

NEWS RELEASES

FERC Directs NERC to Conduct Audits of Regional Entities

January 19, 2021

Docket Nos. RR19-7-001, RM21-12-000

Items E-4 & E-5: NOPR

The Federal Energy Regulatory Commission (FERC) today rejected a North American Electric Reliability Corporation (NERC) proposal to replace audits of regional reliability entities with an undefined alternative oversight program.

Today's order directs NERC to complete audits of the regional entities' Compliance Monitoring and Enforcement Programs (CMEP) by June 30, 2023.

NERC is the Commission-approved Electric Reliability Organization (ERO) and delegates some of its responsibilities to six regional entities. In a January 2020 order accepting NERC's 2019 Five-Year Performance Assessment, FERC found that from 2011 through 2018 NERC may not have performed comprehensive audits of the regional entities to assess their CMEPs. NERC was required to make two compliance filings, including one stating definitively whether it had performed any audits of the CMEPs conforming with the requirements of its Rules of Procedure during the performance assessment period. NERC was to provide the audit reports if it did conduct the audits, or to outline a plan for performing those audits within the next 18 months and going forward. NERC also had an option to propose an alternative oversight process.

NERC's compliance filing revealed it had neither performed the audits as required by its Rules of Procedure, instead conducting various limited-scope audits and other oversight activities, nor had it provided a plan for completing audits within 18 months. Today's Commission order concludes that NERC's alternative oversight program is insufficient, and it directs NERC to conduct the audits under the requirements of its Rules of Procedure.

Elsewhere, the order accepts proposed modifications to NERC's procedures related to the Electricity Information Sharing and Analysis Center (E-ISAC), sanction guidelines, and registration and certification programs. The order accepts NERC's description of its Reliability Guidelines process, its explanation on E-ISAC operations, and its explanation of its All Points Bulletins (APBs) issuances; however, the order directs NERC to submit a further compliance filing within 120 days of this order that:

- further clarifies information sharing between NERC and the E-ISAC, including the gap analysis process that is currently under development; and
- revises its Rules of Procedure to explicitly require that NERC must share all APBs with the Commission no later than at the time of issuance.

Separately today, FERC proposed that NERC submit performance assessments every three years rather than the current five years. The Notice of Proposed Rulemaking (NOPR) would require the assessment to discuss any areas of the ERO's responsibilities and activities, or a regional entity's delegated functions, beyond those required by FERC regulations that the Commission identifies at least 90 days prior to the expected assessment submission date. The NOPR also proposes formalizing the method for the ERO to receive and respond to recommendations by the regional entities, users, owners and operators of the Bulk-Power System, and other interested parties for improvement of the ERO's operations, activities, oversight and procedures.

Comments on the NOPR are due 30 days after publication in the *Federal Register*.

R21-10

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This page was last updated on January 19, 2021

Document Content(s)

FERC Directs NERC to Conduct Audits of Regional Entities.PDF.....1