



RELIABILITY & SECURITY

Oversight Monthly Update

May 16, 2024, 2:00 p.m. MT



Reliability & Security Oversight Monthly Update

May 16, 2024

Mailee Cook, Training and
Outreach Specialist

Reliability Risk Priorities

Staff Recommendation





RELIABILITY IN THE WEST

A DISCUSSION SERIES





Enforcement ***FUNDAMENTALS***

Board of Directors and Associated Meetings

June 11–12, 2024



WECC

1:55 pm Wed 10 Jul

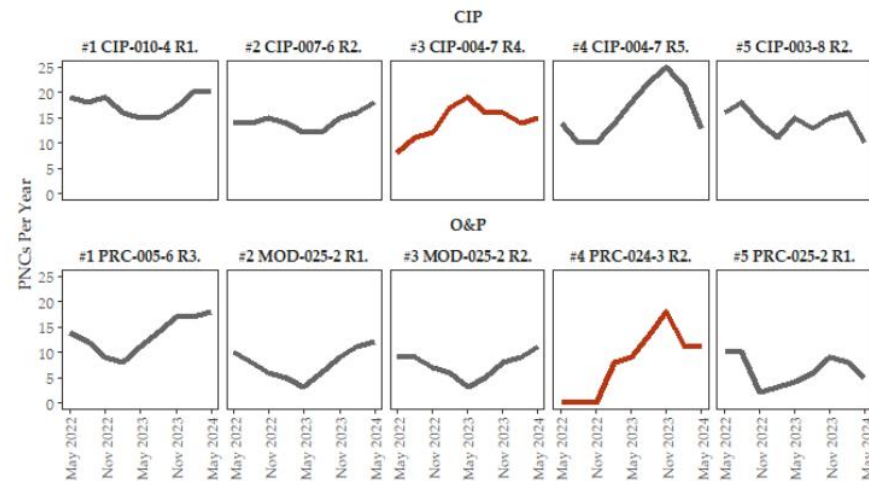
wecc.org



Electric Reliability and Security for the West

Most-Reported Requirements

Increasing Trend Decreasing Trend



OVERSIGHT TRENDS UPDATE

Q2 2024

Available
now on
WECC.org

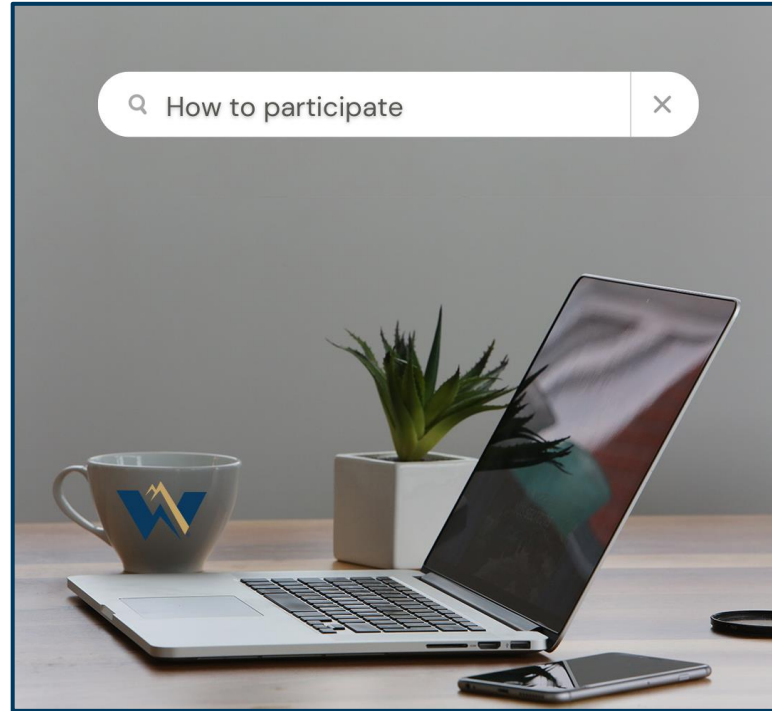
Antitrust Policy

- All WECC meetings are conducted in accordance with the WECC Antitrust Policy and the NERC Antitrust Compliance Guidelines
- All participants must comply with the policy and guidelines
- This meeting is public—confidential or proprietary information should not be discussed in open session

Antitrust Policy

- This webinar is being recorded and will be posted publicly
- By participating, you give your consent for your name, voice, image, and likeness to be included in that recording
- WECC strives to ensure the information presented today is accurate and reflects the views of WECC
- However, all interpretations and positions are subject to change
- If you have any questions, please contact WECC's legal counsel

Participating



Send questions via chat to WECC Meetings
Use the “raise hand” feature

Agenda

- Update on PRC-006-WECC-CRT-3.1
 - Tyson Niemann, Staff Engineer, WECC
- Internal Compliance Programs and Internal Controls
 - Molly Elliott, Senior Technical Analyst, Internal Controls, WECC



Update on PRC-006-WECC-CRT-3.1

May 16, 2024

Tyson Niemann
Staff Engineer

Periodic Data Submittal

- Collected annually from UFLS entities (GO, TO, TOP, DP) under PRC-006-WECC-CRT-3.1
 - GO: Response due June 1 of each year
 - TO, TOP, DP: Response due July 1 of each year
- Entities that previously responded to the request as not applicable will not receive a request in 2024
- If you do not receive a request by May 2, but the request is applicable to your entity, contact [Daja Bell](#)
- Please use the 2024 Attachment A [form](#) included in the data request and on the WECC website



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Internal Compliance Programs and Internal Controls

May 16, 2024

Molly Elliott
Senior Technical Analyst

Internal Compliance Program

FERC 13 Questions

1. Does the company have an established, formal program for internal compliance?
2. Is it well documented and widely disseminated within the company?
3. Is the program supervised by an officer or other high-ranking official?
4. Does the compliance official report to or have independent access to the chief executive officer and/or the board of directors?
5. Is the program operated and managed so as to be independent?
6. Are there sufficient resources dedicated to the compliance program?
7. Is compliance fully supported by senior management? For example, is senior management actively involved in compliance efforts and do company policies regarding compensation, promotion, and disciplinary action take into account the relevant employees' compliance with Commission regulations and the reporting of any violations?
8. How frequently does the company review and modify the compliance program?
9. How frequently is training provided to all relevant employees?
10. Is the training sufficiently detailed and thorough to instill an understanding of relevant rules and the importance of compliance
11. In addition to training, does the company have an ongoing process for auditing compliance with Commission regulations?
12. How has the company responded to prior wrongdoing? Did it take disciplinary action against employees involved in violations? When misconduct occurs, is it a repeat of the same offense or misconduct of a different nature?
13. Does the company adopt and ensure enforcement of new and more effective internal controls and procedures to prevent a recurrence of misconduct?

Policy Statement on Enforcement Docket No. PL06-1-000,125 FERC ¶ 61,058 (October 20, 2005)

FERC 7 Factors

1. The organization shall establish standards and procedures to **prevent and detect violations**
2. The organization's governing authority, senior management and individuals shall be provided **resources and authority, and shall be knowledgeable and accountable**
3. Persons with substantial authority shall not have engaged in conduct inconsistent with an effective compliance program
4. The organization shall offer **training and compliance communication** throughout all levels of the organization
5. The organization shall ensure the compliance program is followed, **periodically evaluate** the effectiveness of the program, and include a method for **safe reporting** of potential or actual violations
6. The organization shall promote the program through **incentives and disciplinary measures**
7. In the **event a violation occurs**, the organization shall respond, mitigate and prevent future occurrences

Revised Policy Statement on Penalty Guidelines 132 FERC ¶ 61,216 (October 17, 2010)

DOJ Evaluation of Corporate Compliance Programs

Is the
Corporation's
Compliance
Program
Well
Designed?

- Risk Assessment
- Policies and Procedures
- Training and Communications
- Confidential Reporting Structure and Investigation Process
- Third-party Management
- Mergers and Acquisitions (M&A)

U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated March 2023)

DOJ Evaluation of Corporate Compliance Programs

Is the Corporation's Compliance Program Adequately Resourced and Empowered to Function Effectively?

- Commitment by Senior and Middle Management
- Autonomy and Resources
- Compensation Structures and Consequence Management

Does the Corporation's Compliance Program Work in Practice?

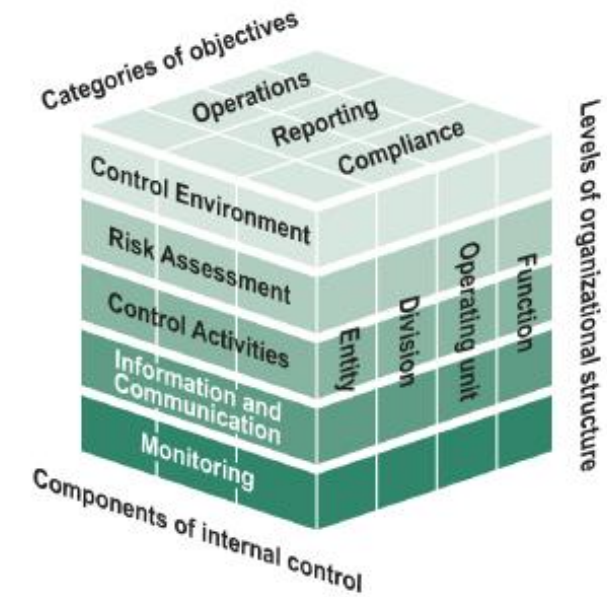
- Continuous Improvement, Periodic Testing, and Review
- Investigation of Misconduct
- Analysis and Remediation of Any Underlying Misconduct

U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs (Updated March 2023)

Internal Controls Program

Elements of an Internal Controls Program

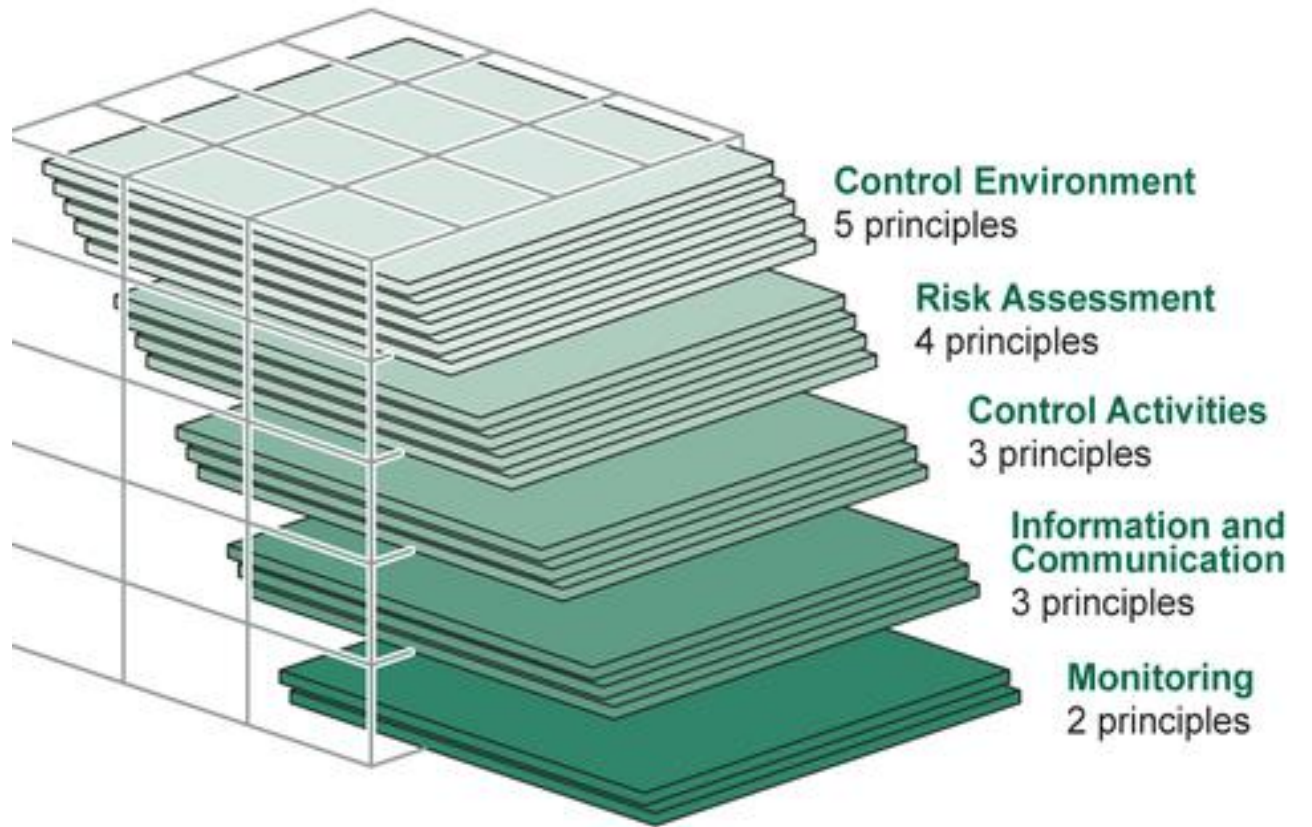
- Three categories for objectives [Operations/Reporting/Compliance]
- Five internal control components:
 - Control Environment
 - Risk Assessment
 - Control Activities
 - Information and Communication
 - Monitoring



Sources: COSO and GAO. | GAO-14-704G

Elements of an Internal Controls Program

- Every organization has controls but not every organization is managing them effectively
- Implement all five components
- Each component has 17 principles



Source: GAO. | GAO-14-704G

Parallels

Compliance Program	Controls Program
<ul style="list-style-type: none">• Commitment by Senior and Middle Management• Autonomy and Resources• Compensation Structures and Consequence Management	Control Environment <ol style="list-style-type: none">1. Demonstrates commitment to integrity and values2. Demonstrates independence and exercises oversight responsibility3. Establishes structure, authority and responsibility4. Demonstrates commitment to attracting, developing and retaining competent staff5. Enforces accountability

Parallels

Compliance Program	Controls Program
<ul style="list-style-type: none">• Risk Assessment• Mergers and Acquisitions (M&A)	Risk Assessment <ul style="list-style-type: none">6. Specifies suitable, specific objectives7. Identifies and analyzes risks8. Assesses fraud risk9. Identifies and analyzes significant changes

Parallels

Compliance Program	Controls Program
<ul style="list-style-type: none">• Well documented, formal program• Procedures to prevent and detect violations• Third-party Management	Control Activities 10. Selects and develops control activities that help mitigate risks 11. Selects and develops general controls over technology 12. Bases controls on thorough policies and procedures

Parallels

Compliance Program	Controls Program
<ul style="list-style-type: none">• Training and compliance communication throughout all levels of the organization	Information and Communication 13. Uses relevant, high-quality information 14. Communicates internally to support controls 15. Communicates externally

Parallels

Compliance Program	Controls Program
<ul style="list-style-type: none">• Periodically evaluate the effectiveness of the program• Method for safe reporting of potential or actual violations• Continuous Improvement, Periodic Testing, and Review• Investigation of Misconduct• Analysis and Remediation of Any Underlying Misconduct• Internal controls and procedures to prevent a recurrence of misconduct	<p>Monitoring</p> <p>16. Conducts ongoing and/or separate evaluations</p> <p>17. Evaluates and communicates deficiencies</p>

It's a matter of focus



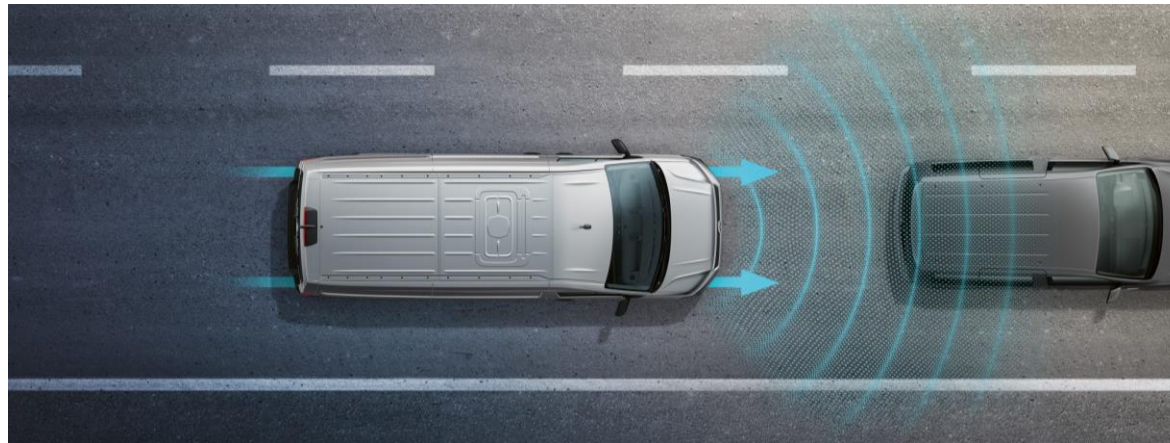
Traffic Controls and Regulation



- Internal Compliance Program
 - Focus on the speed limit
 - Monitor for violations
 - Incentives
 - Training
 - Feedback for improvement

Traffic Controls and Regulation

- Internal Controls Program
 - Identifies the underlying risk
 - Implements layers of control to address that risk
 - Includes Non-regulatory
 - May be Operations



What can the Compliance team do?



Coordinate with Entity Risk Management Program



Communication and Outreach

How to design controls
How to implement controls



Monitoring

Structured plan for reviewing controls
(Internal Audit)
Structured plan to track improvement

Takeaways

- Internal Compliance Program guidance has progressively included Internal Controls
- Mature Internal Controls Programs consider more than just compliance risk and include operations personnel
- NERC standards are based on operating risk so your controls program should consider those operating risks at a minimum

Helpful References

- [Standards for Internal Control in the Federal Government \(GAO-14-704G \) a.k.a., “The Green Book”](#)
- [U.S. Department of Justice Criminal Division Evaluation of Corporate Compliance Programs \(Updated March 2023\)](#)





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