

**Québec Rules of Procedure
(QROP)
for Compliance Services by the
North American Electric Reliability Corporation**

July 28, 2009

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1 1.0 APPLICABILITY OF RULES OF PROCEDURE

2 These Rules of Procedure are applicable to the compliance and enforcement monitoring
3 services provided to the Régie de l'énergie du Québec ("Régie") by the North American
4 Electric Reliability Corporation ("NERC") and the Northeast Power Coordinating
5 Council, Inc. ("NPCC"). With respect to the compliance and enforcement monitoring
6 services provided to the Régie, if any discrepancy exists between the general NERC Rules
7 of Procedure and these Rules of Procedure for Québec, these Rules of
8 Procedure for Québec (QROP) shall prevail.

9

10 2.0 COMPLIANCE ENFORCEMENT

11 2.1 Scope of the NERC Compliance Enforcement Program

12 **2.1.1 Components of the NERC Compliance Enforcement Program:** NERC shall
13 develop and implement a NERC Compliance Monitoring and Enforcement Program,
14 working through the NPCC to promote the reliability of the electric power transmission
15 system by monitoring compliance with adopted reliability standards in Québec, and
16 making compliance enforcement recommendations to the Régie. There are four distinct
17 parts of the NERC Monitoring and Compliance Enforcement Program: (1) NERC's
18 oversight of NPCC compliance programs (Section 2.2), (2) the definition of the required
19 NPCC compliance enforcement program attributes (Section 2.3), (3) NERC's monitoring
20 of NPCC compliance with reliability standards (Section 2.4), and (4) the monitoring of
21 compliance with reliability standards that are applicable to NERC (Sections 2.5–2.6).

22 **2.1.2 Who Must Comply:** All entities referred to in Section 85.3 of *An act respecting*
23 *the Régie de l'énergie* (the Act) identified in the register approved by the Régie pursuant
24 to Section 85.13 of the Act (Registered Entities) are required to comply with all reliability
25 standards adopted by the Régie at all times. In some cases regional reliability
26 organizations, NPCC, and NERC, are required to comply with all approved NERC
27 reliability standards at all times. Regional reliability standards and regional variances
28 approved by NERC and adopted by the Régie shall be considered Québec reliability
29 standards and shall apply to Registered Entities, whether or not the entity is a member of
30 NPCC.

31 **2.1.3 Data Access:** All Registered Entities shall provide to NERC and NPCC such
32 information as is necessary to monitor compliance with the reliability standards. NERC
33 and NPCC will define the data retention and reporting requirements in the reliability
34 standards and compliance reporting procedures.

35 **2.1.4 Role of NPCC in the Compliance Enforcement Program:** NPCC shall, taking
36 into account Québec's legal and regulatory environment, administer a regional entity
37 compliance enforcement program to meet the Québec Compliance Monitoring and
38 Enforcement Program goals and the requirements in this Section 2.0.

39 **2.1.5 Program Continuity:** NERC will ensure continuity of compliance monitoring
40 and enforcement within the geographic boundaries of NPCC in the event that NPCC
41 withdraws from the delegation agreement or does not operate its compliance enforcement
42 program in accordance with the delegation agreement or other applicable requirements.

43 **2.1.6 Actively Monitored Requirements:** NERC, with input from the regional
44 entities, stakeholders, and regulators, shall annually select a subset of the approved
45 reliability standards and requirements to be actively monitored and audited in the NERC
46 annual compliance program. Compliance in Québec is required with all Québec
47 reliability standards whether or not they are included in the subset of reliability standards
48 and requirements designated to be actively monitored and audited in the NERC annual
49 compliance program.

1 **2.1.7 Penalties, Sanctions, and Remedial Actions:** NERC and NPCC will
2 recommend to the Régie penalties, sanctions, and remedial actions that bear a reasonable
3 relation to the seriousness of a violation and take into consideration timely remedial
4 efforts as defined in the Québec *Sanction Guide*.

5 **2.1.8 Multiple Enforcement Actions:** A Registered Entity shall not be subject to
6 separate enforcement action recommendations by NERC and NPCC for the same
7 violation.

8 **2.1.9 Records:** NERC shall maintain a record of each compliance submission,
9 including self-reported, confirmed, and alleged violations of Québec reliability standards;
10 associated penalties, sanctions, remedial actions and settlements; and the status of
11 mitigation actions.

12 **2.2 NERC Oversight of NPCC Compliance Enforcement Programs**

13 **2.2.1 NERC Monitoring Program:** NERC shall have a program to monitor the
14 compliance enforcement program of NPCC. The objective of this monitoring program
15 shall be to ensure that NPCC carries out its compliance enforcement program in
16 accordance with the QROP, taking into account Québec's legal and regulatory
17 environment, and to ensure consistency and fairness of NPCC's compliance enforcement
18 program. Oversight and monitoring by NERC shall be accomplished through an annual
19 compliance enforcement program review, program audits, and regular evaluations of
20 NPCC compliance enforcement program performance as described below.

21 **2.2.1.1 NERC Review of NPCC Compliance Enforcement Program Annual Plans:**
22 NERC shall require NPCC to submit for review and approval an annual compliance
23 enforcement program implementation plan. NERC shall review NPCC's compliance
24 enforcement program annual implementation plan and shall accept the plan if it meets
25 NERC requirements and the Québec's legal and regulatory environment.

26 **2.2.1.2 NPCC Program Evaluation:** NERC shall annually evaluate the goals, tools, and
27 procedures of NPCC compliance enforcement program to determine the effectiveness of
28 NPCC program, using criteria developed by the NERC Compliance and Certification
29 Committee.

30 **2.2.1.3 NPCC Program Audit:** At least once every three years, NERC shall conduct an
31 audit to evaluate how NPCC compliance enforcement program implements the Québec
32 Compliance Monitoring and Enforcement Program. The evaluation shall be based on
33 these rules of procedures, the Québec's legal and regulatory environment, approved
34 NPCC annual compliance enforcement program, annual implementation plans, required
35 program attributes, and the NERC compliance program procedures. These evaluations
36 shall be provided to the Régie to demonstrate the effectiveness of NPCC.

37 **2.2.1.3.1** NERC shall maintain an audit procedure containing the requirements, steps, and
38 timelines to conduct an audit of the NPCC compliance enforcement program. The current
39 procedure is contained in the NERC Audit of Regional Entity Compliance Programs,
40 which is incorporated into NERC rules as **Appendix 4A**.

41 **2.2.1.3.2** NERC shall establish a program to audit Registered Entities to verify the
42 findings of previous compliance audits conducted by NPCC to evaluate how well NPCC
43 compliance enforcement program is meeting its delegated responsibilities.

44 The Régie will be allowed to participate as an observer in any audit conducted by NERC
45 of NPCC's compliance monitoring and enforcement program. A representative of NPCC
46 being audited will be allowed to participate in the audit as an observer.

47 **2.2.2 Consistency Among Regional Compliance Enforcement Programs:** To
48 provide for a consistent compliance enforcement program for all bulk power system
49 owners, operators, and users (Registered Entities, in Québec) required complying with

1 approved reliability standards, NERC shall maintain a single, uniform compliance
2 monitoring and enforcement program. Differences in regional entity program methods,
3 including determination (allegation, in Québec) of violations and penalty assessment
4 (penalty recommendation, in Québec), shall be justified on a case-by-case basis and fully
5 documented in each regional entity delegation agreement (taking into account Québec's
6 legal and regulatory environment, in Québec).

7 **2.2.2.1** NERC shall ensure that each of the regional entity compliance enforcement
8 programs meets the general Rules of Procedure (the QROP, in Québec) and follows the
9 terms of the delegation agreement and the approved regional entity compliance
10 enforcement program annual plan.

11 **2.2.2.2** NERC shall develop a single, uniform compliance monitoring and enforcement
12 program containing the procedures to ensure the consistency and fairness of the processes
13 used to determine regional entity compliance enforcement program findings of
14 compliance and noncompliance, and the application (recommendation, in Québec) of
15 penalties and sanctions.

16 **2.2.2.3** NERC shall periodically conduct regional entity compliance manager forums.
17 These forums shall use the results of regional entity compliance program audits and
18 findings of NERC compliance staff to identify and refine regional entity compliance
19 program differences into a set of best practices over time.

20 **2.2.3 Information Collection and Reporting:** NERC and NPCC shall implement data
21 management procedures that address data reporting requirements, data integrity, data
22 retention, data security, and data confidentiality. The Régie will make the final decision
23 regarding any objection by a Registered Entity to provide any NERC or NPCC requested
24 specific information.

25 **2.2.4 Violation Disclosure:** NERC shall disclose all confirmed violations and maintain
26 as confidential alleged violations, according to the reporting and disclosure process in
27 Section 2.8.

28 **2.2.5 Responsibility to Allege Noncompliance, and Recommend Penalties,
29 Sanctions, and Remedial Action Orders:** NERC and NPCC compliance staffs have the
30 responsibility to allege compliance or noncompliance, and to make recommendations to
31 the Régie regarding penalties, sanctions and remedial action orders for noncompliance
32 with a reliability standard. The NPCC board or a compliance panel reporting directly to
33 the NPCC board will be vested with the authority for the overall NPCC compliance
34 program and have the authority to recommend penalties and sanctions on behalf of
35 NPCC. Issuance by the Régie of remedial action orders may be recommended by NERC
36 or NPCC when aware of a Registered Entity that is about to engage in an act or practice
37 that would result in noncompliance. If, after receiving such a directive, the Registered
38 Entity does not take appropriate action to avert a violation of a Québec reliability
39 standard, NERC may petition the Régie to issue a compliance order.

40 **2.2.6 Due Process:** NERC shall establish and maintain a fair, independent, and
41 nondiscriminatory appeals process. The appeals process is set forth in Sections 2.9–2.11.
42 The process shall allow Registered Entities to appeal NPCC's allegations of
43 noncompliance and to appeal penalties, sanctions, and remedial actions that are
44 recommended by NPCC. Appeals beyond the NERC process will be heard by the Régie.

45 The appeals process will also allow for appeals to NERC of any findings of
46 noncompliance issued by NERC to NPCC for standards and requirements where NPCC is
47 monitored for compliance to a reliability standard.

48 **2.2.7 Confidentiality:** To maintain the integrity of the Québec Compliance Monitoring
49 and Enforcement Program, NERC and NPCC staff, audit team members, and committee

1 members shall maintain the confidentiality of information shared during investigations,
2 audits, drafting of reports, appeals, and closed meetings.

3 **2.2.7.1** NERC and NPCC shall have in place appropriate codes of conduct and
4 confidentiality agreements for staff and other compliance enforcement program
5 participants.

6 **2.2.7.2** Individuals not bound by NERC or NPCC codes of conduct who serve on
7 compliance-related committees or audit teams shall sign a NERC confidentiality
8 agreement prior to participating on the committee or team.

9 **2.2.7.3** Information deemed by a Registered Entity, NPCC, or NERC as critical energy
10 infrastructure information shall not be distributed outside of a committee or team, nor
11 released publicly. Other information subject to confidentiality is identified in Section
12 1500 of the NERC Rules of Procedure, as well as any information specified by the Régie.

13 **2.2.7.4** In the event that a staff, committee, or audit team member violates any of the
14 confidentiality rules set forth above, the staff, committee, or audit team member and any
15 member organization with which the individual is associated may be subject to
16 appropriate action by NPCC or NERC, including prohibiting participation in future
17 compliance enforcement activities.

18 **2.2.8 Auditor Training:** NERC shall develop and provide training in auditing skills to
19 all people who participate in NERC and NPCC compliance enforcement audits. Training
20 for NERC and NPCC personnel and others who serve as compliance audit team leaders
21 shall be more comprehensive than training given to industry experts, NPCC members, and
22 volunteers. Training for NPCC members and volunteers may be delegated to NPCC.

23 **2.3 Required Attributes of the NPCC Québec Compliance Monitoring and** 24 **Enforcement Program (NPCC's QCMEP)**

25 The NPCC's QCMEP shall promote excellence in the enforcement of reliability
26 standards. To accomplish this goal, the NPCC's QCMEP shall at a minimum meet all of
27 the following attributes.

28 **Program Structure**

29 **2.3.1 Independence:** NPCC's governance of its QCMEP shall exhibit independence,
30 meaning the compliance enforcement program shall be organized so that its compliance
31 monitoring and enforcement activities are carried out separately from other activities of
32 NPCC. The program shall not be unduly influenced by Registered Entities being
33 monitored or other NPCC or regional reliability organization activities that are required to
34 meet the reliability standards. NPCC must include rules providing that no two industry
35 sectors may control any decision and no single segment may veto any matter related to
36 compliance.

37 **2.3.2 Exercising Responsibilities:** NPCC shall carry out the QCMEP taking into
38 account Québec's legal and regulatory environment. These functions include but are not
39 limited to: data gathering, data reporting, compliance violation investigations, compliance
40 auditing activities, evaluating compliance and noncompliance, recommending penalties
41 and sanctions, recommending and tracking mitigation actions.

42 **2.3.3 Delegation of Responsibilities:** To maintain independence, fairness, and
43 consistency in the Québec Compliance Monitoring and Enforcement Program, NPCC
44 shall not sub-delegate its compliance enforcement program duties to entities or persons
45 other than NPCC compliance enforcement program staff, unless required by statute or
46 regulation.

47 **2.3.4 Hearings of Contested Findings or Sanctions:** The NPCC board or compliance
48 panel reporting directly to NPCC board (with appropriate recusal procedures) will be

1 vested with the authority for conducting compliance hearings in which any Registered
2 Entity provided notice of an alleged violation may present facts and other information to
3 contest a notice of alleged violation or any proposed penalty, sanction, or remedial action.
4 Compliance hearings shall be conducted in accordance with the Hearing Process set forth
5 in Attachment 2 to the NERC Compliance Monitoring and Enforcement Program
6 document. If a stakeholder body serves as the hearing body, no two industry sectors may
7 control any decision and no single segment may veto any matter related to compliance
8 after recusals.

9 **Program Resources**

10 **2.3.5 NPCC Compliance Staff:** NPCC shall have sufficient resources to meet
11 compliance enforcement responsibilities, including the necessary professional staff to
12 manage and implement the NPCC's QCMEP.

13 **2.3.6 NPCC Compliance Staff Independence:** NPCC compliance enforcement
14 program staff shall be capable of and required to make all allegations of compliance and
15 noncompliance and recommend penalties, sanctions, and remedial actions.

16 **2.3.6.1** NPCC compliance enforcement program staff shall not have a conflict of interest,
17 real or perceived, in the outcome of compliance violation investigations, compliance
18 audits, reports, sanctions and remedial actions. NPCC shall have in effect a conflict of
19 interest policy.

20 **2.3.6.2** NPCC compliance enforcement program staff shall have the responsibility to
21 investigate, audit (with the input of industry experts or regional members), make
22 allegations of compliance or noncompliance, and recommend penalties, sanctions and
23 remedial actions without interference or undue influence from NPCC members and their
24 representative or other industry entities.

25 **2.3.6.3** NPCC compliance enforcement program staff may call upon independent
26 technical experts who have no conflict of interest in the outcome of the compliance
27 violation investigation or compliance audit to provide technical advice or
28 recommendations in the determination of compliance or noncompliance in compliance
29 audits, compliance violation investigations, or review of self-reported violations.

30 **2.3.6.4** NPCC compliance enforcement program staff shall abide by the confidentiality
31 requirements contained in Section 1500 of the NERC Rules of Procedure, the Québec's
32 legal and regulatory environment and other confidentiality agreements required by the
33 NERC Compliance Monitoring and Enforcement Program, as well as any information
34 specified by the Régie.

35 **2.3.6.5** Contracting with independent consultants or others working for NPCC
36 compliance enforcement program shall be permitted provided the individual has not
37 received compensation from a Registered Entity being monitored for a period of at least
38 the preceding six months and owns no financial interest in any Registered Entity being
39 monitored for compliance to the reliability standard, regardless of where the Registered
40 Entity operates. Any such individuals for the purpose of these rules shall be considered
41 as augmenting NPCC compliance staff.

42 **2.3.7 Use of Industry Experts and NPCC Members:** Industry experts and NPCC
43 members may be called upon to provide their technical expertise in compliance violation
44 investigations, compliance audits, and other compliance activities.

45 **2.3.7.1** NPCC shall have procedures defining the allowable involvement of industry
46 experts and NPCC members. The procedures shall address applicable antitrust laws and
47 conflicts of interest.

48 **2.3.7.2** Industry experts and NPCC members shall have no conflict of interest or financial
49 interests in the outcome of their activities.

1 **2.3.7.3** NPCC members and volunteers, as part of teams or NPCC committees, may
2 provide input to the NPCC compliance staff so long as the responsibility for (i) initially
3 evaluating compliance or noncompliance and (ii) recommending penalties, sanctions, or
4 remedial actions shall not be delegated to any person or entity other than the compliance
5 staff of NPCC. Industry experts, NPCC members, or NPCC committees shall not make
6 allegations of noncompliance or recommend penalties, sanctions, or remedial actions.
7 Any committee involved shall be organized so that no two industry sectors may control
8 any decision and no single segment may veto any matter related to compliance.

9 **2.3.7.4** Industry experts and NPCC members shall sign a confidentiality agreement
10 appropriate for the activity being performed.

11 **2.3.7.5** All industry experts and NPCC members participating in compliance audits and
12 compliance violation investigations shall successfully complete auditor training provided
13 by NERC or NPCC prior to performing these activities.

14 **Program Design**

15 **2.3.8 NPCC's QCMEP Content:** All Québec reliability standards shall be included in
16 the NPCC's QCMEP for all Registered Entities. NERC will identify the minimum set of
17 Québec reliability standards and requirements to be actively monitored by NPCC in a
18 given year.

19 **2.3.9 Antitrust Provisions:** NPCC's QCMEP shall be structured and administered to
20 abide by U.S. antitrust law and Canadian competition law.

21 **2.3.10 Information Submittal:** All Registered Entities responsible for complying with
22 reliability standards shall submit timely and accurate information when requested by
23 NPCC or NERC, in accordance with established procedures of NERC and NPCC. NERC
24 and the NPCC shall preserve any mark of confidentiality on information submitted
25 pursuant to Section 1502.1 of the NERC Rules of Procedure, as well as any information
26 specified by the Régie.

27 **2.3.10.1** NPCC has the responsibility to collect the necessary information to evaluate
28 compliance and shall develop processes for gathering data from the Registered Entities
29 they monitor.

30 **2.3.10.2** When requested, NPCC shall report information to the Régie and NERC
31 promptly and in accordance with NERC procedures.

32 **2.3.10.3** NPCC shall notify the Régie and NERC of all violations of Québec reliability
33 standards by entities over which NPCC has monitoring responsibilities, whether self-
34 reported, alleged, or confirmed, in accordance with the *Reporting and Disclosure Process*
35 in Section 2.8.

36 **2.3.10.4** A Registered Entity found in noncompliance with a reliability standard shall
37 submit a mitigation plan with a timeline addressing how the noncompliance will be
38 corrected. NPCC compliance staff shall review and recommend the mitigation plan to the
39 Régie. NPCC compliance staff may recommend to the Régie to issue remedial action
40 orders to Registered Entities to comply with reliability standards, as needed to preserve
41 the reliability of the electric power transmission system.

42 **2.3.10.5** An officer of a Registered Entity shall certify as accurate all compliance data
43 self-reported to NPCC.

44 **2.3.10.6** NPCC shall develop and implement procedures to spot check and verify the
45 compliance information submitted by Registered Entities.

46 **2.3.11 Compliance Audits of Registered Entities:** NPCC will maintain a program of
47 proactive compliance audits. NPCC shall audit each Registered Entity responsible for

1 complying with reliability standards. A compliance audit is a process in which a detailed
2 review of the activities of a Registered Entity is performed to determine if that Registered
3 Entity is complying with Québec reliability standards.

4 **2.3.11.1** For those electric power transmission system owners and operators with
5 primary reliability responsibility (i.e., entities requiring organizational certification), the
6 compliance audit will be performed at least once every three years. For other Registered
7 Entities on the Régie Compliance Registry, compliance audits shall be performed on a
8 schedule established by NERC.

9 **2.3.11.2** Audits of electric power transmission system owners and operators with
10 primary reliability responsibility will be performed on the audited entity's site. For other
11 Registered Entities on the Régie Compliance Registry, the audit may be either an on-site
12 audit, or based on review of documents, as determined to be necessary and appropriate by
13 NERC or NPCC compliance program staff.

14 **2.3.11.3** Compliance audits must include a detailed review of the activities of the
15 Registered Entity to determine if the Registered Entity is complying with all Québec
16 reliability standards identified for audit by NERC. The compliance audit shall include a
17 review of supporting documentation and evidence used by the Registered Entity for self-
18 certification compliance reporting for an appropriate reporting period since the last
19 compliance audit.

20 **2.3.11.4** NERC compliance staff may participate on any NPCC audit team, at any time
21 at NERC's discretion. Additionally, the Régie may participate on an audit team as an
22 observer in any NPCC audit within Québec, at the Régie's discretion.

23 **2.3.12 Compliance Audit Results:** NPCC shall make an evaluation of a Registered
24 Entity compliance based on the information obtained from a compliance audit and
25 previously reported compliance information. After due process is complete, this
26 evaluation (excluding any critical energy infrastructure information or other confidential
27 information) shall be made public. NPCC shall send the report to the Régie and to NERC
28 for public posting.

29 **2.3.13 Compliance Violation Investigations:** Compliance violation investigations are
30 necessary to determine if a violation of reliability standards has occurred when certain
31 system events occur, or when other Registered Entities file complaints. NERC is
32 ultimately responsible for how NPCC conducts compliance violation investigations.
33 Compliance violation investigations are initiated, with prior information of the Régie, at
34 the discretion of NPCC compliance enforcement program staff, the senior executive
35 officer of NPCC, NERC compliance staff, or the NERC president. NPCC shall respond
36 to any complaints filed by one entity against another that allege a violation of reliability
37 standards by a Registered Entity. NPCC may ask NERC to assist with the compliance
38 violation investigation. Situations that can trigger a compliance violation investigation
39 include but are not limited to (i) significant problems arising on the system, (ii) chronic
40 noncompliance violations, (iii) Registered Entities not submitting data in a timely or
41 accurate manner, (iv) probable violations identified during readiness evaluations, (v) spot
42 checks to verify submitted data, or (vi) filing of a compliance complaint with NPCC or
43 NERC.

44 **2.3.14 Confidentiality of Compliance Audits and Compliance Violation**
45 **Investigations:** All compliance violation investigations are to be non-public unless the
46 Régie determines a need to conduct a public investigation. Advance authorization from
47 the Régie is required to make public any compliance violation investigation, compliance
48 audit, or any information relating to a compliance violation investigation or compliance
49 audit, or to permit interventions when determining whether to recommend a penalty. This
50 prohibition on making public any compliance violation investigation or compliance audit
51 does not prohibit NERC or NPCC from publicly disclosing the initiation of or results
52 from an analysis of a significant system event under Section 807 of NERC's Rules of

1 Procedure or of off-normal events or system performance under Section 808 of NERC's
2 Rules of Procedure, so long as specific allegations or conclusions regarding alleged
3 violations of reliability standards are not included in such disclosures.

4 **2.3.15 Report all Violations:** NPCC shall report to the Régie and to NERC all
5 violations whether self-reported, alleged, or discovered by NPCC through a compliance
6 audit or compliance violation investigation of all Québec reliability standards in
7 accordance with the *Reporting and Disclosure Process* in Section 2.8. NPCC will
8 promptly notify NERC of any change in the status of a violation and provide updates at
9 least monthly regarding the status of any compliance audits, compliance violation
10 investigations, or hearings.

11 **2.3.16 Critical Energy Infrastructure Information:** Information that would jeopardize
12 electric power transmission system reliability, including information relating to a Cyber
13 Security Incident will be identified and protected from public disclosure as critical energy
14 infrastructure information. In accordance with Section 1500 of NERC's Rules of
15 Procedure, and when so determined by the Régie, information deemed by a Registered
16 Entity, NPCC, or NERC as critical energy infrastructure information shall be redacted
17 according to NERC procedures and Régie's orders and shall not be released publicly.

18 **2.3.17 Penalties, Sanctions, and Remedial Actions:** NPCC will recommend all
19 penalties, sanctions, and remedial actions orders within Québec in accordance with the
20 Québec *Sanction Guide*. All alleged violations, recommended penalties and sanctions
21 will be provided to NERC for review and filing with the Régie.

22 **2.3.18 Mitigation of Violations:** NPCC will require that any Registered Entity found to
23 be in noncompliance with a reliability standard requirement shall submit a mitigation plan
24 with a timeline addressing how the noncompliance will be corrected. The mitigation plan
25 shall be reviewed and recommended to the Régie by NPCC compliance staff and NPCC's
26 compliance panel or board as appropriate.

27 **2.3.19 Settlement Processes:** NPCC may enter into a settlement process with
28 Registered Entities for alleged violations of a reliability standard and any associated
29 financial penalty, sanction, or mitigation actions. NERC must be notified of all settlement
30 proceedings and may participate in any settlement processes. NPCC may consider all
31 relevant facts in the settlement. Any settlement must ensure that the reliability of the
32 electric power transmission system will not be compromised by the settlement and that a
33 violation of reliability standards will not occur as a result of the settlement. All
34 settlements must be reported to NERC, which will in turn recommend the settlement of an
35 alleged violation to the Régie. NERC shall publicly post each violation that is settled
36 (whether confirmed or not), and the resulting penalty or sanction.

37 **2.3.20 NPCC Hearing Process:** NPCC shall establish and maintain a fair, independent,
38 and nondiscriminatory process for hearing contested violations and any penalties or
39 sanctions or remedial actions recommended to the Régie. The hearing process shall allow
40 Registered Entities to contest both findings of compliance violations and any penalties,
41 sanctions or remedial actions that are recommended. The NPCC hearing process shall be
42 conducted before the NPCC board or a balanced committee established by the NPCC
43 board and reporting, through NERC, to the Régie as the final adjudicator. The NPCC
44 hearing process shall (i) include provisions for recusal of any members of the hearing
45 body with a potential conflict of interest, real or perceived, from all compliance matters
46 considered by the hearing body for which the potential conflict of interest exists and (ii)
47 provide that no two industry sectors may control any decision and no single segment may
48 veto any matter brought before the hearing body after recusals.

49 NPCC will notify NERC of all hearings and NERC may observe any of the proceedings.
50 NPCC will notify NERC of the outcome of all hearings.

1 If a Registered Entity has completed the NPCC hearing process and desires to appeal the
2 outcome of the hearing, the Registered Entity shall appeal to NERC, except that a
3 determination of violation or penalty that has been directly adjudicated by the Régie shall
4 be appealed with the Régie.

5 **2.3.21 Annual NPCC Québec Compliance Enforcement Program Implementation**

6 **Plan:** NPCC shall annually develop and submit to NERC for approval a NPCC
7 compliance enforcement implementation plan that identifies the reliability standards and
8 requirements to be actively monitored (both those required by NERC and any additional
9 reliability standards the NPCC proposes to monitor), and how each identified standard
10 will be monitored, evaluated, reported, appealed before NPCC, and recommended for
11 sanction to the Régie. This implementation plan will be submitted to NERC on the
12 schedule established by NERC, generally on or about March 15 for submittal to the Régie
13 by April 1st.

14 **2.3.21.1** In conjunction with the annual implementation plan, NPCC must report to NERC
15 regarding how it carried out its responsibilities in the previous year, the effectiveness of
16 the program, and changes expected to correct any deficiencies identified. NPCC will
17 provide its annual report on the schedule established by NERC, generally on or about
18 February 15 of the following year for submittal to the Régie by March 1st.

19 **2.4 NERC Monitoring of Compliance for NPCC**

20 NERC shall monitor NPCC compliance with NERC reliability standards. Industry
21 experts may be used as appropriate in compliance violation investigations, compliance
22 audits, and other compliance activities, subject to confidentiality, antitrust, and conflict of
23 interest provisions.

24 **2.4.1 NERC Obligations:** NERC compliance enforcement staff shall monitor the
25 compliance of NPCC with the reliability standards for which NPCC is responsible.
26 NERC shall actively monitor in its annual Compliance Enforcement and Monitoring
27 Program selected reliability standards that apply to NPCC. NERC shall evaluate
28 compliance and noncompliance with all of the reliability standards that apply to NPCC
29 and shall impose sanctions, penalties, or remedial action directives when there is a finding
30 of noncompliance. NERC shall post all violations of reliability standards that apply to
31 NPCC as described in the reporting and disclosure process in Section 408 of NERC's
32 Rules of Procedure.

33 **2.4.2 Mitigation Plans:** If NPCC is found by NERC to be in noncompliance with a
34 reliability standard it shall submit to NERC for approval a mitigation plan with a timeline
35 addressing how the noncompliance will be corrected.

36 **2.4.3 Compliance Audit of NPCC:** NERC shall perform a compliance audit of NPCC
37 at least once every three years. NERC shall make an evaluation of compliance based on
38 the information obtained through the audit. After due process is complete, the final audit
39 report shall be made public in accordance with the reporting and disclosure process in
40 Section 408 of NERC's Rules of Procedure.

41 **2.4.4 Appeals Process:** NPCC found by NERC, acting in its capacity of Compliance
42 Monitor, to be in noncompliance with a reliability standard may appeal the findings of
43 noncompliance with reliability standards and any sanctions, or remedial action directives
44 that are recommended by NERC pursuant to the processes described in Sections 409
45 through 411 of NERC's Rules of Procedure.

46 **2.5 Monitoring of Standards and Other Requirements Applicable to NERC**

47 The NERC Compliance and Certification Committee shall establish and implement a
48 process to monitor NERC's compliance with the reliability standards that apply to NERC.
49 The process shall use independent monitors with no conflict of interest, real or perceived,

1 in the outcomes of the process. All violations shall be made public according to the
2 reporting and disclosure process in Section 408 of NERC's Rules of Procedure. The
3 Compliance and Certification Committee will also establish a procedure for monitoring
4 NERC's compliance with its Rules of Procedure for the Standards Development,
5 Compliance Enforcement, and Organization Registration and Certification Programs.
6 Such procedures shall not be used to circumvent the appeals processes established for
7 those programs.

8 **2.6 Independent Audit of the NERC Compliance Monitoring and Enforcement** 9 **Program**

10 NERC shall provide for an independent audit of its compliance monitoring and
11 enforcement program at least once every three years, or more frequently as determined by
12 the board. The audit shall be conducted by independent expert auditors as selected by the
13 board. The independent audit shall meet the following minimum requirements and any
14 other requirements established by the NERC board.

15 **2.6.1 Effectiveness:** The audit shall evaluate the success and effectiveness of the
16 NERC Compliance Monitoring and Enforcement Program in achieving its mission.

17 **2.6.2 Relationship:** The audit shall evaluate the relationship between NERC and the
18 regional entity compliance enforcement programs and the effectiveness of the programs
19 in ensuring reliability.

20 **2.6.3 Final Report Posting:** The final report shall be posted by NERC for public
21 viewing according to the reporting and disclosure process in Section 408 of NERC's
22 Rules of Procedure.

23 **2.6.4 Response to Recommendations:** If the audit report includes recommendations to
24 improve the NERC Compliance Monitoring and Enforcement Program, the administrators
25 of the NERC Compliance Monitoring and Enforcement Program shall provide a written
26 response and plan to the board within 30 days of the release of the final audit report.

27 **2.7 Penalties, Sanctions, and Remedial Actions**

28 **2.7.1 NERC Review of Regional Penalties and Sanctions:** NERC shall review all
29 penalties, sanctions, and remedial actions imposed or recommended by each regional
30 entity, including NPCC, for violations of reliability standards for consistency with similar
31 violations and fairness in application.

32 **2.7.2 Developing Penalties and Sanctions:** The regional entity compliance
33 enforcement program staff shall use the *ERO Sanction Guidelines*, which are incorporated
34 into the general rules as **Appendix 4B**, to develop an appropriate penalty, sanction, or
35 remedial action for a violation, and shall notify NERC of the penalty or sanction. Within
36 Québec, penalties shall be in accordance with the *Québec Sanction Guide*.

37 **2.7.3 Hearing Processes:** NPCC shall make available a NPCC hearing process for
38 entities to contest an allegation of noncompliance, and recommended penalty, sanction, or
39 remedial actions in which the Registered Entity will be afforded the opportunity to
40 present facts to rebut such an allegation, conforming to Attachment 2 of the NERC
41 Compliance Monitoring and Enforcement document. NPCC shall also make available the
42 NERC appeals process for Registered Entities seeking an opportunity to dispute a
43 recommended penalty, sanction, or remedial action. Appeals beyond NERC of an
44 allegation of noncompliance, or recommended penalty, sanction, or remedial action will
45 be before the Régie.

46 **2.7.4 Effective Date of Penalty:** Within Québec, a penalty recommended for a
47 violation of a reliability standard shall take effect only upon a decision by the Régie.

48 **2.8 Reporting and Disclosure Process**

1 **2.8.1 Reporting Requirements:** NPCC shall report all known violations, self-reported,
2 confirmed, and alleged, of all reliability standards to the Régie and to NERC in
3 accordance with the requirements established in the NERC Compliance Monitoring and
4 Enforcement Program procedures document. Probable violations from NERC readiness
5 evaluations will be treated as alleged violations when reported by NPCC to NERC after
6 review by NPCC staff. NPCC shall promptly report any change in the status of a
7 violation and the disposition of each violation. Reports on the disposition of a violation
8 will be provided at least quarterly or as otherwise required by NERC for reporting to the
9 Régie. NERC shall promptly notify the Régie of any self-reported, confirmed, or alleged
10 violation of a reliability standard, any compliance violation investigation, any
11 recommendation of a penalty, sanction, or remedial action order.

12 **2.8.1.1** Requirements of reliability standards for which noncompliance may cause
13 electric power transmission system reliability to be diminished or at risk, will be
14 identified by NERC and require reporting by NPCC to the Régie and to NERC within 48
15 hours after NPCC learns of the violation. Such reports shall include information
16 regarding the nature and reliability impact of the alleged violations, the identity of the
17 organizations involved, and the status and timetable of any compliance investigation.

18 **2.8.2 Reporting Process:** NERC shall implement and maintain a reporting process and
19 utilize appropriate tools to facilitate reporting of violations. The reporting process shall
20 identify all of the information required to be included in a violation report. NERC will
21 report the disposition of each violation or alleged violation to the Régie on a quarterly
22 basis.

23 **2.8.3 Confidential Information:** NERC will treat all alleged violations and matters
24 related to a compliance violation investigation, including the status of the compliance
25 violation investigation, as confidential in accordance with Section 1500 of NERC's Rules
26 of Procedure and when so determined by the Régie. Any entity seeking to protect
27 information as confidential shall follow the procedures of Section 1500. This information
28 may result from compliance violation investigations, compliance audits, and proceedings
29 concerning an alleged violation or proposed penalty or sanction.

30 Information that would jeopardize the electric power transmission system reliability,
31 including information relating to a Cyber Security Incident will be identified and
32 protected from public disclosure as critical energy infrastructure information in
33 accordance with Section 1500 and when so determined by the Régie.

34 **2.8.3.1** NPCC and NERC shall give Registered Entities a reasonable opportunity to
35 demonstrate that information concerning a violation is confidential before such report is
36 disclosed to the public.

37 **2.8.3.2** The types of information that will be considered confidential and will not (subject
38 to statutory and regulatory requirements) be disclosed in any public information reported
39 by NERC are identified in Section 1500 and when so determined by the Régie.

40 **2.8.4 Reporting Updated Information:** NPCC and NERC shall report new
41 information on each confirmed or alleged violation as it is received and processed.

42 **2.8.5 Violation Information Review:** NERC staff shall periodically review and
43 analyze all reports of violations to identify trends, chronic violators, and other pertinent
44 reliability issues.

45 **2.8.6 Public Posting:** When the affected Registered Entity either agrees with the
46 violation(s) or report, or the time for submitting an appeal is passed, or all appeals
47 processes are complete, NERC shall publicly post each confirmed violation, penalty or
48 sanction, and final compliance audit or compliance violation investigation report on its
49 Web site.

1 **2.8.6.1** Each Registered Entity may provide NERC with a statement to accompany the
2 violation or report to be posted publicly. The statement must be on company letterhead
3 and include a signature, as well as the name and title of the person submitting the
4 information.

5 **2.8.6.2** In accordance with Section 1500 and when so determined by the Régie,
6 information deemed by a Registered Entity, NPCC, or NERC as critical energy
7 infrastructure information (*NERC Security Guidelines for the Electricity Sector —*
8 *Protecting Potentially Sensitive Information* may be used as a guide), or any other
9 confidential information shall be redacted.

10 **2.8.6.3** Subject to redaction of critical energy infrastructure information or other
11 confidential information, for each confirmed violation or settlement relating to an alleged
12 violation, the public posting shall include the name of any relevant entity, the nature, time
13 period, and circumstances of such violation or alleged violation, and sufficient facts to
14 enable Registered Entities to evaluate whether they have engaged in or are engaging in
15 similar activities.

16 **2.9 Review of NERC Decisions**

17 **2.9.1 Scope of Review:** A Registered Entity wishing to challenge an allegation of
18 noncompliance and the recommendation of a penalty for a compliance measure directly
19 administered by NERC may do so by filing a notice of the challenge with NERC's
20 director of compliance no later than 21 days after issuance of the notice of allegation of
21 violation or audit finding. Appeals by Registered Entities of final recommendations of an
22 NPCC hearing body shall be pursuant to Sections 2.7 and 2.10.

23 **2.9.2 Contents of Notice:** The notice of challenge shall include the full text of the
24 decision that is being challenged, a concise statement of the error or errors contained in
25 the decision, a clear statement of the relief being sought, and argument in sufficient detail
26 to justify such relief.

27 **2.9.3 Response by NERC Compliance Monitoring and Enforcement Program:**
28 Within 21 days after receiving a copy of the notice of challenge, the NERC Director of
29 Compliance may file with the hearing body a response to the issues raised in the notice,
30 with a copy to NPCC and the Registered Entity.

31 **2.9.4 Hearing by Compliance and Certification Committee:** The NERC Compliance
32 and Certification Committee shall provide representatives of the Registered Entity and the
33 NERC Compliance Monitoring and Enforcement Program an opportunity to be heard and
34 shall decide the matter based upon the filings and presentations made, with a written
35 explanation of its decision.

36 **2.9.5 Appeal:** The Registered Entity may appeal the decision of the Compliance and
37 Certification Committee by filing a notice of appeal with NERC's director of compliance
38 no later than 21 days after issuance of the written decision by the Compliance and
39 Certification Committee. The notice of appeal shall include the full text of the written
40 decision of the Compliance and Certification Committee that is being appealed, a concise
41 statement of the error or errors contained in the decision, a clear statement of the relief
42 being sought, and argument in sufficient detail to justify such relief. No factual material
43 shall be presented in the appeal that was not presented to the Compliance and
44 Certification Committee.

45 **2.9.6 Response by NERC Compliance Monitoring and Enforcement Program:**
46 Within 21 days after receiving a copy of the notice of appeal, the NERC Compliance
47 Monitoring and Enforcement Program staff may file its response to the issues raised in the
48 notice of appeal, with a copy to the entity filing the notice.

49 **2.9.7 Reply:** The entity filing the appeal may file a reply within 7 days.

1 **2.9.8 Decision:** The Compliance Committee of the NERC Board of Trustees shall
2 decide the appeal, in writing, based upon the notice of appeal, the record, the response,
3 and any reply. At its discretion, the Compliance Committee may invite representatives of
4 NPCC or Registered Entity, and the NERC Compliance Monitoring and Enforcement
5 Program to appear before the Committee. Decisions of the Compliance Committee shall
6 be final, except for further appeal to the Régie.

7 **2.9.9 Impartiality:** No member of the Compliance and Certification Committee or the
8 Board of Trustees Compliance Committee having an actual or perceived conflict of
9 interest in the matter may participate in any aspect of the challenge or appeal except as a
10 party or witness.

11 **2.9.10 Expenses:** Each party in the challenge and appeals processes shall pay its own
12 expenses for each step in the process.

13 **2.9.11 Non-Public Proceedings:** All challenges and appeals shall be closed to the
14 public to protect confidential information.

15 **2.10 Appeals from Final Recommendations of NPCC**

16 **2.10.1 Time for Appeal:** A Registered Entity wishing to appeal from a final
17 recommendation by NPCC that alleges a violation of a reliability standard or recommends
18 imposition of a penalty for violation of a reliability standard shall file its notice of appeal
19 with NERC's director of compliance, with a copy to NPCC, no later than 21 days after
20 issuance of the final recommendation of the NPCC hearing body. The same appeal
21 procedures will apply regardless of whether the matter first arose in a compliance
22 violation investigation, compliance audit or self-report, or in a reliability readiness
23 evaluation.

24 **2.10.2 Contents:** The notice of appeal shall include the full text of the final
25 recommendation of the NPCC hearing body that is being appealed, a concise statement of
26 the error or errors contained in the final recommendation, a clear statement of the relief
27 being sought, and argument in sufficient detail to justify such relief. No factual material
28 shall be presented in the appeal that was not first presented during the compliance hearing
29 before the NPCC hearing body.

30 **2.10.3 Response by NPCC:** Within 21 days after receiving a copy of the notice of
31 appeal, NPCC shall file the entire record of the matter with NERC's director of
32 compliance, with a copy to the entity filing the notice, together with its response to the
33 issues raised in the notice of appeal.

34 **2.10.4 Reply:** The entity filing the appeal may file a reply to NPCC within 7 days.

35 **2.10.5 Decision:** The Compliance Committee of the NERC Board of Trustees shall
36 decide the appeal, in writing, based upon the notice of appeal, the record of the matter
37 from NPCC, the response, and any reply filed with NERC. At its discretion, the
38 Compliance Committee may invite representatives of the entity making the appeal and
39 NPCC to appear before the Committee. Decisions of the Compliance Committee,
40 including any recommendations for a finding of violation or imposition of a penalty or
41 other sanction, shall be referred to the Régie for final decision.

42 **2.10.6 Expenses:** Each party in the appeals process shall pay its own expenses for each
43 step in the process.

44 **2.10.7 Non-Public Proceedings:** All appeals shall be closed to the public to protect
45 confidential information.

46 **2.11 Hold Harmless**

1 A condition of invoking the challenge or appeals processes under Sections 2.9 or 2.10 is
2 that the entity requesting the challenge or appeal agrees that neither NERC (defined to
3 include its members, Board of Trustees, committees, subcommittees, staff and industry
4 volunteers), any person assisting in the challenge or appeals processes, nor any company
5 employing a person assisting in the challenge or appeals processes, shall be liable, and
6 they shall be held harmless against the consequences of or any action or inaction or of any
7 agreement reached in resolution of the dispute or any failure to reach agreement as a
8 result of the challenge or appeals proceeding. This “hold harmless” clause does not
9 extend to matters constituting gross negligence, intentional misconduct, or a breach of
10 confidentiality.

11

12 **3.0 ORGANIZATION REGISTRATION**

13 **3.1 Scope of the Organization Registration Program**

14 NPCC shall receive from the Régie a listing of Registered Entities, which identifies the
15 entities referred to in Section 85.3 of the Act that are subject to the reliability standards.
16 NPCC shall develop, maintain and provide to NERC the NPCC Compliance Registry
17 with updates whenever changes occur to the registry. NERC shall maintain the NERC
18 Compliance Registry on its Web site.

19 **3.2 Appeals**

20 Appeals by Registered Entities of being placed on the compliance registry shall be
21 resolved by the Régie.