



# Compliance Update

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## Discussion Topics

- Compliance Overview
- ATC's Compliance Audit & CIP Spot Check
- NERC Event Analysis Process
- FERC Standards of Conduct



# Compliance Overview

- NERC Reliability Standards became mandatory in June 2007
- ATC is registered as:
  - Transmission Owner
  - Transmission Operator
  - Planning Authority
  - Transmission Planner
- Some 75 Reliability Standards which include 1000 requirements are applicable to ATC
- ATC has regulatory oversight from two NERC Regional Entities - Midwest Reliability Organization and Reliability *First* Corporation



# Compliance Overview

- The NERC Reliability Standards impose requirements on essentially all aspects of ATC's business operations, including:
  - Normal operations
  - Emergency operations
  - Transmission planning, modeling, and design
  - Training
  - Physical security
  - Cyber security
  - Equipment maintenance & testing
  - Vegetation management
  - Communications
  - Coordination with interconnected companies



# Compliance Overview

- The NERC Regional Entities administer a formal Compliance Monitoring and Enforcement Program which include monitoring and enforcement processes:
  - Audits
  - Self-certifications
  - Spot Checks
  - Compliance Violation Investigations
  - Self-reporting
  - Periodic Data Submittals



# Compliance Audit & CIP Spot Check

- Dual Region Review – MRO lead with RFC participation
- Compliance Audit
  - October 11-13, 2010
  - 4 MRO auditors
  - 1 RFC auditor
- CIP Spot Check
  - October 11 – 21, 2010
  - 5 MRO auditors
  - 1 RFC auditors
  - 3 FERC observers
  - 1 NERC observers



# Scope of Audit & CIP Spot Check

- Compliance Audit
  - 36 NERC Reliability Standards
  - 3 RFC Regional Standards
- CIP Spot Check
  - CIP-002 thru CIP-009
  - 43 requirements



# ATC Preparations for Audit

- Preparations started 1 year in advance
- Internal “Challenge” meetings
- Independent / 3<sup>rd</sup> party mock audits
- Pre-audit meetings with MRO team leads
- Internal / external legal counsel Subject Matter Expert coaching
- Reliability Standards Audit Worksheets (RSAWs) & supporting evidentiary documentation submitted to MRO ~30 days in advance of on-site audits





# Focus Areas-Compliance Audit

- Compliance Audit
- Onsite interviews required for less than 15 of the 36 in-scope Reliability Standards
  - PRC-005 – Equipment Maintenance & Testing
  - Vegetation Management
  - Facility Ratings
  - Communications / Interface between ATC and the RC, BAs, and LBAs
  - Operator Training



## Focus Areas – CIP Spot Check

- Discuss scope of Cyber Security Policy
- Explain CIP-002 risk-based methodology
- CIP-004 personnel records
- Demonstrate PSP “six-wall”
- Explain / defend the classification of your Cyber Assets
- Adequacy of Vulnerability Assessments
- Execution of Incident Response Plan
- Demonstrate Change Management



# Audit & CIP Spot Check Results

- No violations from the NERC Operational Compliance Audit
- Minor potential violations from the CIP Spot Check
- ATC is finalizing mitigation plans and anticipates negotiation settlements with Midwest Reliability Organization



# NERC Event Analysis Process

- Newly issued NERC Event Analysis Process
- Establishes process and requirements for responding to disturbance events:
  - Event notification
  - Event reporting
  - Lessons learned
  - Compliance evaluation
- Event Analysis coordination
  - Most system disturbance events will require our companies to work collaboratively to analyze and identify lessons-learned



# FERC Standards of Conduct

- FERC Standards of Conduct prohibits ATC from sharing “non-public transmission function information” with “marketing function employees” of ATC’s affiliated/interconnected companies
- ATC’s affiliated/interconnected companies are prohibited from acting as a “conduit” for “non-public transmission function information”
- Standards of Conduct Agreements (SOCAs) between ATC and affiliated/interconnected companies define obligations



Questions?