



Operating Procedures

ISO New England Operating Procedure No. 15

ISO New England Compliance Procedure

Effective Date: November 4, 2005

Revision No. 0

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References: NPCC Document A-08, NPCC Reliability Compliance and Enforcement Program
NPCC Document B-22, Guidelines for Implementation of the NPCC Compliance Program
NPCC Document C-32, Review Process for NPCC Reliability Compliance Enforcement Program
NERC Compliance and Enforcement Program
NERC Guidelines for Reporting and Disclosure
ISO New England Operating Procedures
ISO New England Planning Procedures
ISO New England Manuals
ISO New England Administrative Procedures
Participants Agreement
ISO New England Transmission, Markets and Service Tariff (Tariff)
Transmission Operating Agreement(s)
Market Participant Service Agreements(s)
NERC Standards
NPCC Criteria, Guides, and Procedures

Local Control Center Instruction:

CONVEX: None
MAINE: None
NEW HAMPSHIRE: None
REMVEC II: None
VELCO: None

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I. INTRODUCTION

For the purposes of this Procedure, compliance requirements are defined as reliability standards, procedures, measurements, criteria, and the associated compliance programs of the North American Electric Reliability Council (“NERC”), the Northeast Power Coordinating Council (“NPCC”) and ISO New England Inc. (“ISO”). The purpose of this Procedure is to provide the ISO, and the ISO Market Participants with an overview of, and a procedure for satisfying, ISO, NPCC, and NERC compliance requirements including provisions for non-monetary sanctions and an appeals process of ISO determinations.

Application of Procedure

This Procedure applies to the ISO and Market Participants, including Transmission Owners. A Market Participant is defined as a participant in the New England Markets that has executed a Market Participant Service Agreement (MPSA), or on whose behalf an unexecuted MPSA has been filed with and approved by the Commission. In addition, Transmission Owners that have executed the Transmission Operating Agreement (TOA) or Merchant Transmission Owners that have executed other Transmission Operating Agreements(s) are considered Market Participants.

A Resource owner must execute an MPSA, or have another entity that has executed an MPSA act as the Lead Market Participant for the Resource, in order to bid or offer it into the New England Markets. When there is not a Market Participant owner for Resources that are bid or offered into the New England Markets through a Lead Market Participant, the Lead Market Participant will be considered the “owner” of the Resource for compliance purposes, pursuant to Manual 28 or its successor document.

Market Participants include, but are not limited to, Transmission Owners, Transmission Operators, Transmission Planners, Lead Market Participants, Generator Owners, Distribution Owners or other entities participating in the ISO New England Market that have obligations to meet the compliance requirements of NERC, NPCC, and ISO.

Documents Creating Compliance Requirements

Various documents obligate ISO and the Market Participants to comply with all NERC, NPCC, and ISO compliance requirements. These include the ISO New England Transmission, Markets and Service Tariff (“Tariff”), Transmission Operating Agreement, other Transmission Operating Agreement(s) and Market Participant Service Agreements.

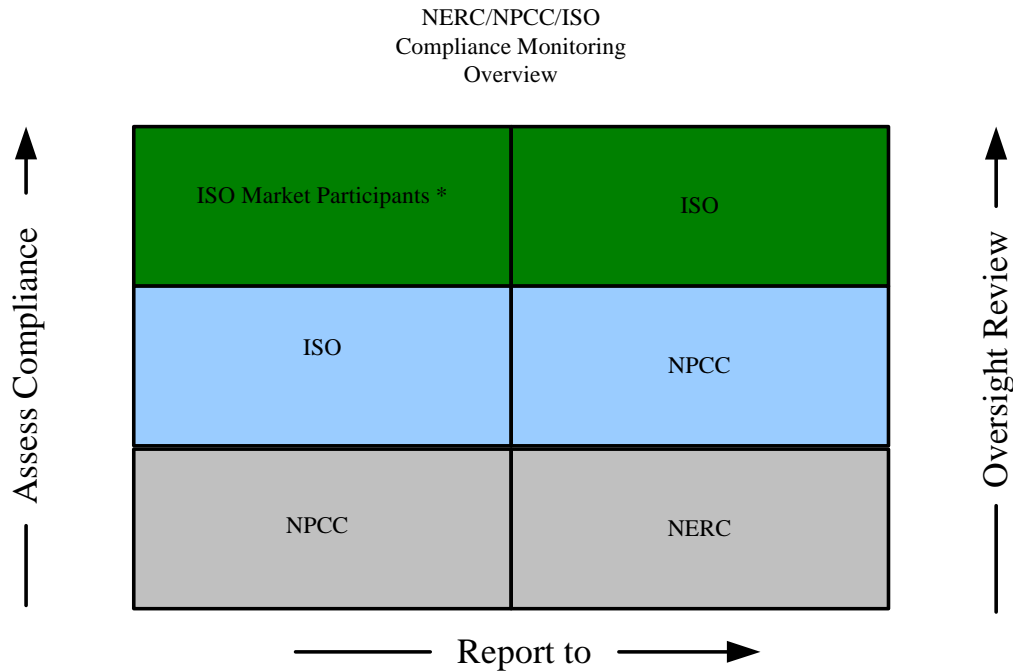
Measuring Compliance

NERC, NPCC and ISO compliance requirements will be reviewed each year as detailed in the ISO Annual Compliance Schedule.

II. COMPLIANCE HIERARCHY

As a general rule, reporting and assessment are accomplished in a hierarchical manner as shown below:

- Market Participants report to the ISO, which assesses their compliance
- ISO reports to NPCC, which assesses Area compliance
- NPCC reports to NERC (see the following diagram)



* Examples of ISO Market Participants include, but are not limited to, are: Transmission Owners, Transmission Operators, Transmission Planners, Lead Market Participants, Generator Owners, Distribution Owners or other entities participating in the ISO New England Market that have obligations to meet the compliance requirements of NERC, NPCC, and ISO.

III. COMPLIANCE PROGRAMS

Compliance, Enforcement, Mitigation, and Dispute Resolution are the components of a compliance program and are defined as:

Compliance - The ability to monitor, measure, assess and report compliance with a particular compliance requirement.

Enforcement - The ability to enforce sanction levels for non-compliance with a particular compliance requirement.

Mitigation - The ability to provide a specific plan and time frame to mitigate non-compliance with a particular compliance requirement.

Dispute Resolution – The ability to provide a process for the Market Participants, and the ISO to resolve disputes related to a sanction issued by the ISO, NPCC or NERC. This process could

also be used to resolve an ISO rejection of a mitigation plan submitted by the Market Participant regarding non-compliance with compliance requirements.

A. NERC Compliance Program

The NERC Compliance Program is defined by NERC as the overall processes and procedures and their associated schedules by which NERC and their ten Regional Reliability Council (s) (Regions) will implement compliance review and enforcement processes to ensure compliance with the NERC Standards. These processes and procedures are known as the NERC Compliance Review and the NERC Compliance Enforcement Program (“CEP”).

NERC Compliance Review is the process by which NERC and the Regions will conduct reviews of entities to determine the extent of their compliance with the NERC Standards and their associated measurements. Reviews will be guided by the stated measurements and may take the form of assessments, audits, evaluations, investigations, or other actions. The results of the compliance reviews are forwarded through the compliance enforcement process and are publicly posted in accordance with NERC Guidelines for Reporting and Disclosure found on NERC’s website (ftp://www.nerc.com/pub/sys/all_updl/docs/pubs/DisclosureGuidelines-BOTApproved-6-15-04.pdf).

NERC CEP is designed to monitor compliance with NERC Standards to ensure the reliability of the North American bulk electric system. NERC CEP assesses compliance for a select number of Standards each year, which then become part of the annual Regional compliance program. The NERC CEP is comprised of ten Regional programs. The ten Regional Reliability Councils of NERC monitor their members and others operating within their Regions for compliance with the Standards. NERC provides oversight and coordination of the overall program. In those cases where the Standards call for compliance by the Regions, NERC staff monitors the Regions’ compliance with those Standards. ISO belongs to NPCC, which is the Regional Reliability Council for New York, the six New England states, Ontario, Québec, and the Maritime Provinces.

NERC will post to its website and make available to all affected federal, state, and provincial regulators the immediate reports of confirmed priority violations of NERC and Regional Reliability Council Standards as soon as investigatory, decisional, and appeal processes are completed; and quarterly reports that summarize compliance reports from the Regional Reliability Councils and NERC’s own compliance activities.

B. NPCC Compliance Program

NPCC compliance information may be found in different NPCC documentation, available on the NPCC website. NPCC documentation is divided into three areas.

1. **Criteria** - Type “A” documents - The most stringent documents that detail the minimum criteria for planning and operating the interconnected power system.
2. **Guidelines (or Guides)** - Type “B” documents – Documents that serve as a guide through which implementation of the criteria and acceptable system performance is achieved.

3. **Procedures** - Type “C” documents – Documents that provide for uniform implementation, interpretation and monitoring of conformance with the general criteria, guides and reporting requirements of the Type “A” and “B” documents.

The annual NPCC Compliance Program is comprised of three separate programs:

- NPCC Reliability Compliance and Enforcement Program (RCEP)
- NPCC Reliability Assessment Program (NRAP)
- NERC CEP, which is described previously in this Procedure

C. NPCC RCEP

The NPCC RCEP was established in 2000 in an effort to strengthen the NPCC Compliance Program by introducing enforcement and non-monetary sanctions and is designed to monitor, assess, and enforce compliance with established reliability requirements. NPCC Document A-08 - *NPCC Reliability Compliance and Enforcement Program* defines the annual RCEP program, identifying specific NPCC criteria that will be measured using compliance templates, which define the requirements, level of non-compliance, etc. for a given compliance requirement. Compliance templates provide details on what is necessary to achieve compliance with existing compliance requirements. A compliance template will specify:

- The function to which the standard and its associated measurements apply
- The items to be measured
- The timeframe or frequency in which compliance is to be achieved or monitored
- What constitutes full compliance with a standard and its measurements
- Categorizes non-compliance
- The entity responsible for monitoring compliance

All non-compliance with RCEP Criteria is subject to non-monetary sanctions. NPCC Document B-22 - *Guidelines for the Implementation of the Reliability Compliance and Enforcement Program* and NPCC Document C-32 - *Review Process for NPCC Reliability Compliance Program* provide further details on the NPCC Compliance Program.

D. NPCC NRAP

The NPCC NRAP was established in 1977. NPCC, its members and the NPCC Areas, developed NRAP to assess the reliability of the NPCC bulk power system according to NPCC Criteria and Procedures. NPCC uses NRAP to:

- Review compliance of criteria currently not in RCEP, with examples such as:
- Maintain schedules for periodic review and assessment of NPCC Area transmission system reliability and resource adequacy
- Review proposed new or modified protection systems and/or special protection systems for the bulk power system
- Maintain schedules for periodic review of NPCC Criteria, Guides and Procedures

- Provide budget reports and status reports on activities of the NPCC Subcommittees, Task Forces and Working Groups who are assigned specific responsibilities over areas of expertise in compliance, system planning, system operation, system protection, system modeling and studies, and system information, security, and technology

In summary, the NPCC NRAP consists of compliance with various requirements encompassed by the NPCC Criteria, Guides and Procedures. Although these are not enforceable under the NPCC Program, the ISO may opt to enforce NPCC Criteria requirements through inclusion in the ISO Compliance Enforcement Program.

E. NERC CEP

The annual NERC CEP requirements, described previously, are met by NPCC, where appropriate, by utilizing the RCEP and NRAP. This ensures that there is no duplication of effort for reporting and assessing compliance on the requirements within each program. Annually, NERC selects a set of standards for inclusion in the CEP. The CEP requirements are then adopted into the annual NPCC Compliance Program.

NPCC Compliance Monitoring and Assessment Subcommittee

NPCC Compliance Monitoring and Assessment Subcommittee (“CMAS”) is responsible for performing independent monitoring and assessment of compliance with the criteria and standards included in the NPCC Compliance Program. This includes the requirements of the NPCC RCEP, the compliance monitoring and survey requirements in the NRAP and NPCC participation in the NERC CEP.

CMAS is open to all NPCC members. CMAS collects compliance reports as defined by the program schedules. CMAS reviews the submittals within 45 calendar days or at their next scheduled meeting and assesses them for compliance/non-compliance. CMAS may request the submission of reasonable supplemental or additional information to aid in the assessment or request assistance from a NPCC technical committee in order to aid in the assessment. The role of CMAS is discussed further in the auditing section of this Procedure.

F. ISO Compliance Program

The ISO, as a member of NPCC, is responsible for reviewing and enforcing the annual NPCC Compliance Program. The ISO Annual Compliance Program is comprised of two programs the ISO New England Compliance Enforcement Program (“ICEP”), and ISO New England Reliability Assessment Program (“IRAP”). These programs include the NPCC RCEP, NPCC NRAP, NERC CEP and New England specific requirements.

Non-compliance with a compliance requirement can result in a notification of non-compliance to the responsible Market Participant or, if the compliance requirement is part of the NPCC RCEP or the ISO ICEP program, it will result in a non-monetary sanction letter to company officials and/or regulatory, legislative bodies as explained in ISO Enforcement and Non-monetary sanctions section of this Procedure.

G. ISO New England Compliance Enforcement Program

The ICEP program is designed to monitor, assess, and enforce compliance with established ISO reliability requirements contained within various ISO documents and the NPCC RCEP.

Documentation regarding reliability requirements is contained in several areas, which include but are not limited to:

- The ISO Tariff
- The TOA, other Transmission Operating Agreement(s), and the MPSA
- ISO New England Operating Procedures, System Operating Procedures, and Master Local Control Center Procedures - Detail the minimum operating criteria for the interconnected power system
- ISO New England Planning Procedures - Detail the minimum planning criteria for the interconnected power system
- ISO New England Manuals
- NERC Standards; and
- NPCC Criteria Documents

The following are the enforceable compliance requirements under the ICEP:

- Voltage reduction as required by ISO New England Operating Procedure No. 13
- Black Start testing as required by ISO New England Operating Procedure No. 11
- Any requirement that is included in the NPCC RCEP Program is automatically included in the ICEP

H. ISO New England Reliability Assessment Program

The IRAP program is designed to monitor and assess compliance with established ISO reliability requirements described in ISO documents as well as NERC Standards and the NPCC NRAP. It is designed to complement the NERC and NPCC compliance programs. The following are the compliance requirements contained within the IRAP program:

1. Simulated manual load shed test as required by ISO New England Operating Procedure No. 13;
2. Load power factor survey as required by ISO New England Operating Procedure No. 17;
3. Survey of metering, recording devices and telemetering as required by ISO New England Operating Procedure No. 18;
4. Provision of accurate and up-to-date facility ratings by Generator Owners and Transmission Owners as required by ISO New England Operating Procedures No. 14 & 16; and
5. Any requirement that is included in the NPCC NRAP or NERC CEP is automatically included in the IRAP.

For both of these ISO Compliance Programs, additions to or changes in ISO-specific requirements will be accomplished through the committee structure due process (Participant

Processes pursuant to the Participants Agreement). However, the compliance requirements from the NERC CEP and NPCC NRAP and RCEP programs will automatically be added to the ICEP and IRAP without due process.

IV. Compliance Responsibility

The ISO compliance review process requires coordination among NERC, NPCC, the ISO, the Market Participants, and the Reliability Committee (“RC”). The responsibilities of each of these entities are described below.

A. NERC Responsibility

NERC is responsible for performing NERC Compliance Reviews and for selecting which Standards will be included in the CEP for inclusion into the Regional compliance enforcement programs for the year.

B. NPCC Responsibility

NPCC is responsible for:

1. Receiving reports of compliance with NPCC Criteria and NERC Standards from the ISO.
2. Assessing the New England Area compliance.
3. Reporting compliance to NERC.
4. Administering the NPCC Enforcement Process.
5. Administering the NPCC Dispute and Appeals Process.
6. Setting Criteria and Rules for compliance with NERC Standards.
7. Conducting Compliance Audits of the ISO and its Market Participants.

C. ISO Responsibility

The ISO will provide oversight to the assessment and enforcement process through adoption of the ISO Annual Compliance Program and will administer this Compliance Procedure.

ISO Compliance Personnel are responsible for monitoring and assessing the Market Participants’ compliance with ISO, NPCC and NERC compliance requirements. Those responsibilities include, but are not limited to the following:

1. Conduct an Annual Compliance Seminar in the first quarter (or as soon as the NERC and NPCC programs are available) of the calendar year to brief Market Participants on current and future compliance requirements.
2. Brief the RC on a periodic basis regarding compliance matters. The periodic briefings will consist of, but are not be limited to:
 - a. NERC/NPCC Compliance issues both present and proposed for the future;
 - b. Review of compliance/non-Compliance in New England;

- c. Review of scheduled Compliance Requirements for the next period and/or remainder of the year;
- d. Standards activities at NERC; and
- e. Criteria changes at NPCC.

Compile an Annual Compliance Report based upon on compliance-related activities for the year including: NERC CEP, NPCC NRAP, NPCC RCEP, ISO IRAP, ISO ICEP, and any violations of compliance requirements that require notification to NPCC, NERC or regulatory authorities during the year. It will also include a review of any non-monetary sanctions issued against a Market Participant(s), and an update of any mitigation plans provided to and accepted by the ISO. The report will include a summary of non-monetary sanctions that have been submitted to the dispute resolution process(es). The report will include an update on compliance-related activities and a schedule of compliance activities planned for the coming year.

3. Provide Market Participants with specific program requests in accordance with the ISO Annual Compliance Program Schedule.
4. Maintain compliance criteria and documentation for the NERC, NPCC and ISO compliance programs at the following website:

ISO New England http://www.iso-ne.com/rules_proceeds/nerc_npcc/index.html.
5. Establish an ISO Annual Compliance Schedule and it will be posted at the above website after it becomes available from NERC and NPCC.
6. ISO Compliance Contacts:

Planning: Principal Analyst Reliability Services
Operations: Senior Operations Compliance Coordinator

D. Market Participants Responsibility

Market Participants are responsible for assessing and reporting on the compliance requirements of NERC, NPCC and ISO. Those responsibilities include but are not limited to:

1. Providing ISO with a single-point of contact for compliance (see below);
2. Participating in the Annual Compliance Seminar conducted by the ISO to maintain awareness of current and future compliance issues;
3. An officer or an employee representing an officer of the company must sign the compliance certification sent to the ISO by the Market Participant;
4. Developing and completing mitigation plans for non-compliance with NERC, NPCC, and ISO compliance requirements;

5. Reviewing and providing feedback on additions, changes or deletions to the requirements that the ISO will measure compliance against;
6. Responding to compliance requests in a timely fashion. (Market Participants will typically have a minimum of 45 calendar days to report to the ISO regarding compliance/non-compliance. However, there may be occasions when the 45-day reporting period is reduced due to circumstances beyond the control of the ISO);
7. Maintaining data, for auditing purposes, in accordance with the Data Retention Section of this Procedure; and
8. Complying with audits conducted by NERC, FERC, NPCC and the ISO with respect to compliance requirements.

Market Participants are required to maintain communication with the ISO concerning compliance pursuant to this Procedure. Since there are a large number of Market Participants that the ISO has to contact on a periodic basis for compliance, it is essential that the Market Participants establish a single-point of contact (with a single alternate) with the ISO who is responsible for *providing data, answering surveys, conducting analyses, coordinating audits and reporting results* to the ISO as required by the compliance requirements.

Each Market Participant shall submit to the ISO, via the Customer Asset Management System (CAMS) database application, a single point of contact and an alternate within their organizations (see Example 1) that the ISO can contact regarding compliance requirements. The Market Participant will notify the ISO of any changes in the contact information that occur during the year. In addition, prior to the start of the ISO Annual Compliance Program, the Market Participant is required to review their compliance contact personnel to ensure the contact list is up-to-date.

Example 1

Organization:	
Sector:	
Name (Primary): Job Title: Address: Telephone: Telecopier: Email Address:	Name (Alternate): Job Title: Address: Telephone: Telecopier: Email Address:

V. ISO New England Compliance Review Process

The ISO Compliance Review Process is a process to determine the New England Control Area and Market Participants responsibility and requirements for compliance with NERC, NPCC and ISO compliance requirements. The overall compliance process is described in accompanying flow charts contained in Appendix A of this Procedure.

The Schedule

- NERC produces and provides an annual schedule of their compliance requirements to the Regions
- NPCC obtains NERC's annual program and adds additional NPCC RCEP and NRAP requirements based on the NPCC program requirements. This becomes the NPCC annual compliance program
- ISO obtains NPCC's annual compliance program and adds additional requirements based on ISO compliance requirements and incorporates them into the ICEP or IRAP to be measured (examples include Load Power Factor and Voltage Reduction requirements). This becomes the ISO Annual Compliance Program. ISO will notify Market Participants of the additional or more restrictive ISO compliance requirements
- ISO Compliance Personnel reviews the final ISO Annual Compliance Program and determines: (1) the responsible department to handle the technical analysis and administrative functions for the requirement (Operations, Planning, other); (2) the compliance requirements that are an ISO responsibility versus a Market Participant responsibility; (3) for the Market Participant responsibilities, who the responsible entities are for compliance (i.e. Generator, Transmission, other); and (4) the Market Participants reporting deadlines based on the deadline for the Area reporting to NPCC
- ISO publishes the ISO Annual Compliance Program Schedule and sponsors a workshop to inform Market Participants about the year's requirements
- ISO provides access to NERC, NPCC and ISO Compliance Templates and/or Criteria and Standards via the ISO website

Compliance Requests

- Based on the ISO Annual Compliance Program Schedule, ISO Compliance Personnel send a compliance request to the responsible entity(ies) with instructions on what is required to constitute compliance, a self-certification form or other means of reporting, and a deadline for submitting the requested data to the ISO
- Questions regarding the requests are directed to the appropriate ISO Compliance Personnel, which assist Market Participants as needed with their submittal and/or requirements
- Compliance requests must be responded to prior to the deadline for the Area to submit to NPCC or are subject to non-monetary sanctions in accordance with this Procedure

Compliance Submittals

- Compliance Self-Certification Reporting: The Market Participant self-certifies compliance or non-compliance to the requirement, in lieu of submitting complete documentation, data or test results to demonstrate compliance
- Complete Documentation: The Market Participant submits complete documentation, data or test results for a specific requirement for review and assessment by the ISO
- Exception Reporting: The Market Participant submits a compliance report following an event that requires non-compliance reporting as defined in the ISO Annual Compliance Program Schedule
- As submittals are received back from Market Participants, they are assessed for compliance/non-compliance, logged, and later archived for auditing purposes
- ISO reviews and verifies that the reliability compliance information is complete. If the information is incomplete, the ISO Compliance Personnel will ask the Market Participant to provide the required information
- Non-compliance submittals must be accompanied by a mitigation plan
- If the compliance submittal is not received by the deadline, a notification to the Market Participant is made indicating that late submittals may be determined not to be in compliance after the specified grace period in accordance with this Procedure

New England Area Compliance Determination

- For Market Participant responsibilities, the New England Area compliance is determined by:
 - The ISO compiling, assessing and determining individual Market Participant compliance (see ‘Compliance Monitoring Overview’ diagram). For example, if a Market Participant is non-compliant with NPCC Minimum Maintenance, then the Area is also non-compliant based on the Market Participant’s non-compliance
 - Document determinations and provide appropriate reports (e.g. to NPCC CMAS & NPCC Reliability Coordinating Committee (“RCC”))
- For ISO Area specific responsibilities, an Area compliance assessment is made by the ISO with a final assessment and determination made by NPCC (i.e. Ten-minute reserves, System Restoration, etc.)

Reporting of Area Compliance

- The assessment or determination of compliance is reported to NPCC CMAS, which reviews plans and documentation to assess level of Area Compliance. The NPCC RCC must accept this assessment and make a determination before it becomes final
- For instances of identified non-compliance, CMAS will provide a report fully explaining the reason for the non-compliance and recommend to the NPCC RCC the appropriate non-monetary sanction and review any mitigation plan or action proposed to achieve compliance
- When supporting data is required, the ISO, or Market Participants also provides it
- For instances of non-compliance, a mitigation plan is submitted to NPCC
- The RC is advised of compliance assessment and determination made by NPCC

Reporting of Market Participant Compliance

- The RC is advised of Market Participant compliance with ISO compliance requirements
- For instances of identified non-compliance, ISO Compliance Personnel will provide a report explaining the reason for the non-compliance and report to the RC the appropriate sanction to be imposed by the ISO Enforcement Panel (see section on ISO Enforcement Panel) and review any mitigation plan or action proposed to achieve compliance
- If ISO accepts the Market Participant's Mitigation Plan, ISO reports status to the RC and NPCC/NERC
- If ISO rejects the Market Participant's Mitigation Plan, ISO will ask the Market Participant to modify the plan and resubmit it to ISO
- If the Market Participant rejects modifying the plan, then ISO and the Market Participant will begin the ISO dispute resolution process as detailed in Section I.6 of the Tariff

Mitigation Plans and Repeated Non-Compliance

- For all instances of non-compliance, an ISO-accepted mitigation plan must be filed and shall provide appropriate timeframes for becoming fully compliant with the requirement in question
- In cases where a Market Participant has repeated occurrences of non-compliance, whether due to failure to complete their mitigation plan in a timely fashion or for other reasons, each repeated occurrence will automatically result in an increase in the level of non-compliance assessed in the previous assessment period. For example, if a Market Participant is Level 2 non-compliant (see Table 1 for non-compliance levels in the ISO Enforcement and Non-monetary sanctions section of this Procedure) with NPCC Minimum Maintenance and in the following assessment indicates that the maintenance still has not been completed, an automatic Level 3 non-compliance finding will be imposed on that Market Participant

VI. Auditing Function**A. NERC**Readiness Audits

NERC established the Readiness Audit Program to independently review the operations of, but not limited to in accordance with NERC, NPCC and ISO authority, all Balancing Authorities, Transmission Operators, and Reliability Coordinators, as defined in the NERC Functional Model, in North America, and determine their readiness to maintain safe and reliable operations. The audits identify areas of excellence in operations and areas in need of improvement. The readiness audits should not be confused with NERC compliance audits, which measure compliance with NERC Standards.

The goal of the Readiness Audit Program is rooted in the recognition that Standards cannot prescribe all aspects of reliable operations and that NERC Standards present a threshold, not a

target, for performance and excellence in the industry. Balancing Authorities, Transmission Operators, and Reliability Coordinators must be ready to perform under emergency conditions while striving for excellence in their assigned reliability functions and responsibilities.

The readiness audits are designed to ensure that operators of the bulk electric system have the tools, processes, and procedures in place to operate reliably. The audits will help Balancing Authorities, Transmission Operators, and Reliability Coordinators recognize and assess their reliability responsibilities and evaluate how their operations support those responsibilities. NERC will use the results of these audits to help champion the changes required to improve the reliability performance of these entities. The audits will be conducted on a three-year cycle.

NPCC, in conjunction with NERC, the Commission and with participation of personnel from the NPCC Areas (New York, the six New England states, Ontario, Québec, and the Maritime Provinces) and member companies, conduct Readiness Audits of Functional Entities, as defined in the NERC Functional Model, on a periodic basis to identify best practices in performing the reliability functions and associated requirements. The results of these audits are shared in the industry to enhance reliability. NPCC, with input from the Areas, coordinates the readiness audit schedule with NERC and publishes the schedule and administers it through the NPCC Compliance Program. A Readiness Audit schedule is posted on the NPCC website.

Compliance Audits

The Compliance and Certification Committee (“CCC”) of NERC provides stakeholder oversight to the Compliance and Certification Programs. It is responsible for recommending policies and processes used by the NERC Compliance Enforcement and Organization Certification Programs for NERC board approval. NERC will conduct Compliance Audits of the Regions to determine effectiveness of their compliance programs, efficiencies and fairness of their processes, and their auditing and sanctioning mechanisms.

B. NPCC Compliance Monitoring and Assessment Subcommittee Audits

CMAS will schedule Reviews in accordance with NPCC Document C-32, *Review Process for NPCC Reliability Compliance and Enforcement Program* such that a Review Team would review each Area at least once every 3 years. CMAS may also trigger a Review following instances of non-compliance of the Reliability Compliance Enforcement Program criteria/standards. These reviews may include requirements for the Market Participants to provide data or require a visit to a Market Participant location to review records related to the Review and/or to ensure the Market Participant is performing any delegated task(s).

CMAS will review the report of the Review Team and conduct its compliance assessment and submit its report to the NPCC RCC for review and approval. Where appropriate, CMAS will provide a sanction recommendation for compliance violations to the RCC. The RCC, following the process outlined in NPCC Document A-08, *NPCC Reliability Compliance And Enforcement Program*, will perform its review and forward it to the ISO Enforcement Panel for analysis and action.

C. ISO Audits

The ISO shall have the authority to perform all compliance and monitoring responsibilities associated with compliance requirements relating to ISO, NPCC, and NERC standards, criteria, and measurements.

ISO New England Internal Audit will perform periodic audits at ISO New England and selected Market Participants to assess the following:

- Participant compliance with NERC Cyber Security Standards
- Local Control Center (LCC) compliance with governing documents such as NERC policies, FERC orders, ISO New England Operating Procedures, Master LCC procedures and local policies and procedures; and
- Overall effectiveness of this Procedure

As necessary, ISO New England Internal Audit will also assist ISO Compliance personnel in performing other compliance audits.

In order to limit the time required to meet the audit requirements of NERC, NPCC and ISO as detailed above, the ISO will attempt to combine the various audits of Market Participants.

VII. ISO Enforcement and Non-monetary Sanctions

In the ISO compliance process, many measures that are not data-related (i.e. data is not required to be submitted) are monitored through Market Participant self-certification. In these instances, since the Market Participants submit their non-compliance assessment to the ISO, there is no need for "confirmation" of non-compliance. However, ISO Compliance Personnel will independently assess for compliance/non-compliance measures that require Market Participants to submit data (with or without a self-certification) by these same processes.

The ISO Enforcement Panel will direct non-monetary sanctions against the Market Participants for violations of the ICEP, as determined by the ISO or NPCC. In the case of sanctions that result from an ISO determination, the ISO Enforcement Panel will receive either an undisputed compliance determination, including a sanction recommendation, an undisputed compliance determination with a disputed sanction recommendation, or a disputed compliance violation. The Market Participant shall notify the ISO Enforcement Panel as to whether it will accept or dispute the sanction. If the Market Participant accepts the sanction, the ISO Enforcement Panel will issue the appropriate sanction letter. If, however, the Market Participant disputes the sanction or the ISO Enforcement Panel receives a disputed compliance violation, an ISO Enforcement Panel hearing will be held in accordance the Panel's procedures.

Non-monetary sanctions are imposed in the form of letters to company officials and/or regulatory, legislative bodies. The distribution of these letters become increasingly broad depending on the level of non-compliance or number of violations of a given compliance requirement. Notifications of non-compliance may also be used, in the absence of an

enforceable measure, to indicate a need to move towards compliance with non-enforceable compliance requirements (i.e. NRAP or IRAP requirements).

If a Market Participant action or inaction results in the ISO becoming non-compliant, that sanction is passed along to the Market Participant. Appeals of such passed-through NPCC/NERC sanctions will be appealed between the affected Market Participant and NPCC/NERC.

For disputes of an ISO Enforcement Panel finding, an additional appeal process for ISO-specific non-monetary sanctions will follow the Dispute Resolution process outlined in Section I.6 of the Tariff.

A. Violations of Reliability Criteria

Table 1 defines the non-monetary sanctions for violations of the enforceable compliance requirements. Not all compliance templates require all four levels of non-compliance. For the purpose of administration of this Procedure and the non-monetary sanctions defined below, it will be necessary to disclose details of non-compliance findings as described by the various levels on non-compliance. This disclosure will supercede any ISO New England Information Policy restrictions with respect to Confidential Information. However, this will not authorize the release of Strategic Information.

Table 1 – ISO Non-Compliance Non-monetary sanctions

Level of Non-Compliance	Non-monetary sanctions
1	Letter to the relevant functional head (operations, planning) of the Market Participant
2	Letter to the Chief Executive of the Market Participant with copy to the relevant functional head, other Governance Participants, the Reliability Committee and its Task Forces, the Participants Committee, and NPCC.
3	Letter to the Board of Directors of the Market Participant with copies to the Chief Executive of the Market Participant, the relevant functional head, other Governance Participants, the Reliability Committee and its Task Forces, the Participants Committee, adjacent Regional Reliability Councils, and NPCC (Secretary, President). Post on ISO Compliance website.
4	Letter same as Level 3 with copies to the appropriate State/Provincial regulatory agencies, FERC, DOE, State Governor and Legislators.

B. Policy on Lateness

All requested information must be received by ISO on time in accordance with the due dates established by ISO. All reports are to be provided in electronic format, unless otherwise specified.

Non-monetary sanctions shall be applied if a complete report is not received by ISO after the grace period has expired. ISO shall assess the following level of non-compliance for lateness:

Level 1	After 10 calendar day grace period
Level 2	After 30 calendar days following due date
Level 3	After 60 calendar days following due date
Level 4	After 90 calendar days following due date or report never received

Any dispute regarding the compliance assessment will be submitted to the ISO Enforcement Panel.

C. ISO Enforcement Panel

The ISO Enforcement Panel provides an independent review of proposed non-compliance sanction against the Market Participant and, if appropriate, imposes such sanction against the Market Participant.

The ISO Enforcement Panel is established by the ISO for a two-year term. It is comprised of five members, only three of which have voting rights:

- ISO Operations personnel (Compliance area personnel excluded) (1)
- ISO Planning personnel (Compliance area personnel excluded) (1)
- ISO Director of Reliability & Operations Services (1)
- Market Participant from the RC (RC will support the ISO Enforcement Panel (EP) by providing a Market Participant (RC Vice-Chairperson or other Member if the sanction being disputed is against the Vice-Chairperson's organization) to advise and to serve as a non-voting member of the EP (1)
- ISO Compliance Personnel will have a non-voting, advisory role (1)

The ISO Enforcement Panel serves two important functions:

- An independent review of proposed non-compliance non-monetary sanctions against the Area or Market Participant
- Assist the ISO and the Market Participant with the dispute resolution process in an effort to resolve the non-compliance issue

The Reliability Committee (RC) will be presented with a technical assessment report on compliance and a summary of any non-monetary sanctions issued by the ISO Enforcement Panel to Market Participants on a periodic basis. An annual compliance report will be compiled from these technical reports and submitted to the RC. In addition, the RC will support the ISO Enforcement Panel by providing a Market Participant (RC Vice-Chairperson or other Member if

the sanction being disputed is against the Vice-Chairperson's organization) to advise and to serve as a non-voting member of the Enforcement Panel. The Chairperson (or designee) of the RC will brief the Participants Committee on compliance related matters periodically during the year.

VIII. Dispute Resolution

There are three types of dispute processes that may occur during the compliance program, they are:

1. NPCC finding of Area non-compliance due to a Market Participant's non-compliance

NPCC RCEP non-monetary sanctions that are imposed against the ISO, but are due to non-compliance of Market Participants, will be passed through directly to the Market Participant(s) that are non-compliant. In this instance, appeals of such passed-through NPCC/NERC sanctions will be appealed between the affected Market Participant and NPCC/NERC.

2. Market Participant non-compliance & Area compliance with an NPCC requirement

If the ISO, as an Area, is compliant with a NPCC RCEP requirement but an individual Market Participant(s) is non-compliant, the ISO may still sanction such individual Market Participant(s). In this instance, the ISO Dispute Resolution Process will be used; this process can be found in Section I.6 of the Tariff.

3. ISO finding of a Market Participant's non-compliance

If an individual Market Participant(s) is non-compliant with an enforceable ISO compliance measure, ISO may sanction such individual Market Participant(s) in accordance with the Enforcement and Non-monetary Sanctions section of this Procedure. In this instance, the ISO Dispute Resolution Process will be used; this process can be found in Section I.6 of the Tariff.

IX. Data Retention

For the purposes of this Procedure, a minimum of a rolling three years of data shall be retained, by the Market Participants and the ISO, that fully support certification towards a NERC, NPCC, or ISO compliance requirement. This requirement may be superseded by data retention requirements where specified in NERC, NPCC, or ISO compliance requirements or templates.

OP 15 Revision History

Rev. No.	Date	Reason
Rev 0	11/4/05	Initial procedure written for Compliance