

Get Control of Yourself - Things are Changing

By Denise Hunter, Principal Technical Auditor

The year 2020 appears to be all about change—pivotal changes and changes due to the “new normal.” While the topic of updating an Entity Profile Questionnaire (EPQ) is not necessarily life changing, the intent is to help you identify your basic risk to the BPS and help focus any oversight activities on the appropriate areas.

The 2020 ERO Compliance Monitoring and Enforcement Program Implementation Plan (CMEP IP)¹ suggests that “registered entities should consider the risk elements and their associated areas of focus as they evaluate opportunities and their own prioritization to enhance internal controls and compliance operations focus.”

The CMEP IP then identifies seven risk elements with applicable Standards and Requirements. Although, it’s important to note that the CMEP IP also states, “For a given registered entity, requirements other than those in the CMEP IP may be more relevant to assist mitigating the risk, or the risk may not apply to the entity at all.”

I believe one of the goals of the CMEP IP identification of ERO Risk Elements is two part:

- 1) to help entities identify their risk to the reliability and resiliency of the grid, and
- 2) to highlight the areas an entity should focus their efforts and funds toward establishing appropriate controls to mitigate those risks.

Toward that goal, RF is updating the EPQ with changes designed to help registered entities identify and communicate those ERO Risk Elements that apply to them, as well as any internal controls they might have in place to mitigate those risks.

ERO/RF Risk Elements
Management of Access and Access Controls
Insufficient Long-Term and Operations Planning Due to Inadequate Models
Loss of Major Transmission Equipment with Extended Lead Times
Inadequate Real-time Analysis During Tool and Data Outages
Improper Determination of Misoperations
Gaps in Program Execution
Texas RE: Resource Adequacy

What’s Changing?

With the updated process, RF will ask if there have been any changes to key personnel or if any technology has changed. Key personnel refers to any personnel assigned to perform or monitor a key control².

Understanding changes to key personnel is important because those differences can impair an internal control. Incoming personnel initially may not be comfortable performing, or clearly understand the expectations of, the control. This could result in the control not performing as designed.

Depending on the risk the control is designed to mitigate, additional monitoring during this period may be warranted. Technology changes will always alter any existing controls, and the risk of human interaction with technology is often overlooked.

Controls such as reconciliations of data entry should be designed to remove the human risk.

Therefore, following the installation of any technology changes, a complete review of all controls related to the risk must be performed. The purpose behind these questions is to trigger an entity that has experienced one of these

¹ https://www.nerc.com/pa/comp/Reliability%20Assurance%20Initiative/2020_ERO_CMEP_Implementation%20Plan.pdf

²A primary control that is essential for a consistent, appropriate process or to meet Standard expectations; typically takes place during the activity to which it applies

Get Control of Yourself - Things are Changing

Continued from page 5

activities to review their controls and ensure they are still adequate.

The updated EPQ also will include review of each ERO Risk Element, requiring registered entities to identify their risk score for each element. The score range is:

- 0 – No to Low Impact
- 2 – Low to Moderate Impact
- 4 – Moderate to High Impact

For example, if the registered entity is not required to provide modeling data, then their risk rating for the ERO Risk Element of Insufficient Long-Term and Operations Planning Due to Inadequate Models might be determined to be a zero. If the score is determined to be a zero, no further information is required.

If the determination is a two or a four, then additional questions will apply.

A few example questions:

- Are there documented internal controls related to that risk?
- And has monitoring of the internal control been defined?)

The registered entity will then have the opportunity to submit the documented control and evidence of monitoring.

Our goal with the changes to the EPQ was twofold. We added the new questions to assist entities in determining their risk to the BPS, thus establishing a baseline for needed internal controls.

This was coupled with the goal of maturing our understanding of our registered entities. The information submitted regarding your internal

controls will help better define your Inherent Risk Assessment.

It also may assist in focusing any engagement and outreach activities to the appropriate risk area, thus improving reliability and increasing the efficiency of any oversight activities.

Change is challenging—and it often creates more questions than we may immediately have answers for, which can be frustrating. However, in order for the paradigm shift from compliance to risk to continue, change is inevitable.

Be kind to each other and get control of yourself.

