

RELIABILITY & SECURITY

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Risk Framework, Inherent Risk, Internal Controls, and Residual Risk

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What You Will Learn and Why it Matters

- Learn how WECC:
 - Uses inherent risk
 - Collaborates to determine entity performance
 - Determines residual risk
 - Addresses the top regional risks
- Understand how addressing individual entity risks and regional risks improves the reliability and security of the Western Interconnection.

Agenda

- Inherent Risk
- Performance Considerations
- Risk Categories
- Regional Risks

Inherent Risks

- ERO Inherent Risk Factors
- Entity Risk Level
 - Should not change often
 - Change may not affect oversight planning
- Input to Oversight Strategy Category
- Entity Monitoring structure based on inherent risk

Performance Considerations

- Entity performance is considered
- Risk engineer gathers data and information
- Collaboration with:
 - Entity Monitoring
 - Enforcement
 - Oversight Analysis and Administration
 - Reliability Planning and Performance Analysis

Performance Considerations

- Strong performance indicates risks are being addressed
- Poor performance indicates risks may not be addressed
- Residual Risk
 - Strong performance can reduce the overall risk
 - Poor performance should not increase the risk
- Demonstrated Positive Performance

Risk Categories

- ERO established Risk Categories
- Entity performance is considered for each Risk Category
- Contents of each category
 - Inherent risk
 - Reliability concerns
 - Entity performance
 - Preliminary monitoring
- Risk Categories are ranked from highest to lowest

Regional Risks

- Reliability Risks identified by Risk Engineers
- Regional Risk Register
- Top Reliability Risks identified
- Determine appropriate method to address the top risks
 - Include in audit
 - Focused spot-check
 - Targeted outreach
 - Other



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