

Enforcement Explained

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2023 Enforcement Trends

A continuous point of focus for RF is transparency. With that in mind, this quarter's column discusses metrics intended to provide further visibility into RF's enforcement work in 2023.

Before diving into the metrics, it is important to discuss the limitations or caveats to what is provided.

First, the data is a broad snapshot, and while informative, it can be difficult to draw specific conclusions.

Second, we are balancing important priorities, namely transparency and security. For example, in the CIP space, we want to provide context but not highlight areas of weakness in open violations such that they can be leveraged.

Third, the data provided is limited to the RF footprint and not the ERO Enterprise as a whole.

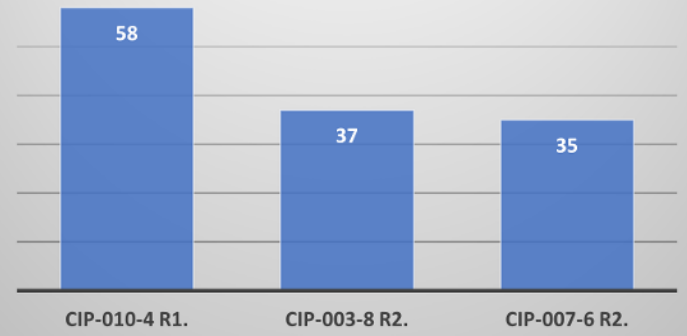
With the above in mind, we will dive into the snapshots from two angles. First, noncompliances coming in, and second, noncompliances that have been assessed at elevated risk levels.

In the CIP space, for the first time in a while, there has been a marked change at the top with the appearance of CIP-003-8 R2. For the past half decade, CIP-010-2 R1 (prior version of CIP-010-4 R1), CIP-007-6 R2, CIP-004-6 R4, and CIP-004-6 R5 have been the most violated requirements. A bit on the mainstays first. CIP-010 R1 and CIP-007-6 R2 are what we often refer to as "high-frequency conduct" requirements, meaning they govern conduct that happens frequently, and numerous and continuous acts are required to remain in compliance.

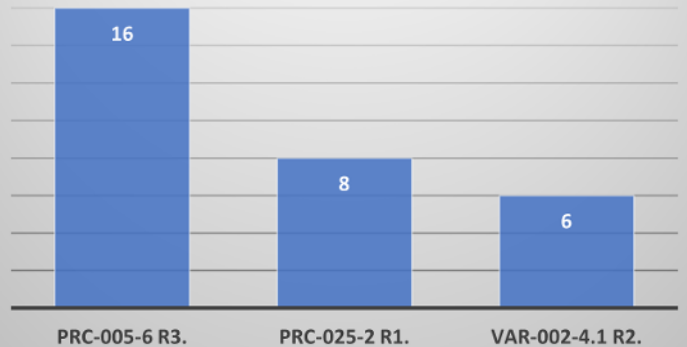
CIP-007-6 R2, for instance, captures the patching process, which includes an immense amount of individual acts in terms of identifying, reviewing, and applying patches to hundreds, or thousands of assets. Even entities with strong programs will find noncompliances involving patching, but in a strong program with effective internal controls, the duration and instance counts will be narrow. Where this is not the case, the risk will likely be elevated.

As it relates to CIP-003-8 R2, there are a couple of potential reasons for its increased frequency. First, RF has exercised increased compliance monitoring oversight of low impact facilities. Second, CIP-003-8 functions as a sort of "catch all" for high frequency acts for low impact facilities; therefore, increased volume does not necessarily reflect

Top 3 Most Violated CIP Requirements (Intake Last 12 Months)



Top 3 Most Violated Ops and Planning Requirements (Intake Last 12 Months)



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increase of a specific failure type.

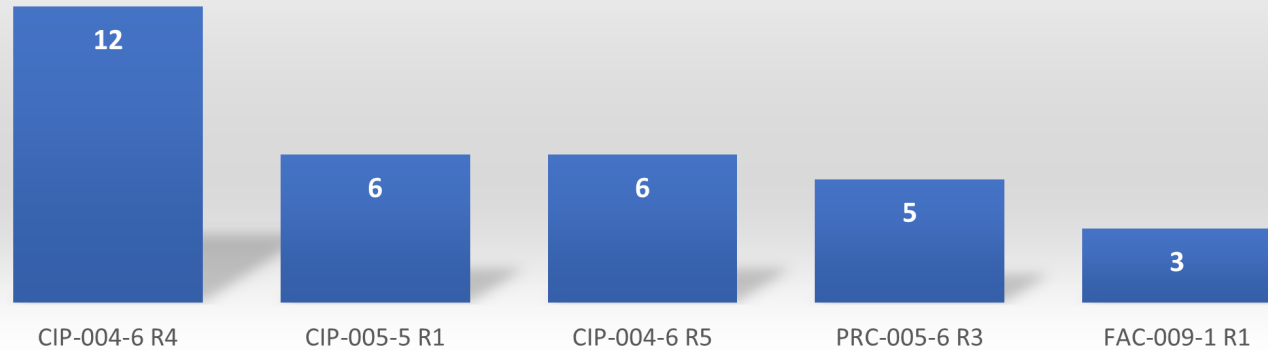
PRC-005-6 R3 and VAR-002-4.1 R2, similar to CIP-007-6 R2 and CIP-010 R1, are standards that require nearly continuous action. PRC-005-6 R3 involves monthly, quarterly, yearly, and longer-term maintenance and testing requirements, which can require a lot of planning, coordination, tracking, and individual acts when implemented across a large fleet. Similarly, many registered entities continuously strive to monitor, adhere to, and notify of departures from voltage schedules. Of note, we have also seen a concerning increase in VAR-002-4.1 R1 and R3 noncompliances, which was the basis of a recent Enforcement Explained column in the [Q2 Newsletter](#).

Despite the above discussion of high-frequency conduct standards, the facts and circumstances of each individual case impact the outcome, and there is not a requirement-level presumption of risk posed by the noncompliance. This is demonstrated by the above chart, where CIP-004-6 R4, CIP-004-6 R5, and PRC-005-6 R3 all have several noncompliances assessed at moderate risk or higher. On the PRC-005-6 side, we see elevated risk where we have broader proportional misses across the entity's program with significant durations.

On the CIP-004-6 R4 and R5 side (access management and access revocation), we are seeing an increase in issues with managing access with vendors and contractors, often involving extended durations where entities do not have strong internal controls to monitor contractor personnel changes.

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.

Top 5 Highest Risk Requirements (Based on 2023 Filings)



Contact Entity Engagement

We encourage registered entities to [reach out to our Entity Engagement team](#) if they have questions regarding their approach to the issues discussed in this article.