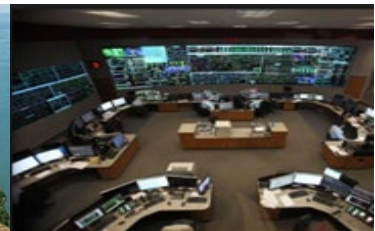


PUBLIC



Compliance Oversight Plans & Compliance Monitoring

Zack Brinkman – Manager, CIP Compliance Monitoring
Anthony Jablonski – Manager, Risk Analysis and Mitigation
Technical Talk with RF
December 13, 2021



COP Philosophy

- COPs are **how we as the Region** assess, categorize, and prioritize registered entities
- Continuous cycle to inform **planning** and **scheduling** of compliance monitoring activities
- Rules of Procedure **require** us to have “Compliance Audit processes” that are “based on” professional auditing standards
- **Risk Assessment** is a component of good planning in those standards, and the COP supports that obligation



COP Components



Enhanced Analysis

Inherent & Performance Data

Analysis of inherent and performance data provides an understanding of an entity's overall inherent risk and performance profile



Targeted Oversight

Risk Categories

Selected risks provide a focus for an entity's continuous improvement & to Regional Entities for its compliance monitoring activities



Prioritized Monitoring

Oversight Strategies

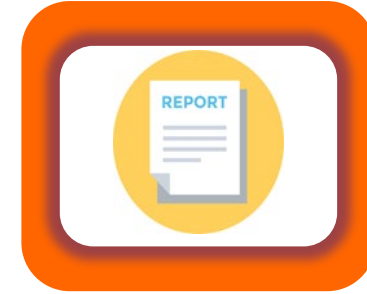
Provide target interval frequency for oversight, primary monitoring tools, and informs annual planning



Standards to Risk

Appendix B

Provides Reliability Standards associated with the entity-specific risks. The scope of monitoring activities is derived from this list

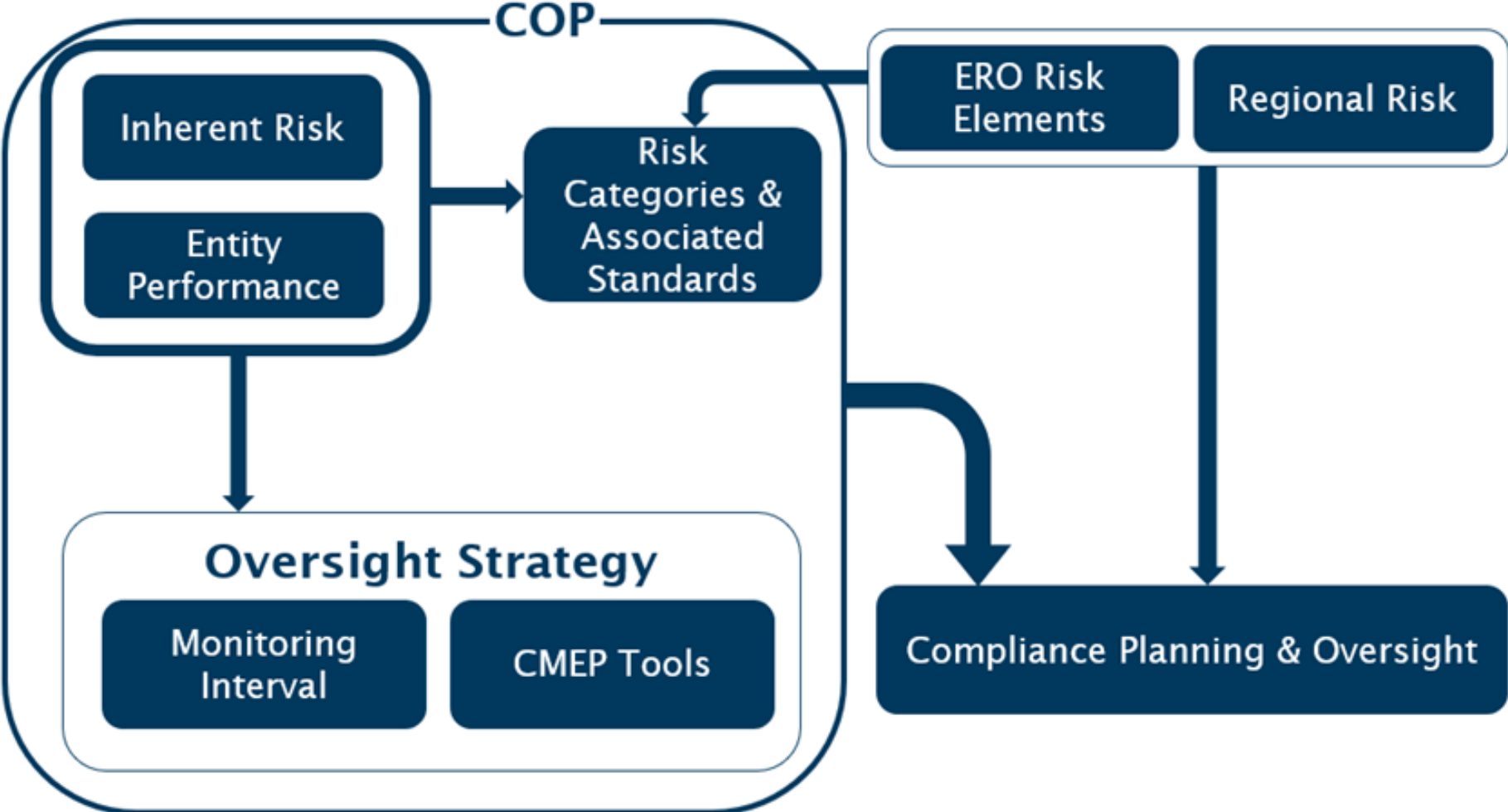


COP Report

Common Template

One report to provide both inherent risk assessment results and the compliance oversight plan

Risk Assessment Overview



Example Entities

We will use the following three hypothetical Entities for example purposes. They are all registered for the TO, TOP, and GO functions.

- **Entity A** – Newly Registered Entity (less than six months), part of a holding company, with Moderate inherent risk and no performance information
- **Entity B** – Registered since 2007 with Moderate inherent risk and demonstrated positive performance
- **Entity C** – Registered since 2007 with Moderate inherent risk and without demonstrated positive performance



Inherent Risk Assessment Results for Example Entities

Risk Factor	Entity A	Entity B	Entity C
Transmission Portfolio	Medium	Medium	Medium
Voltage Control	Low	Medium	Medium
Planned Facilities	Medium	Medium	Low
Critical Transmission	High	Medium	Medium
RAS/SPS	Low	High	Low
Workforce Capability	Medium	Medium	Medium
System Restoration	High	High	Low
Largest Generator	Medium	High	High
Total Gen. Capacity	Medium	Medium	Medium
CIP – Impact Rating Criteria	Medium	Medium	Medium
ICCP Connectivity	High	High	High
Monitoring & Situational Awareness Tools	Medium	Medium	Medium



Performance Consideration Example

Performance Considerations	Entity A	Entity B	Entity C
Culture of Compliance	Good	Strong	Weak
Compliance History	None	Repeat Self Reports of CIP V5 Program; minimal risk violation 2007 – FAC-008 R1, R2 Violation	Repeat Violations CIP V3 and V5 Programs Repeat Violations (2010, 2013, 2017) of <ul style="list-style-type: none"> • FAC-008 R6 • PRC-005 R2, R3 • FAC-003 R6
Internal Controls	No information on operational controls	Mature; positive information on operational controls	No information. Weak information on operational controls



Risk Category Selection Example

Risk Categories	Entity A	Entity B	Entity C
Asset/System Identification	✓	✓	✓
Asset/System Management and Maintenance	✓	✓	✓
Entity Coordination	✓		✓
Identity Management and Access Control		✓	✓
Emergency Operation Planning	✓		✓



Oversight Strategy Example

Entity A Moderate Inherent Risk Without Demonstrated Positive Performance	Entity B Moderate Inherent Risk With Demonstrated Positive Performance	Entity C Moderate Inherent Risk Without Demonstrated Positive Performance
Oversight Strategy Cat 3 <ul style="list-style-type: none">• Target Interval<ul style="list-style-type: none">○ Every 3-5 years• Primary CMEP Tools<ul style="list-style-type: none">○ Compliance Audit (on/off-site)○ Spot Check○ Self-Certification	Oversight Strategy Cat 4 <ul style="list-style-type: none">• Target Interval<ul style="list-style-type: none">○ Every 4-6 years• Primary CMEP Tools<ul style="list-style-type: none">○ Compliance Audit (off-site)○ Spot Check○ Self-Certification	Oversight Strategy Cat 3 <ul style="list-style-type: none">• Target Interval<ul style="list-style-type: none">○ Every 3-5 years• Primary CMEP Tools<ul style="list-style-type: none">○ Compliance Audit (on/off-site)○ Spot Check○ Self-Certification

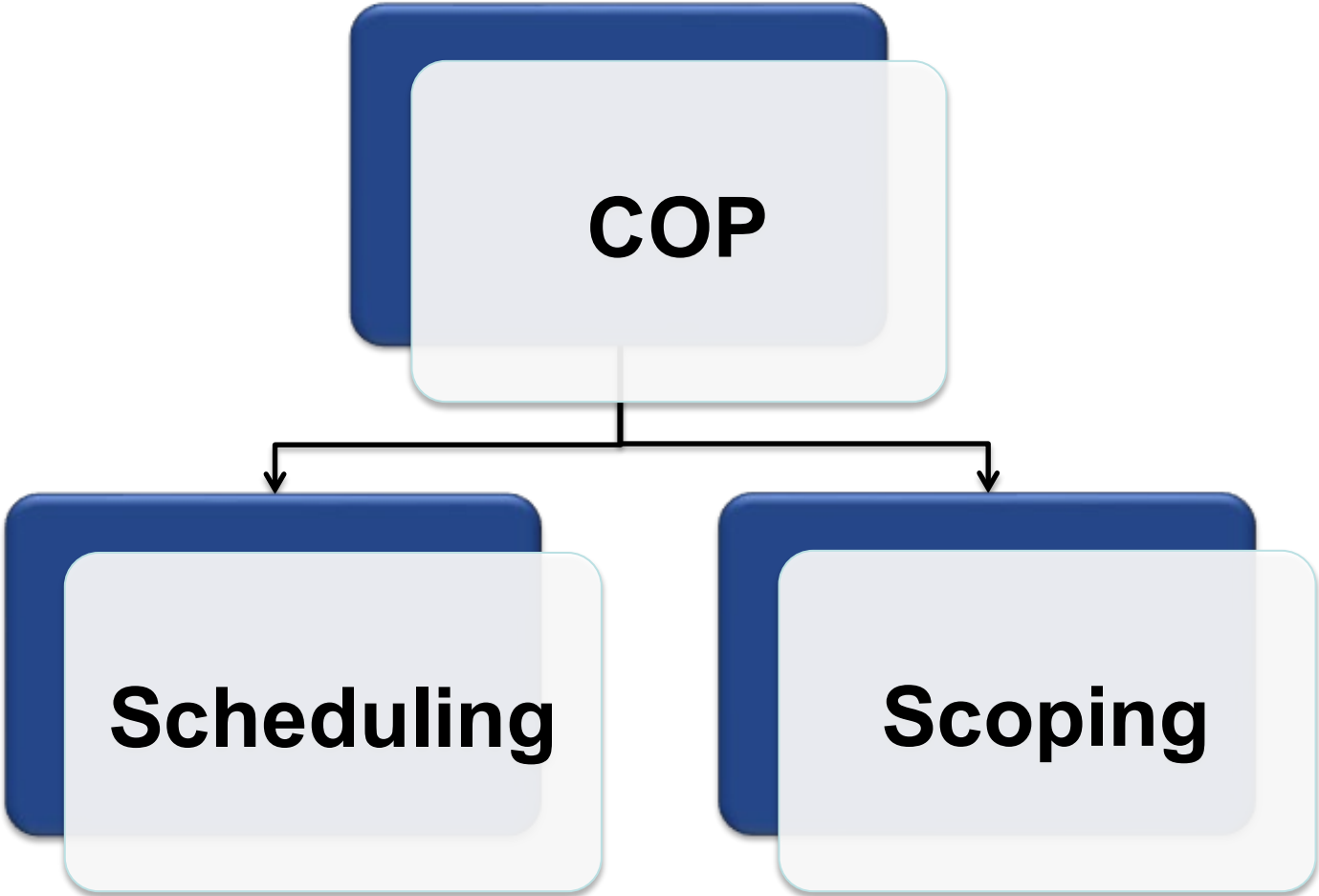


Transfer of Information

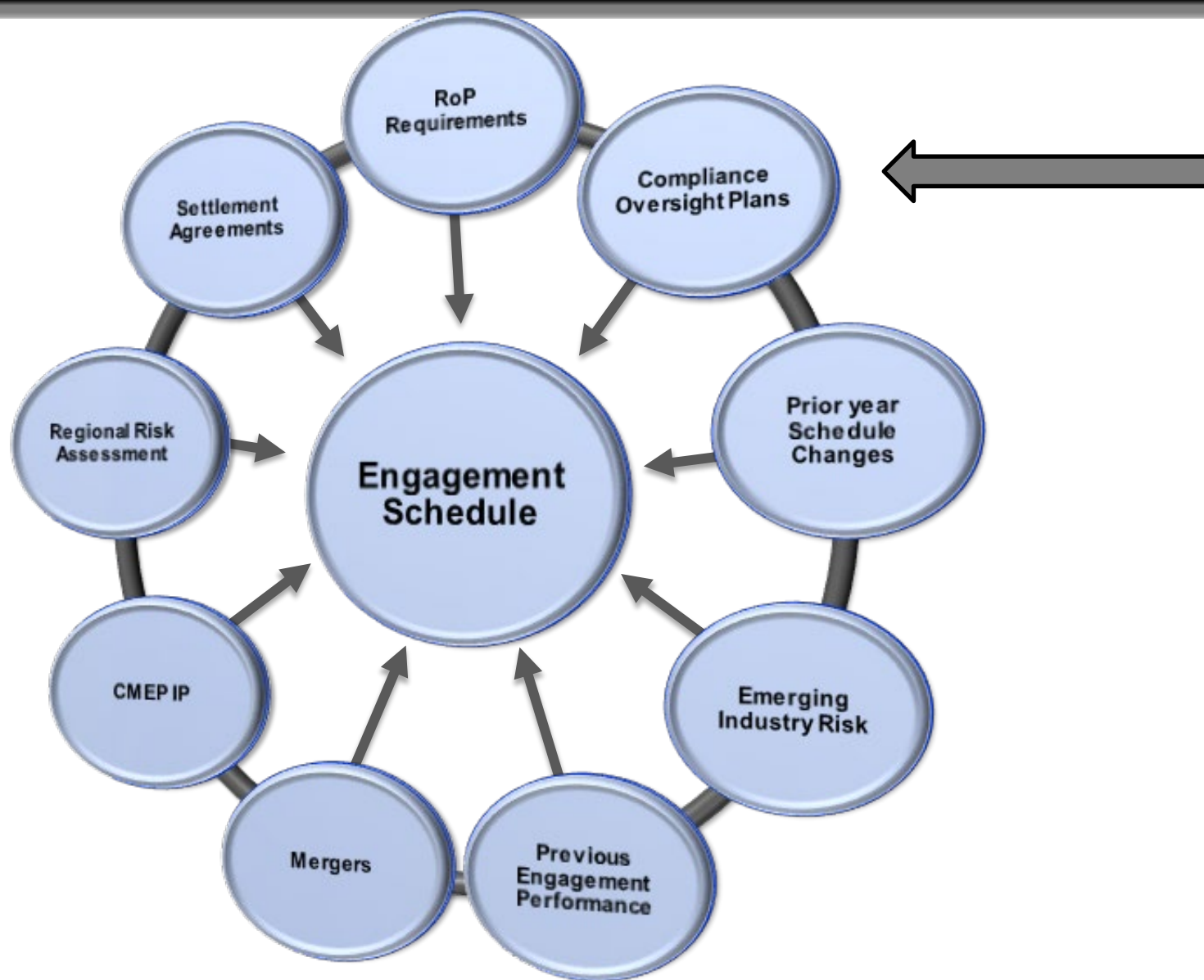
The details of the COP and overall assessment results must be shared with compliance teams to assist in scoping and development of monitoring approach. This includes:

- Entity risk profile
- Oversight strategy
- Scope recommendations
- Risk Categories and areas of focus

Compliance Monitoring – COP Use

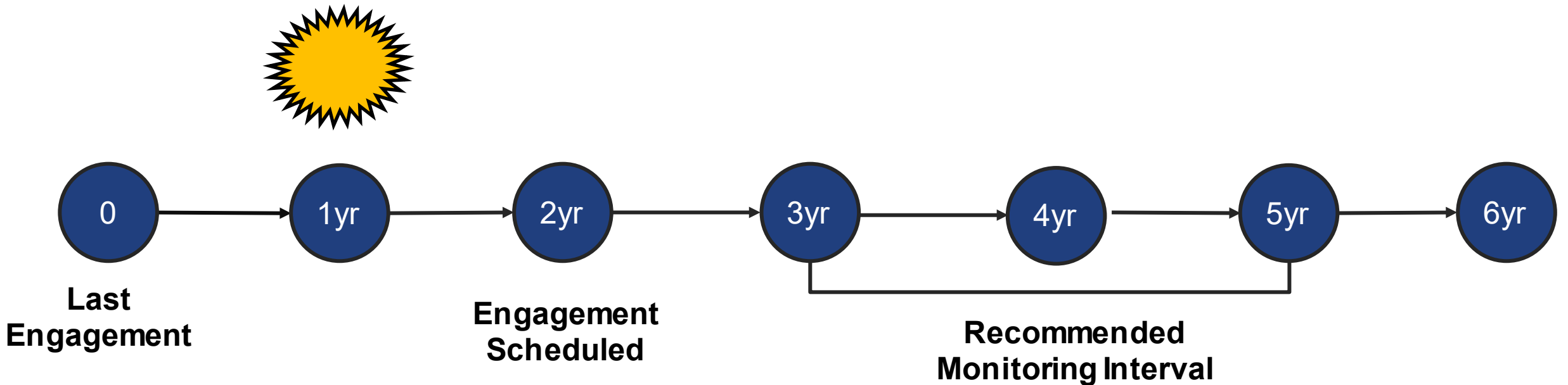


Engagement Scheduling



Scheduling Example

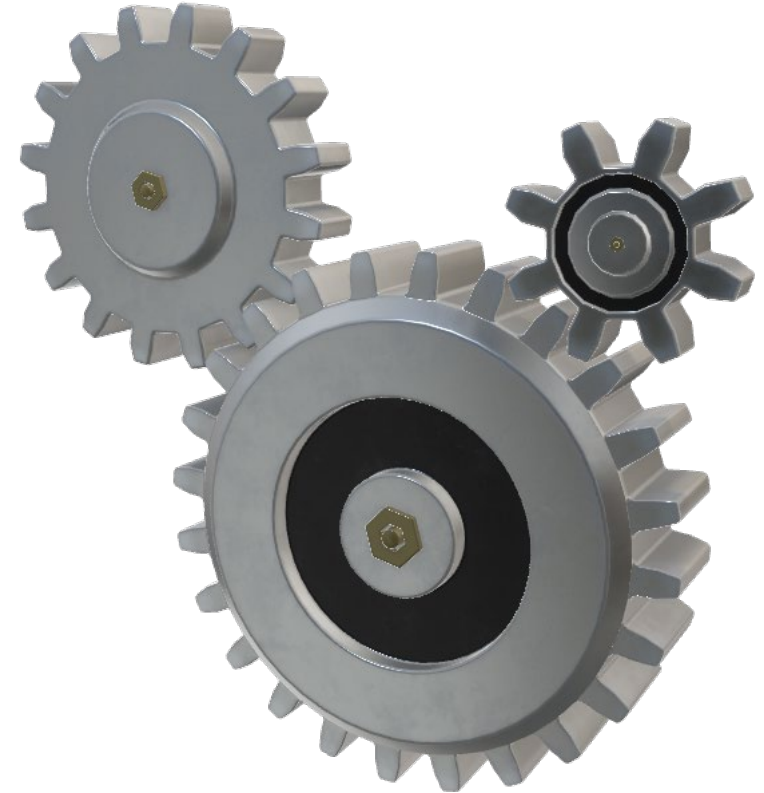
Entity A: Moderate inherent risk without demonstrated positive performance



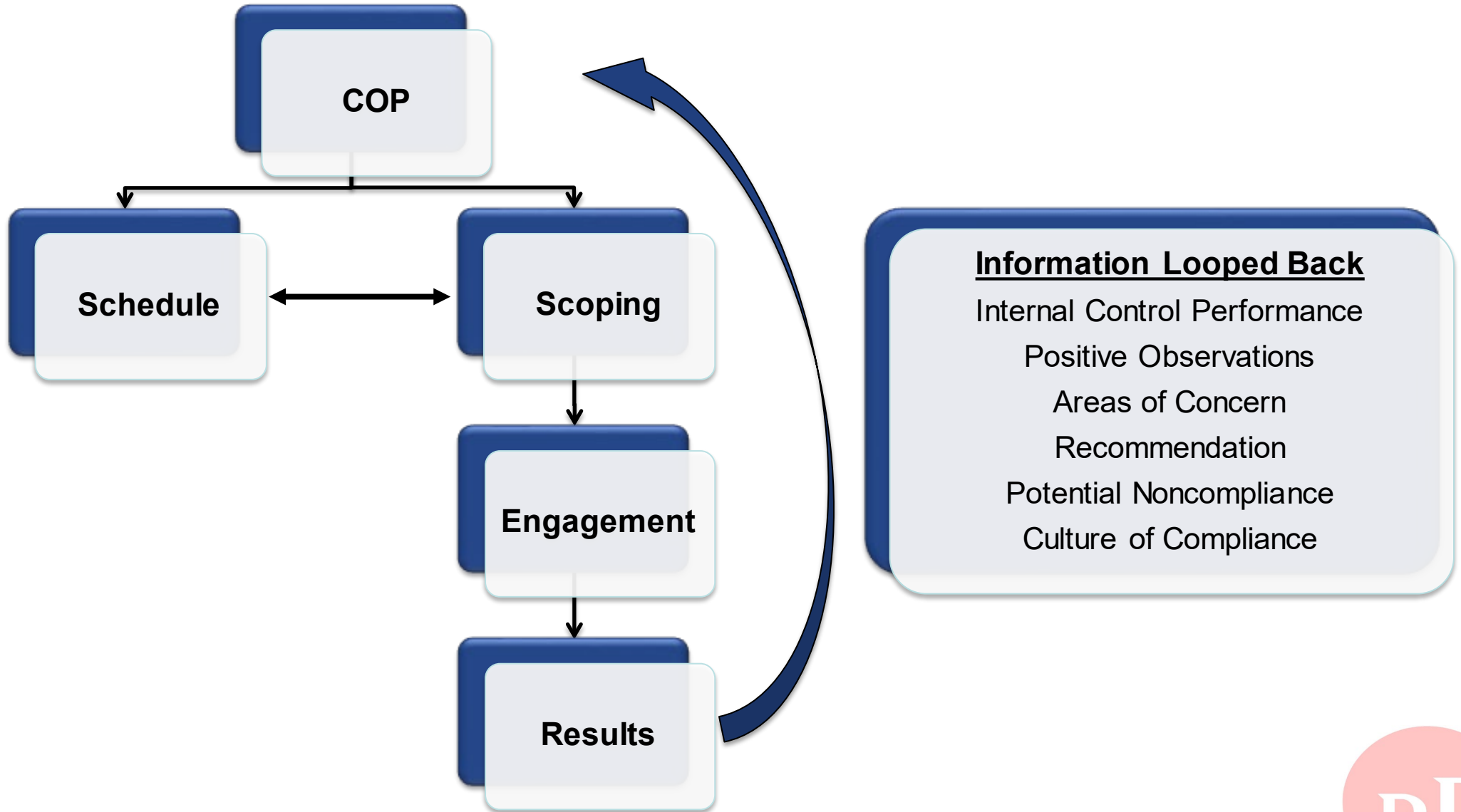
Scoping Considerations

ATL considers the following:

- **Compliance Oversight Plan (COP) – Risk Categories – Associated Standards**
- ERO Risk Elements
- Previous Audit Engagement Scopes
- Previous Engagement Results
- Open Enforcement Actions
- Open or Recently Closed Mitigation Plans
- IRA Performance Metrics
- Validated Internal Controls



Loop Back




2022 CMEP IP

NERC
NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2022 ERO Enterprise Compliance Monitoring and Enforcement Program Implementation Plan

Version 1.0
October 2021

RELIABILITY | RESILIENCE | SECURITY



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Suite 600, North Tower
Atlanta, GA 30326
404-446-2560 | www.nerc.com

Table 2: 2022 Risk Elements

Remote Connectivity
Supply Chain
Models Impacting Long-term and Operational Planning
Gaps in Program Execution
Protection System Coordination
Extreme Events

Reference Materials

The following are links to NERC-related Reference Materials

- [Compliance Oversight Plan \(COP\) FAQs](#)
- [Compliance Oversight Plan \(COP\) Report Template](#)
- [ERO Enterprise Compliance Oversight Plan Presentation Slides](#)
- [ERO CMEP Implementation Plan v1.0 – 2022](#)



Questions & Answers

Forward Together  **ReliabilityFirst**