Risk Based Compliance Filtration Diagram

NERC STANDARDS UNIVERSE

APPLICABLE STANDARDS (your size may vary)

NERC/SPP RE FOCUS AREAS

SCOPE of MONITORING ENGAGEMENT (preliminary)

SCOPE of MONITORING ENGAGEMENT (final)

AUDIT SCOPE (t-90 days)

SPOT CHECK

SELF CERTIFICATION

Engagement Scheduling

Internal Controls Evaluation (voluntary)

Inherent Risk Assessment

Risk Elements/CMEP Implementation Plans (NERC/SPP RE)

NERC Functional Registry
Inherent Risk Assessment (IRA) Process

• Why is SPP RE doing an Inherent Risk Assessment?
  – To develop the Registered Entity’s compliance oversight plan
    ▪ Identify the level of risk to the BPS
    ▪ Monitoring scope
    ▪ Monitoring method
    ▪ Monitoring frequency
  – To understand the Registered Entity so we can assess the risks to BPS
Process Steps

Information Gathering
- Gather Risk Elements Module Output
  - Determine Entity Specific Information Needs to Perform IRA
    - Develop Targeted Information Request List

Assessment
- Risk Factor and Standards and Requirements Applicability Review
  - Risk Factor Analysis
    - Review of IRA Conclusions

Results
- Results Documentation
  - Draft Compliance Oversight Plan for Registered Entity
Information Gathering

• SPP RE’s IRA Questionnaire
• SPP RE’s Asset Spreadsheet
• Internal information
  – Previous audit reports
  – Self-certifications
  – Reliability Coordinator Questionnaire
  – Compliance history
## Assessment

- **SPP RE’s IRA Template**
  - Compliance history – Open Enforcement Actions and mitigations
  - Technical assessment risk factor criteria were developed using the Appendix C of the *ERO Enterprise Inherent Risk Assessment Guide*.

<table>
<thead>
<tr>
<th>Risk Factor</th>
<th>Low Risk</th>
<th>Moderate Risk</th>
<th>High Risk</th>
<th>Entity Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration Function</td>
<td>PSE, LSE, DP</td>
<td>GO, GOP, TO, IA, PA</td>
<td>RC, BA, TOP</td>
<td>High - TOP</td>
</tr>
<tr>
<td>Geography/Climate</td>
<td>Flat or no identified issues</td>
<td>Moderate terrain issues (list)</td>
<td>Mostly rugged terrain, mountains, oceans</td>
<td>Low – Flat. No identified issues. Located in central and western Kansas.</td>
</tr>
<tr>
<td>Vegetation Management</td>
<td>Little or no trees (plains; desert)</td>
<td>Moderate climate</td>
<td>Invasive climate or past identified issues</td>
<td>Low – Little or no trees. Located on plains in central and western Kansas</td>
</tr>
</tbody>
</table>
Assessment

• CIP information – SCADA/EMS information, Firewalls, Network vendors, workstations …

• Internal Control Evaluation (ICE) assessment – if the Registered Entity requested an evaluation of internal controls

• Joint Registration Organization/Coordinated Functional Registration

• Monitoring scope is determined by using the ERO and SPP RE Risk Elements and the Registered Entity’s attributes

• Entity’s Qualitative assessment
  • Identifies the Entity’s Transmission Operator, Balancing Authority, Reliability Coordinator and Planning Authority
  • Summary of the technical assessments
Inherent Risk Assessment and Internal Control Evaluation Timeline

IRA started at approx 180 days prior to monitoring activity.

IRA completed and approved at approx 165 days prior to monitoring activity and the IRA Letter is sent to the registered entity.

Registered Entity will provide documentation and SPP RE will evaluate the effectiveness of the Internal Controls.

Start of the monitoring activity.

180 Days 165 Days 155 Days 130 Days 90 Days 0 Days

15 Days 10 Days 25 Days 40 Days 90 Days

Upon receiving the IRA Letter, the Registered Entity will have 10 days to request an ICE.

The Registered Entity will provide documentation and SPP RE will evaluate the design of the Internal Control.

SPP RE will send the Registered Entity the monitoring activity notification at 90 days as stated in the RoP.
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