation / screening worksheet including the following information (if known):
    - Entity name and contact information
    - Brief description of the issue,
    - Applicable standard and requirement,
    - Date(s) the issue occurred and when identified to / by SERC,
    - Method of identification

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- Is the issue is still occurring,
- Does the issue constitutes an imminent BES threat,
- Does the issue involve a standard requiring 48 hour reporting,
- Is the entity registered and, if so, the registration number
- Issue status and other information deemed relevant

NOTE: Throughout the procedure, designated SERC staff (Screener, SPOC, etc.) ensures that the compliance tracking file and other associated compliance files in the applicable S-Drive folder (Unique number identified matching tracking number) are maintained up-to-date. Backup copies of these files will be maintained on the individual's hard drive or other appropriate locations.

NOTE: SERC staff designated as the "Screener" performs an initial screening / assessment of the new issue as soon as possible (typically within 24 hours of initiation) to determine 48 hour reporting applicability and whether the issue constitutes an imminent threat to the Bulk Electric System.

- 4.1.3 The Screener reviews the checklist in Appendix A to determine if the issue represents an imminent threat to the bulk electric system (BES).
- 4.1.4 IF the answer to any question posed on Appendix A is "Yes", THEN the Screener marks the applicable database field as YES and immediately notifies the Compliance Director of initial screening results for consideration of a more detailed screening meeting and/or initiation of procedure 7.0 in parallel with the following steps in this procedure.

NOTE: A conclusion that Remedial Action Directive (RAD) is warranted can occur at any time during the course of this procedure based on revised characterization of the issue or obtaining new information.

- 4.1.5 The Screener reviews the checklist in Appendix B for NERC 48-hour reportable events and applicable sections of the compliance tracking form.
- 4.1.6 IF the issue involves a standard that requires 48 hour reporting, THEN the Screener immediately notifies the Compliance Director for input towards issue prioritization, more detailed screening, or reporting of the issue via procedure 8.0
- 4.1.7 The Screener updates applicable sections of compliance tracking entry form and notifies the Compliance Director and/or the Enforcement Manager at the next scheduled compliance staff meeting or conference call.

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- 4.1.8 The Compliance Enforcement Manager, Compliance Director, or their designee arranges for a compliance staff conference call, as required, based on results of screening and timing of the next regularly scheduled compliance staff meeting or conference call.
- 4.1.9 The Screener reports on the new issue during the next compliance staff meeting or conference call.
- 4.1.10 The Screener also provides updates, during the daily briefing, on topics including: regional events, NERC/FERC communications key events, mitigation plans – initial submittals, extension requests, closure certifications and evidence; NoAV acceptance or contests; etc. and makes note of the assigned SPOC based on the associated tracking numbers.
- 4.1.11 The assigned SPOC updates the tracking database and places copies of the associated documents in the applicable tracking files.

### 4.2 Prioritization, Preliminary Determination, and Reporting

- 4.2.1 Following initiation / screening, the Compliance Director (CD) or designee assigns a single-point-of-contact (SPOC). The SPOC will develop the factual basis in support of a preliminary determination of a probable violation or a determination that insufficient basis exists to allege a violation.

NOTE: The SPOC will maintain an up-to-date tracking folder in the Compliance Tracking S drive, of documents and other information that may become part of the formal record for the possible violation. Throughout this procedure the SPOC saves copies of all information (emails, letters, and other documents) related to the issue in the applicable SERC tracking folder.

- 4.2.2 The CD or designee establishes a priority for the issue based on the following criteria:

Priority 1 Urgent (Requires immediate, continued investigation):

- Issues possibly requiring a remedial action directive (see Appendix A) or
- Existing (non historical) issues involving 48-hour standards (See Appendix B) or
- Other issues that could result in a significant threat to the Bulk Electric System or
- Any issue the CD or their designee determines to require immediate attention

Preliminary determination and NERC reporting for priority one issues

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should be completed as soon as possible but, no later than 48 hours from identification.

Priority 2 High (Not Priority 1 but, requires timely attention).

- Issues involving 48 hour standards that appear to be historical/documentation only.

Preliminary determination and NERC reporting for Priority 2 issues should completed within 48 hours of SPOC assignment.

Priority 3 Medium / Moderate

- Issues related to FERC-approved standards that are not Priority 1 or 2
- Issues that, in aggregate, are not a significant threat to the Bulk Electric System.

Preliminary determination and NERC reporting for Priority 3 issues should completed within 5 business days of SPOC assignment.

Priority 4 Lower

- Issues that require some follow-up but do not pose a threat to the grid and/or may not represent a valid violation or non-compliance.
- Non-compliance with NERC approved but, non-FERC approved standards
- Non-compliance with regional supplements or non-NERC approved standards

Preliminary determination and NERC reporting (if applicable) will be completed with 5 business days unless determined otherwise by CD.

NOTE: The same prioritization system will be used to direct depth of review and timeliness for following steps. The Priority of any given issue can be changed by the CD based on updated information and/or after initial reporting is completed.

4.2.3 Per above priorities, the SPOC completes the PRELIMINARY DETERMINATION form, and provides a recommendation to the Compliance Enforcement Manager (CEM) as to whether sufficient basis to allege a violation or noncompliance to a reliability standard is probable. The following test will be used to make a preliminary determination:

- Verify that the involved reliability standard(s) is(are) approved and in effect

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- Verify that the involved entity is registered in SERC for one or more functions applicable to the involved reliability standard
- Recognizing that the investigation is in a preliminary stage, the SPOC determines sufficient evidence exist that an alleged violation is probable.

NOTE: Staff posture on these determinations will be conservative, meaning our bias will be towards reporting rather than not.

4.2.4 IF the CEM concurs that the answer to each of the questions above is affirmative, the CEM completes the required reporting of a probable alleged violation to NERC.

- The SPOC drafts an Initial Notice of Violation / Compliance Assessment Notice for CEM approval.

4.2.5 The CEM issues notice to the registered entity that a formal compliance assessment has been initiated. This notice will include, as a minimum, the following:

- SERC staff has initiated a formal assessment of a possible alleged violation or noncompliance
- Identifies the SERC SPOC and contact information
- Notifies the entity to retain all relevant documentation
- Notifies the entity they can initiate settlement discussions at any time if desired
- Identifies any initial questions / information requests the entity needs to respond to and the required timing based on the issue(s) involved

### 4.3 Alleged Violation Determination

4.3.1 The SPOC continues a more detailed investigation of the probable violation with the understanding that the preliminary determination may be overturned based on additional evidence obtained during the investigation.

NOTE: For many issues the SPOC will complete the data fields within the tracking database associated with the determination. However, for more complex and/or consequential events the CD or CEM may direct the SPOC to develop more detailed, standalone documents to provided added bases for either the alleged violation and/or the proposed penalty. These documents may include development of causal analysis.

4.3.2 The SPOC completes the investigation and makes a FINAL DETERMINATION recommendation. The SPOC ensures that the

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FINAL DETERMINATION recommendation accurately contains the following minimum information:

- Information contained in the PRELIMINARY DETERMINATION is accurate or is revised accordingly,
- Functions for which the entity is registered,
- Applicable reliability standard(s), and requirements(s), including version,
- Violation Risk Factor (VRF)
- Violation Severity Level (VSL) and bases
- Date and time the alleged violation occurred (or is occurring),
- Brief description of the issue,
- Description of the reliability impact (actual or potential) associated with the issue
- Supporting references,
- SPOC's recommendation that sufficient basis DOES or DOES NOT exist to support a possible violation,
- Factual basis supporting the conclusion,
- SPOC's name and signature (electronic signature acceptable),
- Date of SPOC recommendation.

NOTE: The SPOC confirms the entities registration status and ensures the cited standards / requirements are applicable to the entity based on the functions for which they are registered. Apparent registration discrepancies are to be brought to the attention of the CEM.

- 4.3.8 The CEM approves the SPOC recommendation or directs additional review, including additional peer or independent review, as required, based on the complexity or potential significance of the issue. Work continues until a definitive determination is made regarding the sufficient bases for a conclusion.
- 4.3.8 As designated by the CEM, a Peer Review Group will review the SPOC's recommendation and will concur with the recommendation, remand the recommendation to the SPOC to obtain additional support and documentation, or reach consensus to change the SPOC's recommendation based on discussion , supporting documents and facts.

The Peer Review Process is a two-fold process. The first step of the process is assignment of a Lead Peer Checker, from the Compliance Enforcement staff, to work with the SPOC to ensure that all required information fields, facts, supporting documents, etc, are accurately completed in the issue's Compliance Tracking forms and folder. Once the Lead Peer Checker and SPOC are satisfied that supporting documentation is in place and the facts and conclusion for a basis of Determination are

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conclusive, the second phase of the process, a group Peer Review, is initiated. The Peer Review Group will consist of the Lead Peer Checker, SPOC and a team of Compliance Enforcement staff. The Peer Review Group conducts a complete review of all Compliance Tracking forms, documentation, facts, and conclusions toward achieving a final Determination. Peer Review provides additional perspective to the analysis of the issue, ensures the standards are applied correctly, and provides the function of quality control.

The Peer Review Process is performed as follows:

- Principal Compliance Engineer assigns a member of the Compliance Enforcement staff as Lead Peer Checker for each compliance tracking issue,
- Lead Peer Checker will ensure that all applicable fields in all sections of the Compliance Tracking forms (Tracking Status, Initiation, Screening, Determination, Notes and Related Documents) are completed and accurate, and will complete a Peer Review Checklist, Appendix E, in the process,

NOTE: The Determination section must clearly state the facts and evidence in support of a determination that a basis for a finding of possible violation DOES or DOES NOT exist. This statement will be used in the “Evidence” portion of Notice of Alleged Violation or Insufficient Basis letters to the entity.

- Together, the Lead Peer Checker and SPOC will review the applicable reliability standard, requirement(s), description of the issue, supporting documentation and facts to reach agreement that the conclusion portion of the Determination section conclusively supports the Determination:
  - If the SPOC and Lead Peer Checker do not agree that the stated conclusion and Determination are accurate and concise, the SPOC will obtain additional information or supporting evidence as required to reach consensus,
  - If the SPOC and Lead Peer Checker are unable to reach an agreement, the Lead Peer Checker will notify the Principal Compliance Engineer to schedule a Peer Review Group review of the issue for determination.
- Together, the Lead Peer Checker and SPOC will review:
  - Reliability Impact statement to ensure that the potential threat to the Bulk Electric System is accurately stated,
  - Violation Risk Factor(s) are accurately defined, and
  - Violation Severity Level is accurately applied.
- If there is sufficient basis for a determination that the entity is in possible violation of the standard, and if or when a mitigation plan has been

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- submitted to correct the possible violation, the Lead Peer Checker and SPOC will review the submitted mitigation plan, completing the SERC Mitigation Plan Review and Approval form, to determine if the plan:
- Addresses each requirement violated,
  - Will mitigate the violated standards upon completion,
  - Will be completed within an acceptable timeframe based upon the Violation Severity Level and potential risk to the Bulk Electric System, and
  - Contains all elements required in the SERC Mitigation Plan Review and Approval form.
- Based on the Determination, the Lead Peer Checker will draft a Notice of Alleged Violation or Insufficient Basis Letter, to be submitted to the Compliance Enforcement Manager upon satisfactory Peer Group review,
  - When the Lead Peer Checker has signed all compliance tracking form sections, Mitigation Plan Review and Approval Form, Peer Review Checklist, and other documents as applicable, and ascertains that all documents are ready for review, the Principal Compliance Engineer will be notified that the issue is ready for Peer Group Review,
  - The Principal Compliance Engineer will schedule a meeting or conference call for complete review of the issue and all documentation,
  - The Peer Review Group will review:
    - The issue, reliability standard requirement(s), supporting documents and facts to determine that an accurate and conclusive determination has been made and accurately stated,
    - Violation Risk Factor(s) are accurately recorded,
    - Violation Severity Level is accurately recorded,
    - Reliability Impact Statement accurately reflects the violation severity level and potential threat to the Bulk Electric System,
    - Each and every applicable field of the issue's compliance tracking forms have been accurately completed,
    - If the Determination is that a sufficient basis for a finding of possible violation exists, the submitted mitigation plan meets the requirements stipulated in the Mitigation Plan Review and Approval Form, as stipulated in section 4.7 of this procedure, and
    - Peer Review Checklist has been accurately completed.
  - The Peer Review group may concur with the SPOC and Lead Peer Checker's recommendations, remand the recommendation to the SPOC to obtain additional support and documentation, or ALL agree to change the SPOC's recommendation based on discussion and supporting facts.
  - Following the completion of Peer Group review, the Principal Compliance Engineer will update the Simplified Tracking sheet and compliance tracking form, and will inform the CEM that the issue is ready for review and approval.

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NOTE: The CEM notifies the Compliance Director if Compliance Advisory Group (CAG) input is needed to support the determination and/or the reliability impact statement. The CD will arrange for CAG input as needed.

- 4.3.9 IF the CEM concludes that sufficient basis for a possible violation does NOT exist, THEN the CEM forwards the DETERMINATION report providing this conclusion to the Compliance Director.
- 4.3.10 IF the CD agrees that sufficient basis DOES NOT exist, THEN:
- As applicable, the CEM issues a closure letter to the registered entity,
  - Places a copy of the closure letter in SERC's files,
  - Directs SPOC to complete closeout checklist,
  - Verifies proper update of database fields and SERC files and,
  - Updates the tracking system to reflect the issue as CLOSED.
- 4.3.11 IF the CEM determines that sufficient basis for a possible violation DOES exist, THEN the CEM forwards a DETERMINATION report, along with this conclusion to the Compliance Director.
- 4.3.12 IF the CD disagrees with the CEM's DETERMINATION, THEN the CD will direct re-performance of selected steps as appropriate or CLOSE the issue.
- 4.3.13 IF the CD concurs with the CEM's DETERMINATION that sufficient basis DOES exist, THEN the CEM takes the following actions:
- Record the date and time of CD concurrence within the tracking form,
  - Ensure that, within required timeframe, NERC is updated of the DETERMINATION results via a linear report update per procedure 8.0.
  - Obtain CD concurrence on issue priority and set due dates for issuance of NoAV, development of proposed sanctions / penalties, and other related actions.

NOTE: If at any time during the course of this procedure added information is obtained that changes the characterization of the issue (such as applicable standards or requirements and associated violation risk factor or the violation severity level) THEN re-perform screening and issue prioritization steps starting at 4.2

4.3.14 The SPOC contacts the entity to initiate mitigation plan discussions.

### **4.4 Entity Notification (Refer to CMEP section 5.1)**

- 4.4.1 CEM assigns staff to draft a Notice of Alleged Violation (NoAV) for CEM approval using current templates.

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- 4.4.2 CEM reviews the associated standard(s) to determine if they are among the list designated by FERC as mandatory and enforceable.
- 4.4.3 IF the associated standard is mandatory and enforceable, THEN the CEM designates staff to develop a proposed sanction and / or penalty per procedure 5.7 - Sanctions and Penalties.

NOTE: The CEM directs independent development or review of the penalty and / or sanction, including comparison with other regions for consistency, as required based on the significance of the proposed sanction / penalty.

- 4.4.4 The CEM reviews the NoAV and / or the Sanction / Penalty to ensure it agrees with the information contained in the violation DETERMINATION, and includes the minimum required content per **CMEP section 5.1**. The minimum required information includes:
  - Applicable information detailed in the determination of alleged violation,
  - Registered entity response options and required timing,
  - Required procedures to submit the registered entities mitigation plan.
- 4.4.5 The CEM assembles completed determination sheets for each issue listed in the NoAV and verifies they have been approved through CEM signature and, the determination conclusions and key facts match those described in the NoAV.
- 4.4.6 IF the CD approves the NoAV and / or the Sanction / Penalty letter, THEN the letter is issued per one or more of the following methods:
  - The CD's Executive Assistant will issue to the registered entity by email with copies to CEM, SERC President, SPOC, Data Analyst, and NERC designees. The email to the registered entity will be formatted to require opening receipt.
  - The CD's Executive Assistant will issue a hardcopy to the registered entity by US mail or equivalent with delivery tracking and copied distribution as stated above.
- 4.4.7 The Data Analyst updates the tracking database to denote NoAV and / or Sanction / Penalty issuance and date the required registered entity response date.
- 4.4.8 CEM updates NERC linear reporting to reflect NoAV issuance and to note any changes based on the final determination.

### 4.5 Registered Entity Response (Refer to CMEP section 5.2)

- 4.5.1 Within specific timeframes, the registered entity can ACCEPT or CONTEST the determinations, request a HEARING, or propose a SETTLEMENT agreement.

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- 4.5.2 IF the registered entity ACCEPTs or does NOT contest the possible violation and/or sanction and penalty within 30 days of receipt of notice, THEN the entity will be considered to have accepted the violation. In that case:
- CEM and/or SPOC notify the Compliance Director that the thirty (30) days have expired,
  - Notify the registered entity (by email) that they have been deemed to accept staff's determination,
  - CEM or designee updates the NERC linear reporting,
  - CD notifies the BCC and schedules the issue for BCC review and approval.
- 4.5.3 IF the registered entity wishes to CONTEST the possible violation and / or sanction and penalty, THEN they must submit a written response to SERC including supporting bases, signed by an officer or equivalent, within thirty (30) days of notice.
- 4.5.4 In that case, the CEM schedules a conference with the registered entity within ten (10) days of SERC's receipt of entity response to discuss the bases for the contest.
- 4.5.5 IF SERC and the registered entity are unable to resolve all issues THEN, within forty (40) days of the registered entity response, the registered entity may request a HEARING. IF no hearing request is made within this timeframe, THEN the violation will be considered confirmed when approved by the BCC and subsequently filed by NERC with FERC or the Applicable Governmental authority.
- 4.5.6 IF the registered entity requests a hearing, THEN the Compliance Director will issue a Notice of Hearing containing the specific information regarding the hearing to involved parties including the registered entity, Hearing Officer, SERC's President, and the Board Compliance Committee. Refer to Procedure 5.3 for hearing processes.
- 4.5.7 The CEM or designee updates linear reporting process to reflect the above.

### **4.6 Remedial Action Directive (RAD)**

- 4.6.1 IF a Remedial Action Directive (RAD) was initiated as part of or subsequent to screening, THEN verify a lead person has been assigned for completion of the RAD and coordinate completion of required fields in compliance tracking form / database.
- 4.6.2 Provide the registered entity written notice of the Remedial Action Directive (including the bases for issuance), the deadline for completion, and required timeframe and methods to contest the RAD.
- 4.6.3 Within two (2) business days, notify SERC President, BCC, and

- NERC that a Remedial Action Directive has been issued.
- 4.6.4 IF a RAD has been initiated, notify the registered entity regarding whether the RAD impacts the need to develop a mitigation plan.
- 4.6.5 IF the registered entity is unresponsive to the RAD, notify the BCC and inform the registered entity of the potential for increased penalties associated with unresponsiveness / inaction.
- 4.6.6 IF the Registered Entity contests the RAD developed under procedure 7.0, THEN the Compliance Director arranges for an Expedited Hearing by the BCC.

### 4.7 Mitigation Plans

- 4.7.1 IF the possible violation requires Mitigation, THEN the SPOC will ensure the registered entity is developing a timely and comprehensive Mitigation Plan in accordance with the requirements of procedure 6.0.

NOTE: CMEP section 6.1 states in part “[a] *Registered Entity found to be in violation of a Reliability Standard shall file with the Compliance Enforcement Authority (i) a proposed Mitigation Plan to correct the violation, or (ii) a description of how the violation has been mitigated, ...*” Unless contested or specifically released from submitting a mitigation plan by SERC because the violation has already been mitigated and a description of the mitigation has been filed with SERC, the registered entity is required to submit a mitigation plan in accordance with requirements of procedure 6.0 within thirty (30) days of receipt of the Notice of Alleged Violation (NoAV).

- 4.7.2 The SPOC completes, or ensures designated enforcement staff has completed mitigation plan tracking fields in the tracking database including:
- Mitigation Plan required (Yes or No),
  - Mitigation Plan Submitted (Yes or No),
  - Expected submittal date,
  - Record the required plan completion date and key intermediate milestones.
- 4.7.3 The SPOC reviews the mitigation plan submitted by the registered entity and verifies it conforms to requirements of procedure 6.0 and will address the issue(s).

NOTE: The SPOC will ensure that a response back to the registered entity is provided within thirty (30) days of mitigation plan receipt, indicating approval, or any changes required to allow staff and BCC approval or a revised timetable to allow for completion of staff and other reviews. If the

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entity is not informed that changes are required within 30 days of receipt, the mitigation plan will be considered approved.

- 4.7.4 The SPOC approves the mitigation plan or identifies the changes required to allow for approval, completes the Mitigation Plan Approval form and forwards to the Peer Review Group.
- 4.7.5 The Peer Review Group (including the SPOC) will review the SPOC's recommendation and will concur with the recommendation, remand the recommendation to the SPOC to obtain additional support and documentation, or ALL agree to change the SPOC's recommendation based on discussion and supporting facts. The Peer Review Group will forward the completed Mitigation Plan Approval form and the Mitigation Plan to the Compliance Enforcement Manager (CEM) for review and approval.

NOTE: If the SPOC / CEM desire Compliance Advisory Group review of the mitigation plan, CAG review will be coordinated via the Compliance Director.

- 4.7.6 The Compliance Director notifies the registered entity of staff acceptance of the mitigation plan or the SPOC will notify the registered entity of any required changes necessary to allow for staff approval.
- 4.7. The above steps repeat, as necessary, until the content of the mitigation plan is reconciled. At the discretion of the SERC Compliance Director, these iterations can be terminated if progress is not being made towards an acceptable mitigation plan.
- 4.7. IF the mitigation plan is acceptable to staff, THEN record status as staff approved.
- 4.7.9 Place a copy of the approved mitigation plan and the mitigation plan approval form in the S-drive file for the tracking issue.
- 4.7.10 The Compliance Director schedules BCC meeting for approval of the Mitigation Plan.
- 4.7.11 The Compliance Director directs the SPOC to notify the registered entity of the BCC disposition of the mitigation plan – either approval or, any changes necessary to allow approval.
- 4.7.12 The CEM provides NERC status on BCC approval of mitigation plans and attaches a copy of the approved mitigation plan, including MP review sheet, to the routine linear report.
- 4.7.13 The SPOC schedules follow-ups with the registered entity to confirm satisfactory progress towards completing the mitigation plan.

### 4.8 Settlement Agreements

- 4.8.1 IF at any time prior to the filing of Notice of Penalty with FERC, the

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registered entity wishes to enter into a settlement agreement, refer to Implementation Procedure 5.4 “Settlement Process” while continuing applicable section of this procedure in parallel.

NOTE: The Compliance Director is the individual authorized to enter into settlement discussion for SERC.

- 4.8.2 The registered entity contacts SERC Compliance Director regarding settlement of a compliance issue by submitting a letter in the appropriate form from an authorized company officer.
- 4.8.3 The Compliance Director and designated staff review the settlement offer terms against similar regional and cross-regional compliance actions.
- 4.8.4 The Compliance Director provides staff approval of the settlement or, details changes required to allow for staff acceptance. The above steps repeat until a settlement agreement acceptable to both the registered entity and staff is reached, one party disengages from settlement discussions, or the compliance action resolves through some other action.
- 4.8.5 IF a settlement is agreed to by the Compliance Director and the registered entity, THEN arrange for review and approval of the settlement agreement by the BCC.
- 4.8.6 The BCC reviews and approves the staff approved settlement agreement or directs required changes.
- 4.8. BCC approved settlement agreements are forwarded to NERC for review and approval.

### **4.9 Board Compliance Committee Approvals (CMEP section 5.6 Regional Confirmation / Notice of Penalty)**

NOTE: The Board Compliance Committee (BCC) is the final approval authority for all compliance actions including Notice of Alleged Violations (NoAV), Sanctions / Penalties, Settlements, Mitigation Plans and Remedial Action Directives (RAD).

- 4.9.1 Upon staff disposition of the Alleged Violation and proposed penalty or sanction, the Compliance Director will issue appropriate notice of the alleged violation along with the proposed penalty and sanction to the Registered Entity, SERC’s President, and NERC.
- 4.9.2 IF the registered entity accepts or does not dispute the Notice of Alleged Violation (NoAV) and the proposed sanction and penalty or all hearing and appeals have been exhausted, THEN the issues(s) are presented to the BCC for final regional approval.
- 4.9.3 The Compliance Director includes the applicable issues requiring BCC approval as part of the next meeting agenda, or schedules specific meetings, as required, to obtain BCC approvals.

- 4.9.4 IF the BCC approves staff actions THEN the Compliance Director notes any required modifications specified by the BCC and provides the registered entity and NERC notice that that the alleged violation(s) and associated sanctions and penalties are considered regionally confirmed (Notice of Regional Confirmation of Violation and associated Sanction and Penalty).
- 4.9.5 NERC files a Notice of Penalty with FERC or any Applicable Governmental Authority.

NOTE: Notification to the registered entity will inform the registered entity that they can provide a statement for inclusion in the Final Notice of Penalty.

- 4.9.6 IF the BCC disapproves staff actions, THEN the Compliance Director will close the issue or reinitiate action per the appropriate step of this procedure as directed by the BCC.

### **4.10 Lessons Learned / Issue Closeout**

- 4.10.1 SPOC regularly updates the database and associated files.
- 4.10.2 Compliance Enforcement staff will enter mitigation plan milestones and completion date into a tracking database, track the satisfactory completion of milestones and prepare quarterly reports to NERC.
- 4.10.3 The CD will approve and submit the quarterly reports to NERC and to the BCC as requested. (See Procedure 6.0 Mitigation Plans).
- 4.10.4 Upon completion of the compliance action, the SPOC includes relevant information associated with the disposition including, as applicable, date of the Final Notice of Penalty, registered entity comments to final notice, date of public posting, disposition of NERC appeals if made, etc, in the compliance tracking form.
- 4.10.5 The SPOC ensures that up-to-date information is included in the database and associated files using the closeout worksheet in the compliance tracking form.
- 4.10.6. CEM reviews and approves all files as updated.
- 4.10.7 The SPOC records lessons learned and actions for follow-up related to the specific compliance issue and the compliance enforcement program on the whole.
- 4.10.8 Compliance Director approves closeout of the tracking item.

### Appendix A: Potential Threat to the Bulk Electric System Checklist

Review each topic listed below. If the issue meets any of the criteria below, immediately notify the Compliance Director of a potential threat to Bulk Electric System to initiate added review.

1. Failure of an entity to recover within 15 minutes from a reportable Disturbance Control Standard (DCS) event. (BAL-002)
2. Suspected or confirmed physical or cyber sabotage (CIP-001)
3. Failure to notify neighboring entities of a system event when such event could impact neighboring entities, including events where firm load was shed or actual load shedding occurred. (COM-002, IRO-015)
4. Any event involving an Energy Emergency Alert (EEA) (EOP-002)
5. Entity does not have manual and automatic load shed plans. (EOP-003)
6. Any event requiring the filing of Department of Energy (DOE) notification per OE-417.
7. Failure of an entity to submit NERC and/or DOE disturbance report (EOP-004)
8. Entity does not have a system restoration plan. (EOP-005)
9. Loss of entity Primary Control Center (EOP-008)
10. Any vegetation related outages on the transmission system 200kV and above caused by growth into the transmission system. In the event an issue meets these criteria, review FAC-003 to determine potential impacts to the bulk electric system. (FAC-003)
11. Transmission Operator does not have an annual plan for vegetation management (FAC-003)
12. The Reliability Coordinator fails to have adequate analysis tools to provide adequate situational awareness, data exchange and monitor pre and post contingent capabilities in its own and surrounding areas (thermal, stability and voltage) (IRO-002)
13. The Reliability Coordinator fails to monitor the bulk electric system elements that could result in an SOL or IROL, including operating reserves, real and reactive power system flows within its own area, including neighboring areas as necessary to maintain situational awareness. (IRO-002, IRO-003)
14. The Reliability Coordinator fails to have adequate back-up facilities (IRO-002)
15. The Reliability Coordinator fails to follow, or does not have process controls in place for planned maintenance. (IRO-002)

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16. The Reliability Coordinator fails develop action plans for identified IROL's based on next-day studies, or places an unacceptable burden on an adjacent Reliability Coordinator. (IRO-004)
17. Entity fails to direct and/or mitigate an IROL in less than 30 minutes (IRO-005, IRO-006, TOP-007, and TOP-008)
18. Failure of the Reliability Coordinator to coordinate actions with affected neighboring Reliability Coordinators to mitigate a significant event on the bulk electric system (IRO-016)
19. Any event or potential event where the authority of the operator to unilaterally act on behalf of the bulk electric system is called into question. (PER-001)
20. Entity fails to coordinate all protective system changes, including Special Protection Systems (SPS) with internal and external entities. (PRC-001 & PRC-015)
21. Any event involving misoperation of protection systems (PRC-003 & PRC-004)
22. Any event involving actuation of Under Frequency (UFLS) or Under Voltage (UVLS) systems.
23. Entity did not comply with Reliability Coordinators or Transmission Operator Directive (TOP-001)
24. Entity did not take immediate actions to alleviate emergencies or did not render emergency assistance to others as requested (TOP-001)
25. Entity enters an unknown operating state, and fails to return to a studied, proven state in less than 30 minutes (TOP-004)
26. Entity fails to provide operating data and equipment status needed to monitor system conditions or tools are insufficient to determine the cause of an SOL within their area. (TOP-005, TOP-006, TOP-008)
27. Entity fails to monitor applicable transmission line status, real and reactive power flows, frequency, voltage, tap-changer settings, generator status, automatic voltage regulator status, Power System Stabilizer status, weather forecasts, past load patterns and status of rotating and static reactive reserves. (TOP-006, VAR-001)
28. Entity fails to notify their Reliability Coordinator of an IROL or SOL that has become an IROL. (TOP-007)
29. Entity fails to use the results of analyses to immediately take steps to mitigate an SOL violation. (TOP-008)
30. Failure of multiple "Black Start" units during testing (EOP-009)

### Appendix B: NERC 48-hour Reportable Events

Review each topic listed below. If the issue meets any of the criteria below, immediately notify the Compliance Director of a NERC 48 hour Reportable event.

1. COM-002-2 — Communications and Coordination
2. EOP-004-1 — Disturbance Reporting
3. FAC-003-1 – R3.4.1 and R3.4.2 — Vegetation Management Program
4. IRO-001-1 — Reliability Coordination — Responsibilities and Authorities — for R8 and R9 only, the rest are administrative.
5. IRO-002-1 — R4-R9 - Reliability Coordination — Facilities
6. IRO-003-2 — Reliability Coordination — Wide Area View
7. IRO-004-1 — Reliability Coordination — Operations Planning
8. IRO-005-1 — Reliability Coordination — Current Day Operations
9. IRO-006-3 — Reliability Coordination — Transmission Loading Relief
10. IRO-015-1 — Notifications and Information Exchange between Reliability Coordinators
11. IRO-016-1 — Coordination of Real-time Activities between Reliability Coordinators
12. PER-004-1 — Reliability Coordinator Staffing
13. TOP-001-1 — Reliability Responsibilities and Authorities
14. TOP-003-0 — Planned Outage Coordination
15. TOP-004-1 — Transmission Operations — for R4 only
16. TOP-005-1 — Operational Reliability Information
17. TOP-006-1 — Monitoring System Conditions
18. TOP-007-0 — Reporting SOL and IROL Violations
19. TOP-008-1 — Response to Transmission Limit Violations
20. VAR-001-1 — Voltage and Reactive Control

### Appendix C: Requests for Data / Escalation for Nonsubmittal

#### Requests for information

- Throughout the process, SERC and the registered entity exchange information, as required, to fully and accurately understand the issue.
- After creation of a tracking number and associated files, hardcopy or electronic copies of each such exchange are to be stored in the appropriate files.
- Requests for data and information will typically be directed to the designated contact personnel unless the entity directs otherwise for specific technical reasons.

#### Escalation for Nonsubmittal

*If data, information, or other reports (including Mitigation Plans) requested from a Registered Entity are not received by the Required Date, SERC may sequentially execute the following steps for each Reliability Standard for which SERC has requested data, information, or other reports. SERC however will afford the Registered Entity reasonable opportunity to resolve a difficulty submitting data due to time or format issues.*

Step 1: The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's designated contact.

Step 2: The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's Vice President or equivalent responsible for compliance (with a copy to NERC and the Registered Entity's designated contact).

Step 3: The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's Chief Executive Officer or equivalent (with a copy to NERC, the Registered Entity's Vice President or equivalent responsible for compliance and the Registered Entity's designated contact). A full compliance audit may be scheduled at this step.

Step 4: Thirty (30) days after the Required Date, a Reliability Standard violation may be applied at the Severe Compliance Severity Level. Step 4 does not apply to Compliance Audits and mitigation tracking requests.

**Appendix D: Example Template Alleged Violation Summary Determination**

Tracking# \_\_\_\_\_ Entity: \_\_\_\_\_ Discovery Method: \_\_\_\_\_

Standard & Version: \_\_\_\_\_ Requirement(s): \_\_\_\_\_

Violation Risk Factor: \_\_\_\_\_ Violation Severity Level: \_\_\_\_\_

Master Account Name: \_\_\_\_\_ SPOC: \_\_\_\_\_

Reliability Impact Statement (Actual / Potential):

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Excerpt from Standard / Requirement:

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Factual Bases in support of conclusion:  
(Include attachments / list references as appropriate):

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Violation Summary:

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Conclusion: Sufficient Basis (DOES / does NOT) exist that an Alleged Violation occurred.

Peer Review by: \_\_\_\_\_ Date: \_\_\_\_\_

CEM approval: \_\_\_\_\_ Date: \_\_\_\_\_

CD Concurrence: \_\_\_\_\_ Date: \_\_\_\_\_

**Appendix E: Peer Review Check List**

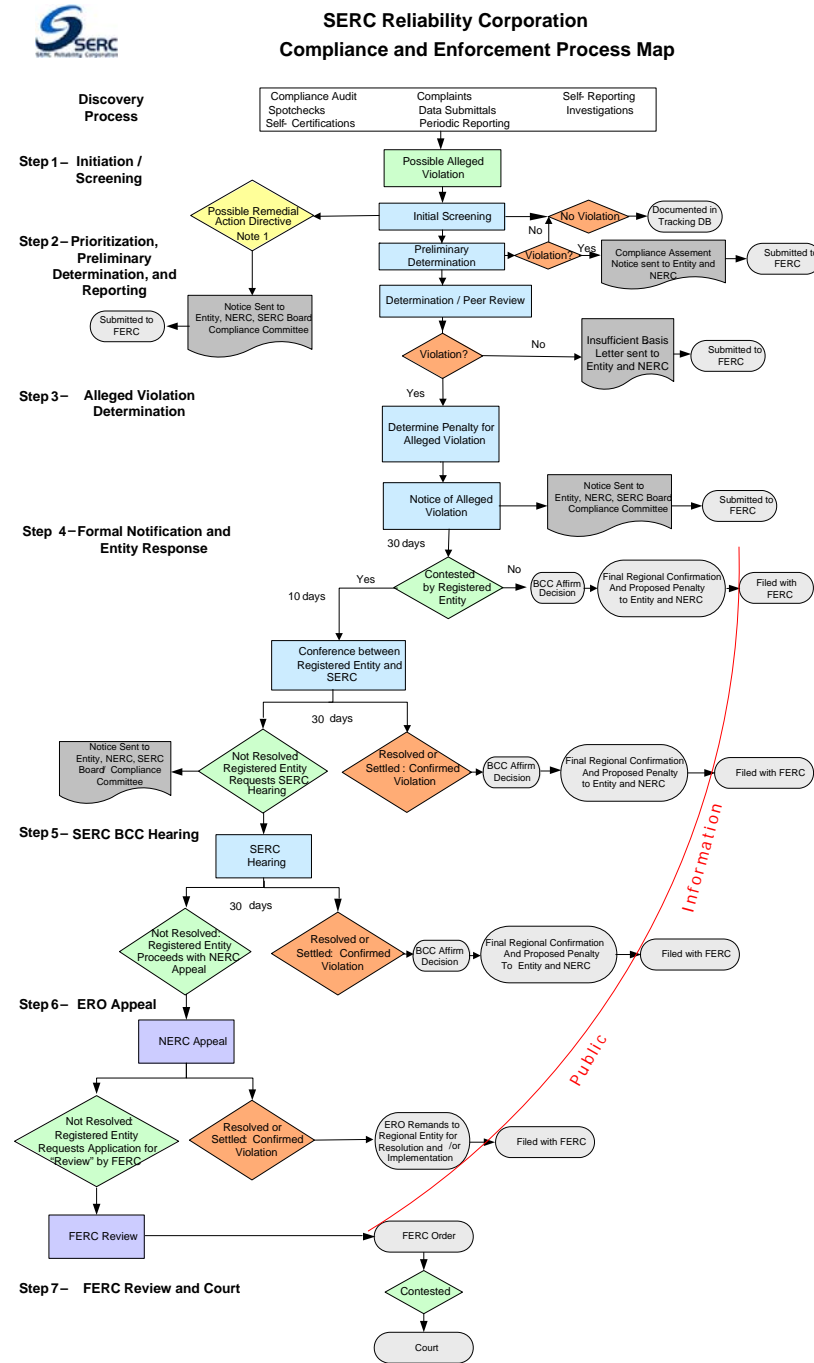
SERC Tracking Number:	Date:	
Compliance Enforcement Lead:	<b>Notes/Comments</b>	<b>Check Completed (Y)</b>
1. Basis of violation Identify standard and basis of standard a. Standard Requirement, b. Measurement, c. Data retention d. Levels of non compliance		
2. Check Method of identification a. Self report b. Audit		
3. Check Pull down box entries in determination sheet a. Severity level b. Violation Risk Factor c. Violation Severity Level		
4. Identify evidence of violation a. Does evidence apply to this standard or other standard/requirements		
5. Discuss application of Standard a. Is the entity registered correctly for the Standard to apply b. Are there other standards applicable to this violation		
6. Check that evidence supports conclusion or is sufficient basis for alleged violation.		
7. Check reliability impact statement a. Ensure it is consistent with		

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standard		
8. Check that Mitigation plan will resolve violation a. If the mitigation plan is available.		
9. Identify issues to be resolved or discussed on the Standards with CEM		
10. Document best practices for Determination sheet a. to share with auditors or compliance enforcement staff		
11. Initial and check peer check SAT column		
12. Notify SPOC that peer check is complete		
13. Ensure determination sheet is complete a. CEM and other readers can draw to the same conclusion		

# APPENDIX F: COMPLIANCE AND ENFORCEMENT PROCESS MAP



Note 1: A RAD can be requested at any time.  
 Note 2: Settlement Discussions can be initiated at any time.  
 Note 3: Mitigation Plans can be submitted at any time, but must be submitted 30 days after receipt of the NoAV unless the issue is contested.