

Enforcement Explained

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2022 Enforcement Trends

A focal point for RF Enforcement in 2022 has been transparency. With that in mind, this quarter's column discusses metrics intended to provide further visibility into ReliabilityFirst's enforcement work in 2022.

Before diving into the data and potential implications, it is important to discuss three important caveats. First, the data is a broad snapshot, and while informative, it can be difficult to draw specific conclusions. The second key caveat is that RF Enforcement's data sharing choices balance a couple of important priorities: transparency and security. That is, especially in the CIP space, we want to provide context but not highlight areas of weakness in open violations such that they can be leveraged. For this reason, beyond discussion of total inventory, the primary matters discussed below are most frequently violated standards, processed dispositions and mitigated dispositions. Third, the data provided is limited to the RF footprint and not the ERO Enterprise as a whole.

If you want further context about how your entity stacks up against industry-wide markers or what we are seeing as it relates to new violations, please reach out to your case manager.

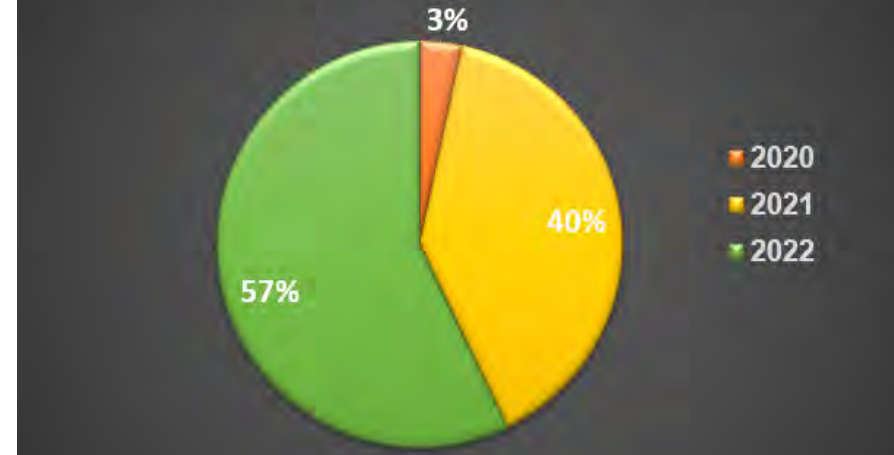
Open inventory leans current

Over the past three years, a central priority for RF Enforcement has been to clear out older inventory and slowly move open inventory more and more current. What you can see above is that in RF, 97% of the open noncompliances are from the past two years. Additional context on what is considered open inventory is important. These are noncompliances that have not been disposed of in a compliance exception, FFT, settlement or dismissal. In a majority of these cases, mitigation has been submitted, reviewed and approved. Therefore, while the disposition is not yet complete, the risk is being (and in a lot of cases, has been) mitigated.

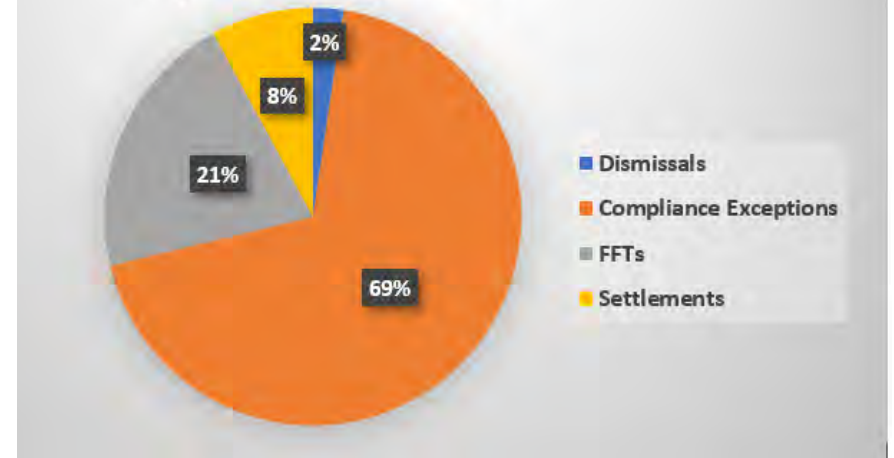
2022 Disposition Type

One of the big takeaways, similar to data from prior years, is that 92% of the noncompliances disposed of in 2022 were done so outside of the penalty space. It is worth noting that for the five years prior, the number of noncompliances addressed outside of the penalty space was closer to 85%. However, that does not mean that the number of settlements is decreasing – it is not. Rather, the number of violations in settlements is decreasing (i.e., the settlements generally involve a narrower set of issues and violations).

Inventory by Year Self-Reported or Found at Audit/Spot-Check/Self-Certification



Disposition Type 2022



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The majority of violation intake remains CIP-centric

Since the start of 2016 and the implementation of CIP Version 5 standards, CIP noncompliances have generally constituted anywhere between 65-80% of ReliabilityFirst's inventory. One important caveat is that the volume of CIP noncompliances is not an indication that they are elevated in risk as compared to the operations and planning side. A significant component of the CIP volume arises from what are often referred to as the high-frequency conduct standards.

Three digestible examples of high-frequency conduct requirements are:

- CIP-010-3 R1.2/R1.3 (authorizing and documenting changes or deviations from the existing baseline)
- CIP-007-6 R2 (security patch management)
- CIP-004-6 R5 (access revocation)

Essentially, these are standards and requirements that require the successful completion of so many individual acts such that small individual variances from compliance can be expected.

As outlined above, a handful of the high-frequency conduct requirements rest in the top-5 most violated standards. There are also a couple of interesting observations based on the chart above. CIP-007 is the most violated standard in ReliabilityFirst's history. While it remained a frequently violated standard in 2022, its downshift is worth considering.

However, whether this is a trend related to improving entity controls around patching and other CIP-007 activities or a statistical outlier is not clear as of this writing. Second, as has been true historically, PRC-005 and VAR-002 remained the two most frequently violated operations and planning standards.

Reach out to your case manager

What was detailed above is merely the tip of the iceberg when it comes to context and information your case manager can provide about how your entity compares. If you want more context or want to discuss particular issues that your entity is considering or facing, please reach out to your case manager.

