



**Federal Energy Regulatory Commission**  
**February 19, 2015**  
**Open Commission Meeting**  
**Staff Presentation**  
**Item E-10 & E-11**

"Good morning Chairman and Commissioners,

"Item E-10 is a draft order approving the North American Electric Reliability Corporation's, or NERC's, implementation of the Reliability Assurance Initiative, or RAI, which reflects a transition to a risk-based approach for compliance monitoring and enforcement. The first part of RAI, risk-based compliance monitoring, is intended to establish the type and frequency of Regional Entity compliance oversight based on the specific reliability risks posed by a registered entity. The second component of RAI, risk-based enforcement, is intended to streamline the enforcement process associated with minimal risk instances of noncompliance by introducing "compliance exceptions" for processing minimal risk issues. RAI also allows qualified registered entities to "self-log" minimal risk issues where the entity can identify, assess, and mitigate instances of noncompliance and then record the instance in a log in lieu of self-reporting. This log would be periodically reviewed by the relevant Regional Entity and appropriate items would be treated as compliance exceptions. All compliance exceptions will be made available for NERC and Commission review. While approving RAI, the draft order identifies certain conditions on the implementation and continued development of RAI. Among other things, the order requires NERC to maintain transparency of enforcement actions, including public release of information on compliance exceptions. Further, while allowing entities to self-log, the order requires a review of internal controls before an entity can qualify for self-logging. Likewise, while agreeing with NERC that compliance exceptions should not affect compliance history for penalty purposes in most circumstances, the order identifies specific situations in which prior compliance exceptions would be relevant in determining an appropriate penalty. In addition, the draft order directs NERC to submit a compliance filing proposing revisions to the NERC Rules of Procedure to include the RAI concepts and programs in the NERC Rules of Procedure to ensure meaningful Commission oversight and transparency. Finally, the draft order directs NERC to submit an annual report on RAI.

"Item E-11 is a draft final rule approving Reliability Standard MOD-031-1 which provides applicable entities the authority to collect demand and energy data, and related information, to support reliability assessments and also includes transmission planners as applicable entities that must report demand and energy data. The draft final rule also directs NERC to develop a modification to clarify certain obligations to provide data to regional entities.

"This concludes our presentation."