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Preview of upcoming Facility Ratings: Common Themes and Lessons Learned

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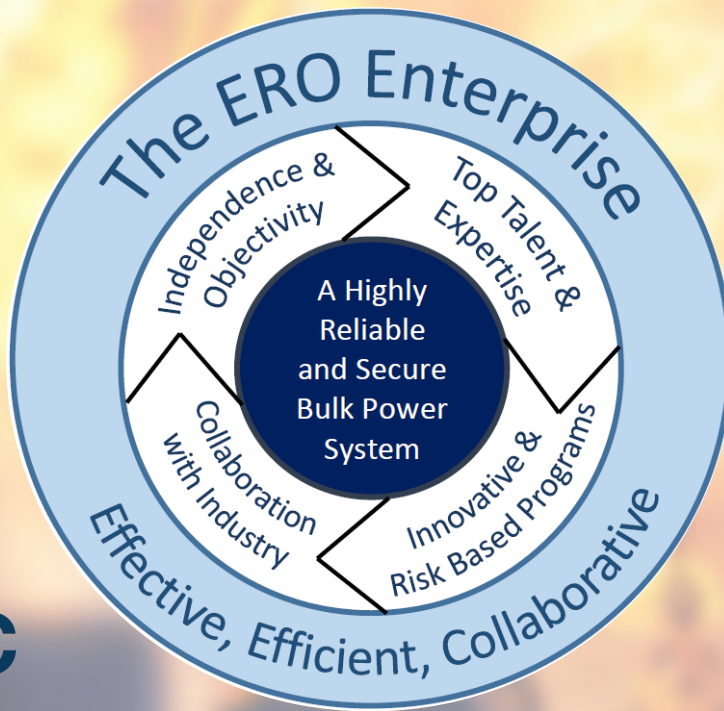
ASSURANCE

RESULTS



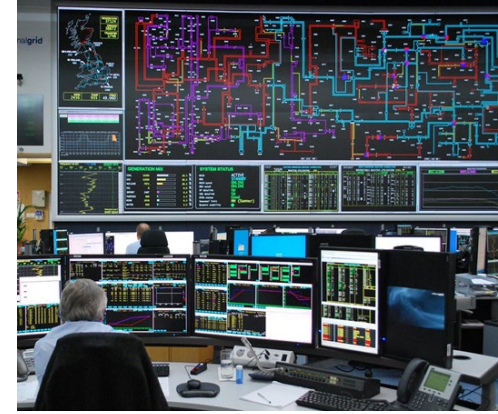
NERC

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Why a Report Now?

- Risk-based process
- Increase in FAC-008 opportunities across the ERO Enterprise
- Awareness
- Importance



Who Came Up with Report?

- **Initial seed was from SERC**
 - <https://www.serc1.org/docs/default-source/industry-issues/2022-serc-facility-ratings-themes-lessons-learned-final.pdf>
- **The entire ERO Enterprise created the report in the spirit of collaboration**
- **Report is still in draft format, but on track to be published in late Q3 2022**



Theme 1: Lack of Awareness

- Lack of awareness is primarily associated with inadequate internal controls
- Accurate inventory
- Change management
- Effectiveness of program
- Communication (internally and externally)
- Sustainability of program



Theme 1: Best Practices

Senior Management:

- Develops the culture
- Sets clear expectations
- Clarity defines the program
- Establishes Facility Ratings program sponsor

Program has:

- Clearly defined process, with clear roles & responsibilities
- Training for all departments and contractors involved

Test the program:

- All equipment is identified
- Validate and verify accuracy of documentation
- Field verification

Establish a Corrective Action Program

- Risk management and continuous improvement



Theme 2: Inadequate Asset and Data Management

- **Accurate Equipment Ratings lead to accurate Facility Ratings**
- **Asset management**
 - Identification, management, and tracking of physical equipment.
- **Data management**
 - Collecting, validating, and storing of all data associated with equipment.
- **Effective and efficient asset and data management of equipment is the foundation for accurate Facility Ratings**



Theme 2: Challenges

- **Quantity of equipment and Facility Ratings data to manage (both large and small)**
- **Age of equipment (from a documentation perspective)**
- **No singular controlled database**
- **Defined roles and responsibilities for process**
- **Verification efforts**
- **Reliance on third party contractors lacking training on internal process and effective oversight**



Theme 2: Best Practices

- **Official Master Database**
- **Communicate location of database to all relevant personnel**
- **Clear process to obtain and update information from the field**
- **Reinforce with training, and workflow diagrams**
 - Process for updating Official Master Database
 - Use of Official Master Database for down stream processes
- **Peer review to ensure data is entered correctly**
- **Implement strict access controls**
- **Contractor management should be included**



Theme 3: Inadequate Change Management



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Theme 3: Challenges

- Emergency restoration
- Inventory management
- Mergers/acquisitions
- Database vendor changes
- Coordination between departments
- Equipment “removed from service”
- Changes to existing equipment
- Commissioning of new equipment
- Contractor work verification
- Local office redlines
- Underbuilds/encroachments
- Consistency in development and maintenance of a Facility Rating
- Methodology or support documents



Theme 3: Best Practices

- **“Change” process checklist/flowchart**
- **Document current state and future state**
- **Quality Assurance Reviews after any change**
 - Data entry verification
 - Onelines/Elevation Drawings/EMS/GMS/SCADA/Model verification
 - Verify as built is used rather than as designed for new facilities
 - Confirmation that change has been implemented as planned
- **Effective documented approval process for key steps**
- **Automate notifications when a change is implemented**
- **Validation through periodic reviews of process and data**
- **Periodic and systematic walk-downs especially after restoration**



Internal Controls for Sustainability

“Internal Controls are the processes and tools an entity uses to meet identified objectives.”

- **Controls to ensure that Facility Ratings are up-to-date include:**
 - Change management path and communication channel with expected timings
 - Roles/responsibilities
 - Inventory maintenance
 - Internal risk-based self-audits/periodic reviews
 - One-line/elevation drawing maintenance
 - Document Change management



Additional Observation

- **Inconsistent development and application of Facility Rating methodologies**
 - Multiple methodologies between departments
 - Different methodologies on joint owned facilities



ERO Enterprise – Risk Based Approach

● Next steps

- Continued use of risk-based approach
 - Monitoring activity for entities that have not had a recent CMEP activity related to Facility Ratings
 - Continued emphasis of FAC-008 in planned 2022 compliance monitoring activities (CMEP Implementation Plan)
 - Consider activities in 2023 and beyond
 - Enforcement dispositions based on risk to BES
- Continued outreach
- Alignment of priority with stakeholders and regulators



