

Schedule 2

North American Electric Reliability Corporation

Compliance Monitoring and Enforcement Program

Province of Manitoba

Compliance Monitoring and Enforcement Program

Table of Contents

Schedule 21

1.0	INTRODUCTION	3
2.0	IDENTIFICATION OF ORGANIZATIONS RESPONSIBLE FOR COMPLYING WITH RELIABILITY STANDARDS	6
3.0	COMPLIANCE MONITORING AND ENFORCEMENT PROCESSES	6
3.0.1	Compliance Exception Process and the Self-Log Review Process	7
3.0.2	Review Prior to Initiation of Compliance Hearing in the Province of Manitoba	10
3.0.3	PUB Enforcement Hearing	11
3.0.4	PUB Approval of Uncontested Matters	11
3.0.5	Approval of Mitigation Plans	12
3.0.6	Effect of Approval by the PUB	13
3.1	Compliance Audits	13
3.1.1	Compliance Audit Process Steps	13
3.1.2	Frequency of Compliance Audits	15
3.1.3	Scope of Compliance Audits	15
3.1.4	Conduct of Compliance Audits	15
3.1.5	Compliance Audit Reports	16
3.2	Self-Certification	17
3.2.1	Self-Certification Process Steps	17
3.3	Spot Checking	18
3.3.1	Spot Checking Process Steps	18
3.4	Compliance Investigations	19
3.4.1	Compliance Investigation Process Steps	19
3.5	Self-Reporting	21
3.5.1	Self-Reporting Process Steps	21
3.6	Periodic Data Submittals	21
3.6.1	Periodic Data Submittals Process Steps	22
3.7	Complaints	22
3.7.1	Complaint Process Steps	23
3.7.2	Anonymous Complainant Notification Procedure	24
4.0	ANNUAL IMPLEMENTATION PLANS	24
4.2	Regional Entity Implementation Plan	24
5.0	ENFORCEMENT ACTIONS	24
5.1	Notification to Registered Entity of Alleged Violation	25
5.2	Settlement Process	26
6.0	MITIGATION OF VIOLATIONS OF RELIABILITY STANDARDS	26
6.1	Requirement for Submission of Mitigation Plans	27
6.2	Contents of Mitigation Plans	27
6.3	Timetable for Completion of Mitigation Plans	28
6.4	Submission of Mitigation Plans	28
6.5	Review and Acceptance or Rejection of Proposed Mitigation Plans	29
6.6	Completion/Confirmation of Implementation of Mitigation Plans	29
6.7	Recordkeeping	30
7.0	REMEDIAL ACTION DIRECTIVES	31
8.0	REPORTING AND DISCLOSURE	32
9.0	DATA RETENTION AND CONFIDENTIALITY	33
9.2	Retention Requirements	33
9.3	Confidentiality	34
Step 1:	The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's designated contact	35

COMPLIANCE MONITORING AND ENFORCEMENT PROGRAM

1.0 INTRODUCTION

This Compliance Monitoring and Enforcement Program ("Compliance Program") is the program to be used by the North American Electric Reliability Corporation ("NERC") and the Regional Entity to monitor, assess, and enforce compliance with Reliability Standards within the Province of Manitoba. Assessing of compliance with Reliability Standards is accomplished through compliance monitoring and rigorous proactive Compliance Audits.

1.1 Definitions

- 1.1.1 Alleged Violation: A Possible Violation for which staff of the Compliance Enforcement Authority have completed their accuracy and completeness review and have determined, pursuant to Section 3.0.2, that evidence exists to indicate a Registered Entity has violated a Reliability Standard.
- 1.1.2 Audit Plan: A plan developed by the Compliance Enforcement Authority that includes the Reliability Standards and Registered Entities to be audited, the schedule of Compliance Audits, and Compliance Audit Participant requirements.
- 1.1.3 Bulk Power System: Has the same meaning as provided in the regulations made pursuant to Section 15.0.1(1) of *The Manitoba Hydro Act*.
- 1.1.4 Business Day: A working day that is determined on the basis of statutory holidays in the Province of Manitoba
- 1.1.5 Complaint: An allegation that a Registered Entity violated a Reliability Standard.
- 1.1.6 Compliance Audit: A systematic, objective review and examination of records and activities to determine whether a Registered Entity meets the requirements of applicable Reliability Standards.
- 1.1.7 Compliance Audit Participants: Registered Entities scheduled to be audited and the audit team members.
- 1.1.8 Compliance Enforcement Authority: NERC or the Regional Entity in their respective roles of monitoring and enforcing compliance with the NERC Reliability Standards.
- 1.1.9 Compliance Exception Process: A disposition method used by the Regional Entity to resolve Possible Violations that do not pose a serious risk to reliability of the Bulk Power System

- 1.1.10** Compliance Investigation: A comprehensive investigation, which may include an on-site visit with interviews of the appropriate personnel, to determine if a violation of a Reliability Standard has occurred.
- 1.1.11** Confirmed Violation: An Alleged Violation which has been confirmed pursuant to Section 3.0.6.
- 1.1.12** Mitigation Plan: An action plan developed by a Registered Entity to (i) correct a violation of a Reliability Standard and (ii) prevent re-occurrence of the violation. A Mitigation Plan is required when a Registered Entity violates a Reliability Standard, as further detailed in Sections 3 and 6.
- 1.1.13** NERC Compliance Registry: A list maintained by NERC of the owners, operators and users of the Bulk Power System and the entities registered as their designees that perform one or more functions in support of reliability of the Bulk Power System and are required to comply with one or more requirements of Reliability Standards.
- 1.1.14** NERC Compliance Monitoring and Enforcement Program Implementation Plan or NERC Implementation Plan: The annual NERC Compliance Monitoring and Enforcement Program Implementation Plan that specifies the Reliability Standards that are subject to reporting by Registered Entities to the Compliance Enforcement Authority in order to verify compliance and identifies the appropriate monitoring procedures and reporting schedules for each such Reliability Standard.
- 1.1.15** Notice of Alleged Violation: A notice issued by the Compliance Enforcement Authority to a Registered Entity pursuant to Section 5.1.
- 1.1.16** Periodic Data Submittals: Modeling, studies, analyses, documents, procedures, methodologies, operating data, process information or other information to demonstrate compliance with Reliability Standards and provided by Registered Entities to the Compliance Enforcement Authority on a time frame required by a Reliability Standard or an ad hoc basis.
- 1.1.17** Possible Violation: The occurrence of circumstances indicating that a Registered Entity may have fallen short of achieving some or all of the requirements of a Reliability Standard that is applicable to the Registered Entity. Possible Violations are not findings of non-compliance, nor Alleged Violations of a Reliability Standard. A finding that a violation of a Reliability Standard has occurred in the Province of Manitoba can only be determined consistent with Section 134(4) of The Public Utilities Board Act, C.C.S.M. c. P280.
- 1.1.18** Public Utilities Board or PUB: The Public Utilities Board of Manitoba.
- 1.1.19** Regional Entity: The Midwest Reliability Organization.

- 1.1.20** Regional Implementation Plan: An annual plan, submitted on or about October 1 of each year by the Regional Entity to NERC for approval that, in accordance with the NERC Compliance Monitoring and Enforcement Program Implementation Plan, identifies (1) all Reliability Standards identified by NERC to be actively monitored during each year, (2) other Reliability Standards proposed for active monitoring by the Regional Entity, (3) the methods to be used by the Regional Entity for reporting, monitoring, evaluation, and assessment of performance criteria with each Reliability Standard, and (4) the Regional Entity's Annual Audit Plan.
- 1.1.21** Registered Entity: An owner, operator, or user of the Bulk Power System in Manitoba or the entities registered as their designees for the purpose of compliance that is included in the NERC Compliance Registry.
- 1.1.22** Reliability Standards: NERC electricity reliability standards that are in effect from time to time in Manitoba.
- 1.1.23** Remedial Action Directive: An action (other than a penalty or sanction) required by a Compliance Enforcement Authority that (1) is to bring a Registered Entity into compliance with a Reliability Standard or to avoid a Reliability Standard violation, and (2) is immediately necessary to protect the reliability of the Bulk Power System from an imminent threat.
- 1.1.24** Required Date: The date given a Registered Entity in a notice from the Compliance Enforcement Authority by which some action by the Registered Entity is required. Such date shall provide the Registered Entity a reasonable period of time in which to take the required action, given the circumstances and the action required.
- 1.1.25** Self-Certification: Attestation by a Registered Entity of compliance or non-compliance with a Reliability Standard for which Self-Certification is required by the Compliance Enforcement Authority and that is included for monitoring in the Regional Implementation Plan.
- 1.1.26** Self-Logging Program: A log report by a Registered Entity of minimal risk Possible Violations of NERC Reliability Standards. A Registered Entity must be granted entry to the Self-Logging Program by the Regional Entity before submitting logs. Prior to approval, the Regional Entity shall engage in some level of review of the Registered Entity's internal controls and its performance in NERC compliance, to determine if the Registered Entity has the ability to consistently detect a Possible Violation and accurately determine the risk of the Possible Violation.
- 1.1.27** Self-Log Review Process: The disposition method through which self-logged Possible Violations are processed. The Self-Log Review Process is outside the Enforcement Process where the Regional Entity reviews the self-logged Possible Violations for risk.

- 1.1.28** Self-Reporting: A report by a Registered Entity stating (1) that the Registered Entity believes it has violated a Reliability Standard, and (2) the actions that have been taken or will be taken to resolve the violation.
- 1.1.29** Spot Checking: A process in which the Compliance Enforcement Authority requests a Registered Entity to provide information to support the Registered Entity's Self-Certification, Self-Reporting, or Periodic Data Submittal and to assess whether the Registered Entity complies with Reliability Standards. Spot Checking may also be random or initiated in response to events, as described in the Reliability Standards, or operating problems or system events. Spot Checking may require an on-site review to complete.

2.0 IDENTIFICATION OF ORGANIZATIONS RESPONSIBLE FOR COMPLYING WITH RELIABILITY STANDARDS

NERC shall register the organizations responsible for complying with Reliability Standards, in accordance with applicable NERC Rules of Procedure. Each Regional Entity shall develop, maintain and provide to NERC information to assist NERC to register organizations responsible for complying with Reliability Standards. NERC shall notify organizations of their inclusion on the NERC Compliance Registry and shall inform each Registered Entity, at the time of such registration, of the Reliability Standards that are applicable to the Registered Entity. NERC shall maintain on its web site a current listing of Reliability Standards that are applicable to all Registered Entities. A person in Manitoba who challenges their registration may apply to the Public Utilities Board to decide the issue. Each Registered Entity shall inform the Regional Entity promptly of changes to its registration information.

NERC and the Regional Entity will designate a contact person(s) and require each Registered Entity to designate a contact person(s) responsible for sending and receiving all necessary information and communications concerning compliance matters. NERC and the Regional Entity will designate where Registered Entities are to send information, data, Mitigation Plans, or any other compliance-related correspondence.

NERC shall maintain the NERC Compliance Registry on its web site. NERC will provide the Public Utilities Board with updates to the NERC Compliance Registry.

3.0 COMPLIANCE MONITORING AND ENFORCEMENT PROCESSES

As an alternative to the formal enforcement process, the Compliance Enforcement Authority may propose using the Self-Log Review Process or the Compliance Exception Process pursuant to Section 3.0.1 in order to resolve certain Possible Violations. Possible Violations that utilize the Self-Log Review Process or the Compliance Exception Process are resolved outside of the enforcement process and are reported to the Energy Division of the Manitoba Government, or its successor, and NERC. The Registered Entity is provided the opportunity to object to the use of the Compliance Exception Process to resolve the Possible Violation.

The Compliance Enforcement Authority will monitor and assess compliance with Reliability Standards using seven (7) monitoring processes to collect information in order to make assessments of compliance: (1) Compliance Audits, (2) Self-Certifications, (3) Spot Checking, (4) Compliance Investigations, (5) Self-Reporting, (6) Periodic Data Submittals, and (7) Complaints. These processes are described in Sections 3.1 through 3.7 below.

Except as otherwise provided herein, enforcement actions taken by the Regional Entity through the Compliance Program shall consist of recommendations to the Public Utilities Board for a determination that a violation has occurred and the imposition of remedial actions, sanctions, and penalties, where applicable, which recommendations shall be based on applicable NERC Rules of Procedure. All monetary penalties in U.S. dollars will be converted to Canadian dollars at the exchange rate prescribed by the Bank of Canada as of the date that the penalty becomes legally due and payable. The imposition and acceptance of sanctions and penalties shall not be considered an acceptable alternative to any Registered Entity's continuing obligation to comply with the Reliability Standards. A Registered Entity that has a Confirmed Violation of a Reliability Standard will be required to mitigate the violation regardless of any enforcement actions taken.

The Compliance Program requires timely data from Registered Entities to effectively monitor compliance with Reliability Standards. If data, information or other reports to determine compliance requested from a Registered Entity are not received by the Required Date, the Compliance Enforcement Authority may execute the steps described in **Attachment 1, Process for Non-submittal of Requested Data**.

Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information is unreasonable, the party may request a written determination from the NERC compliance program officer.

Any report or other submission of information by a Registered Entity required by the Compliance Program shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity. Electronic signatures are permitted in accordance with processes established by NERC and the Regional Entity. NERC or the Compliance Enforcement Authority may require the signer to provide a statement of the basis of his or her authority to sign on behalf of the Registered Entity.

3.0.1 Compliance Exception Process and the Self-Log Review Process

The Regional Entity may allow a Registered Entity to self-log Possible Violations or propose using the Compliance Exception Process under the following circumstances.

3.0.1.1 Self-Logged Possible Violations

Registered Entities accepted into the Self-Logging Program will keep a log of self-identified minimal risk Possible Violations of Reliability Standards, and will provide the log to the Regional Entity as requested. The log should contain a detailed description of the Possible Violation, the risk assessment, and the remediation activities completed or to be completed.

- Considerations for accepting a Registered Entity into the Self-Logging Program include the Registered Entity's ability to identify, access, and correct Possible Violations. Other considerations include the Registered Entity's timeliness in self-reporting, the quality of the Registered Entity's compliance program, its history of achieving compliance, the strength of its compliance culture and the effectiveness of corrective activities already undertaken.
- The Registered Entity will perform a risk assessment and self-log those Possible Violations that present a minimal risk to the Bulk Power System.
- The Registered Entity will provide its self-logs to the Regional Entity on a prescribed periodicity or upon request.
- Under the Self-Log Review Process, the Regional Entity will review the self-logged Possible Violations and determine if it agrees that the Possible Violations pose a minimal risk to the Bulk Power System. If the Regional Entity does not concur with the minimal risk assessment, the Regional Entity will inform the Registered Entity of this determination, and the Regional Entity may pursue other monitoring and enforcement processes identified in this Section 3.0. If the Regional Entity does concur with the minimal risk assessment, the Regional Entity will inform the Registered Entity, the Manitoba Government, and NERC of this determination, and the matter will be considered closed unless it is later determined that there was a material misrepresentation of fact, or the issue was not remediated in the manner described in the log.
- The Registered Entity will maintain evidence to support the details included in the log, including evidence related to the description, the risk assessment, the completion of remediation activities for each Possible Violation recorded on the log. The Registered Entity shall maintain this evidence for a period of time prescribed by the Regional Entity and identified in the notice, or until the Regional Entity has verified the completion of remediation activities, whichever is earlier.
- The Regional Entity may later sample self-logged Possible Violations to further review the risk assessments and the remediation activities. The Regional Entity will notify the Registered Entity upon verifying the completion of remediation activities. Should the Regional Entity make a finding that the Registered Entity did not completely implement its stated remediation activities to address the Possible Violation, or the Registered Entity made a material misrepresentation of fact, the Regional Entity may pursue other monitoring and enforcement processes identified in this Section 3.0.

- Possible Violations processed through the Self-Log Review Process are not included in a Registered Entity's compliance history for penalty purposes.
- The Registered Entity or Regional Entity may terminate the Registered Entity's participation in the Self-Logging Program at any time. If the Regional Entity terminates the participation, the Regional Entity shall provide the basis for that decision.

3.0.1.2 Compliance Exception Process

The Regional Entity will determine which Possible Violations of Reliability Standards will be resolved through the Compliance Exception Process. Upon being notified of or upon discovery of a Possible Violation, the Regional Entity will initiate the following steps:

- The Regional Entity will determine if a Possible Violation is eligible to be handled under the Compliance Exception Process by:
 - Performing a risk assessment and targeting those Possible Violations that present a minimal or moderate risk to the Bulk Power System,
 - Considering the Registered Entity's timeliness in self-reporting, and making a judgment on the quality of the Registered Entity's compliance program, its history of achieving compliance, the strength of its compliance culture and the effectiveness of corrective activities already undertaken.
- The Regional Entity will notify the Registered Entity of the Possible Violation and its proposal to use the Compliance Exception Process and seek the Registered Entity's concurrence.
- If the Registered Entity does not concur, then the Regional Entity may or may not decide to pursue other monitoring and enforcement processes in this Section 3.0.
- If the Registered Entity concurs with using the Compliance Exception Process, the Registered Entity must submit to the Regional Entity a plan that the Regional Entity judges will address the Possible Violation within the time period specified by the Regional Entity.
- Once the Regional Entity formally accepts the Registered Entity's plan to address the Possible Violation, the Possible Violation will be deemed to be remediated.
- Compliance Exceptions are not included in a Registered Entity's compliance history for penalty purposes.
- Should the Regional Entity make a finding that the Registered Entity did not completely implement its stated plan to address the Possible Violation, the Regional Entity may pursue other monitoring and enforcement processes identified in this Section 3.0.

3.0.2 Review Prior to Initiation of Compliance Hearing in the Province of Manitoba

Prior to initiating an enforcement hearing before the Public Utilities Board, the Board of the Regional Entity or its authorized delegate will review the Notice of Alleged Violation submitted to it by the Regional Entity staff, audit team, or others for accuracy and completeness. This may include a review of the applicability of the Reliability Standard(s) to the Registered Entity, a review of the Registered Entity's actions or conduct in light of the particular Reliability Standard or requirement alleged to have been violated, and a review of the functions performed by the Registered Entity and the function alleged to have violated the Reliability Standard or requirement.

As part of the above review, the Regional Entity will provide the Registered Entity with an opportunity to participate in a conference, in accordance with the following:

- The conference will consist of a discussion between the parties with the objective of reaching consensus on whether the Alleged Violation took place, the penalty or sanction that should apply, and the Mitigation Plan that should be adopted,
- The conference will be held in Winnipeg, or such other location as the parties agree,
- The Regional Entity will provide the Registered Entity with at least 30 days' advance notice of the conference. Such notice may be provided at the same time as the Notice of Alleged Violation,
- The conference is to be held no later than 90 days after the date of issuance of the Notice of Alleged Violation,
- Either party is entitled to be represented by legal counsel at the conference, unless the parties agree otherwise,
- There is to be no sworn testimony and no official transcript of proceedings at the conference. The discussions at the conference may be summarized in a settlement agreement if the parties are able to agree on a settlement, otherwise the discussions will be considered confidential,
- The duration of the conference is not to exceed two days unless the parties agree otherwise,
- The Regional Entity may invite NERC to participate in the conference, and
- The Regional Entity will notify NERC on a confidential basis of the results of the conference.

The Regional Entity may request review and comments from NERC prior to finalizing its review.

The Regional Entity's review must be completed either: (i) within 90 days of issuance of the

Notice of Alleged Violation if no conference is held; or (ii) within 90 days after completion of a conference held pursuant to this Section 3.0.2. Following completion of the review by the Regional Entity, the following will apply:

- The Regional Entity may proceed to a Public Utilities Board Enforcement Hearing in accordance with Section 3.0.3, a settlement in accordance with Section 3.0.4, or it may withdraw the Notice of Alleged Violation, and
- The Regional Entity will notify NERC of the results of its review. When notifying NERC, the Regional Entity may provide a listing of the staff reports and other documents upon which it has based its review.

3.0.3 PUB Enforcement Hearing

Subject to the confidentiality requirements in section 9.3, if, following its review: (i) the Board of the Regional Entity or its authorized delegate finds that there is evidence that the Registered Entity may have violated a Reliability Standard, and (ii) the Registered Entity disputes the Alleged Violation and/or proposed penalty and/or sanction; and (iii) a settlement in principle has not been reached, the following will apply:

- The Regional Entity must within 90 days of its finding, apply to the Public Utilities Board to confirm the Alleged Violation.
- The application will include a recommendation by the Regional Entity on the penalty or sanctions to be applied.
- The application will include a Mitigation Plan if one has been proposed by the Registered Entity at the time of application. The application will specify whether the Mitigation Plan has been accepted by the Regional Entity. If the Mitigation Plan is disputed, the Regional Entity may provide comments on the Mitigation Plan to the Public Utilities Board at its discretion.
 - The application will be dealt with by the Public Utilities Board in accordance with any rules and procedures that it has adopted or may adopt for this type of hearing, and
 - A finding by the Public Utilities Board that a Registered Entity has violated a Reliability Standard and any penalties, sanctions and Mitigation Plan, imposed or approved by the Public Utilities Board take effect in Manitoba in accordance with Section 3.0.6.

3.0.4 PUB Approval of Uncontested Matters

Subject to the confidentiality requirements in section 9.3, a Registered Entity and the Regional Entity may agree on the settlement of an allegation that the Registered Entity violated a Reliability Standard, the penalty or sanctions proposed and the Mitigation Plan to be adopted. This may be done without holding a conference pursuant to section 3.0.2, or as a result of such a conference.

In each case the following will apply:

- Staff of the Regional Entity will seek the approval of the Board of the Regional Entity or its authorized delegate prior to finalizing the settlement. Such approval is not required if the Registered Entity does not dispute the Alleged Violation and proposed penalty or sanction, or if the Board or its authorized delegate has already approved the principles of a settlement at a conference.
- The Regional Entity must seek the approval of NERC prior to finalizing the settlement,
- The Regional Entity must apply to the Public Utilities Board for approval of the settlement within 90 days of NERC's approval of the settlement,
- The application will be dealt with by the Public Utilities Board in accordance with any rules and procedures that it has adopted or may adopt for this type of uncontested matter, and
- Once approved by the Public Utilities Board, the settlement, including any penalties, sanctions and Mitigation Plan, take effect in accordance with Section 3.0.6.

The Regional Entity will follow the same procedure, with any necessary modifications, in cases where the Registered Entity has failed to respond to a Notice of Alleged Violation within the time prescribed in Section 5 or has failed to attend a conference in accordance with section 3.0.2.

3.0.5 Approval of Mitigation Plans

Subject to the confidentiality requirements in section 9.3, if a Mitigation Plan is not filed with an application for an enforcement proceeding pursuant to Section 3.0.3 or if a Mitigation Plan is rejected by the Public Utilities Board, the Registered Entity must file a Mitigation Plan or revised Mitigation Plan, as the case may be, with the

Regional Entity within 30 days of the Alleged Violation becoming a Confirmed Violation, or, within 30 days of the Order rejecting the Mitigation Plan, as applicable. The Regional Entity will file the Mitigation Plan with the Public Utilities Board for approval. The filing will specify whether the Mitigation Plan has been accepted by the Regional Entity. If the Mitigation Plan is disputed, the Regional Entity may provide comments on the Mitigation Plan to the Public Utilities Board at its discretion. The Public Utilities Board may approve a revised Mitigation Plan it deems as appropriate.

3.0.6 Effect of Approval by the PUB

Subject to the confidentiality requirements in section 9.3, if the Public Utilities Board issues an Order determining that a violation of a Reliability Standard has occurred, an Alleged Violation becomes a Confirmed Violation, and the Confirmed Violation and any applicable penalty, sanction and Mitigation Plan imposed or approved by the Public Utilities Board become effective in Manitoba, upon the earlier of:

(i) if leave to appeal the Order of the Public Utilities Board is sought and granted, the date of confirmation by The Manitoba Court of Appeal of the Order of the Public Utilities Board; or

(ii) if leave to appeal the Order of the Public Utilities Board is sought but is refused, the date that leave to appeal is refused; or (iii) if no appeal is sought, the expiry of the deadline for seeking leave to appeal an Order of the Public Utilities Board to the Manitoba Court of Appeal.

Subject to the confidentiality requirements in section 9.3, NERC may make public a Confirmed Violation and the penalty or sanction for a Confirmed Violation. The Mitigation Plan will not be made public until there is a Confirmed Violation.

3.1 Compliance Audits

All Registered Entities are subject to audit for compliance with all Reliability Standards applicable to the functions for which the Registered Entity is registered. Compliance Audits may be conducted on the Registered Entity's site or based on the review of documents. All Compliance Audits shall be conducted in accordance with audit guides established for the Reliability Standards included in the Compliance Audit, consistent with accepted auditing guidelines as approved by NERC. The audit guides will be posted on NERC's website.

3.1.1 Compliance Audit Process Steps

The process steps for a Compliance Audit are as follows:¹

- The Compliance Enforcement Authority distributes the Audit Plan (developed in coordination with NERC) to the Compliance Audit Participants and NERC. The Compliance Enforcement Authority provides additional information to the Compliance Audit Participants, including audit materials, coordinating agendas and changes to the audit schedule as required. Prior to the Compliance Audit, the Compliance Enforcement Authority informs the Registered Entity of the Reliability Standards to be evaluated.

¹ 1 This process normally completes within sixty (60) days of the completion of the on-site Compliance Audit work at the Registered Entity's site.

- At least two (2) months prior to commencement of a regularly scheduled Compliance Audit, the Compliance Enforcement Authority notifies the Registered Entity of the Compliance Audit, identifies the audit team members and their recent employment history, and requests data. If the audit team members change from the time of the original notification, the Compliance Enforcement Authority will promptly notify the Registered Entity of the change and will allow time for the Registered Entity to object to the member (see Section 3.1.5).
- The Registered Entity provides to the Compliance Enforcement Authority the required information in the format specified in the request.
- The audit team reviews the submitted information for conformance with the requirements of the Reliability Standards prior to performing the Compliance Audit. The audit team follows NERC audit guidelines in the implementation of the Compliance Audit. This shall include conducting an exit briefing with the Registered Entity, providing for a review of the audit report with the Registered Entity before it is finalized, and issuing an audit report, including an assessment of compliance with the Reliability Standards, to the Compliance Enforcement Authority.
- The Compliance Enforcement Authority reviews the report developed by the audit team and completes an assessment of any Possible Violations with the Reliability Standards identified in the report.
- The Compliance Enforcement Authority provides the final audit report to the Registered Entity and to NERC.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall proceed in accordance with Section 3.0.
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.
- Compliance Enforcement Authority shall notify Registered Entities subject to Compliance Audits during the upcoming year, of the audit schedules, methods, and data requirements for the audit.
- The Compliance Enforcement Authority will give due consideration to any schedule changes requested by Registered Entities to avoid unnecessary burdens.

Revisions and additions to a Regional Entity Annual Audit Plan shall be approved by NERC and the Registered Entity shall be notified in a timely manner (normally 60 days in advance) of changes or revisions to scheduled audit dates.

3.1.2 Frequency of Compliance Audits

The Compliance Enforcement Authority will perform comprehensive Compliance Audits as required by applicable NERC Rules of Procedure based on criteria established by NERC. Additionally, an unscheduled Compliance Audit of any Registered Entity (i) may be initiated at any time by the Compliance Enforcement Authority if reasonably determined to be necessary to ensure the Registered Entities' compliance with Reliability Standards, and (ii) shall be initiated if directed by NERC. The Compliance Enforcement Authority shall notify NERC that an unscheduled Compliance Audit is being initiated. The Registered Entity shall receive at least ten (10) business days' advance notice that an unscheduled Compliance Audit is being initiated, which notice shall include identification of the members of the Compliance Audit team. The Registered Entity shall make any objections to the composition of the Compliance Audit team, which shall be based on failure to meet the criteria specified in Section 3.1.4, at least five (5) business days prior to the start of on-site audit work for the unscheduled Compliance Audit.

3.1.3 Scope of Compliance Audits

A Compliance Audit may include any of the Reliability Standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and three previous years. If a Reliability Standard does not require retention of data for the full period of the Compliance Audit, the Compliance Audit will be applicable to the data retention period specified in the Reliability Standard.

3.1.4 Conduct of Compliance Audits

The audit team shall be comprised of staff from the Compliance Enforcement Authority and may include contractors as determined by the Compliance Enforcement Authority to be appropriate to comprise a sufficient audit team. The audit team leader shall be a staff member from the Compliance Enforcement Authority and is responsible for the conduct of the Compliance Audit and preparation of the audit report. At their discretion, NERC Compliance Staff may participate on any Regional Entity Compliance Audit team either as an observer or as an audit team member as determined by the Regional Entity.

Each audit team member must:

- Be free of conflicts of interests. For example, employees or contractors of the Registered Entity being audited shall not be allowed to participate as auditors in the Compliance Audit of the Registered Entity.
- Comply with applicable Canadian Competition Law and shall have either signed appropriate confidentiality agreements or acknowledgments that the confidentiality agreement signed by the Compliance Enforcement Authority is applicable.
- Successfully complete all NERC or NERC-approved Regional Entity auditor training applicable to the Compliance Audit.

Prior to the Compliance Audit, copies of executed confidentiality agreements or acknowledgements will be provided to the Registered Entity.

A Registered Entity subject to a Compliance Audit may object to any member of the audit team on grounds of a conflict of interest or the existence of other circumstances that could interfere with the team member's impartial performance of his or her duties. Such objections must be provided in writing to the Compliance Enforcement Authority no later than fifteen (15) days prior to the start of on-site audit work. This fifteen (15) day requirement shall not apply (i) where an audit team member has been appointed less than twenty (20) days prior to the start of on-site audit work, in which case the Registered Entity must provide any objections to the Compliance Enforcement Authority within five (5) business days after receiving notice of the appointment of the Compliance Audit team member; and (ii) in the case of an unscheduled Compliance Audit pursuant to Section 3.1.2 in which case the Registered Entity must provide any objections to the Compliance Enforcement Authority at least five (5) business days prior to the start of on-site audit work for the unscheduled Compliance Audit. The Compliance Enforcement Authority will make a final determination on whether the member will participate in the Compliance Audit of the Registered Entity. Nothing in this paragraph shall be read to limit the participation of NERC staff in the Compliance Audit.

3.1.5 Compliance Audit Reports

The audit team shall develop a draft audit report that shall include a description of the objective, scope, and methodology of the Compliance Audit; identify any Possible Violations of Reliability Standards; and identify the nature of any confidential information redacted. A separate document may be prepared that contains recommendations of the audit team. Any recommendations contained in that document will be considered non-binding. The draft report will be provided to the Registered Entity for comment.

The audit team will consider corrections based on comments of the Registered Entity and provide the final audit report to the Compliance Enforcement Authority who will review the report and assess compliance with the Reliability Standards and provide the Registered Entity with a copy of the final report. The Regional Entity will provide the final report to NERC, which will in turn provide the report to the Public Utilities Board. The Registered Entity shall receive the final audit report at least five (5) business days prior to the release of the report to the Public Utilities Board. Work papers and other documentation associated with the audit shall be maintained by the Compliance Enforcement Authority in accordance with NERC requirements.

In the event the audit report identifies Possible Violations, the final audit report, or pertinent part thereof identifying the Possible Violation(s) and any proposed penalty or sanction(s), shall not be released to the public by NERC or the Compliance Enforcement Authority until the date that the Possible Violation has become a Confirmed Violation in accordance with Section 3.0.6.

Information deemed confidential information in accordance with Manitoba regulations shall be redacted from any public reports in accordance with section 9.3.

3.2 Self-Certification

The Compliance Enforcement Authority may require Registered Entities to self-certify their compliance with Reliability Standards.

If a Self-Certification accurately identifies a Possible Violation of a Reliability Standard, an identification of the same Possible Violation in a subsequent Compliance Audit or Spot Check will not subject the Registered Entity to an escalated penalty as a result of the Compliance Audit process unless the severity of the Possible Violation is found to be greater than reported by the Registered Entity in the Self-Certification.

3.2.1 Self-Certification Process Steps

The process steps for the Self- Certification process are as follows:²

- The Compliance Enforcement Authority posts and updates the reporting schedule and informs Registered Entities. The Compliance Enforcement Authority ensures that the appropriate Reliability Standards, compliance procedures, and required submittal forms for the Reliability Standards being evaluated are maintained and available electronically.
- The Compliance Enforcement Authority requests the Registered Entity to make a Self-Certification within the advance notice period specified by the Reliability Standard. If the Reliability Standard does not specify the advance notice period, this request will be issued in a timely manner, with at least thirty (30) days advance notice.
- The Registered Entity provides the required information to the Compliance Enforcement Authority.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards and may request additional data and/or information if necessary.
- The Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standard (and with the Registered Entity's Mitigation Plan, if applicable). If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall proceed in accordance with Section 3.0.
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

² If no non-compliances are found, this process normally completes within sixty (60) days of the Compliance Enforcement Authority's receipt of data.

3.3 Spot Checking

Spot Checking will be conducted by the Compliance Enforcement Authority. Spot Checking may be initiated by the Compliance Enforcement Authority at any time to verify or confirm Self-Certifications, Self-Reporting, and Periodic Data Submittals. Spot Checking may also be random or may be initiated in response to events, as described in the Reliability Standards, or operating problems, or system events. The Compliance Enforcement Authority then reviews the information submitted to verify the Registered Entity's compliance with the Reliability Standard. Compliance auditors may be assigned to the Spot Checking process by the Compliance Enforcement Authority as necessary.

3.3.1 Spot Checking Process Steps

The process steps for Spot Checking are as follows:³

- The Compliance Enforcement Authority notifies the Registered Entity that Spot Checking will be performed and the reason for the spot check within the advance notice period specified by the Reliability Standard. If the Reliability Standard does not specify the advance notice period, any information submittal request made by the Compliance Enforcement Authority will allow at least twenty (20) days for the information to be submitted or available for review.
- The Compliance Enforcement Authority, during the advance notice period, notifies the Registered Entity of the names and employment histories of the persons who will be conducting the Spot Checking. The Registered Entity may object to inclusion of any individual on the Spot Checking team in accordance with Section 3.1.4 Any such objections must be submitted by the later of (i) five (5) business days before the information being requested by the Compliance Enforcement Authority is submitted and (ii) five (5) business days after the Registered Entity is notified of the persons on the Spot Checking team. Nothing in this step shall be read to limit the participation of NERC staff on the Spot Checking team.
- The spot check may require submission of data, documentation, or possibly an on-site review.
- The Registered Entity provides required information to the Compliance Enforcement Authority in the format specified in the request.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards and may request the additional data and/or information if necessary for a complete assessment of compliance.

³ Examples of situations in which NERC may decide to lead a Compliance Investigation include: (i) to assure consistency in investigative processes, (ii) to coordinate investigations into matters that may cross Regional Entity boundaries, (iii) where the possible violation the Regional Entity or one of its affiliates, divisions, committees or subordinate structures, or (iv) where the Regional Entity determines it cannot conduct the Compliance Investigation.

- The Compliance Enforcement Authority reviews its draft assessment of the Registered Entity's compliance with the Registered Entity and provides an opportunity for the Registered Entity to comment on the draft assessment.
- The Compliance Enforcement Authority completes and documents the assessment of the Registered Entity for compliance with the Reliability Standard and provides a report to the Registered Entity indicating the results of the spot check.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall proceed in accordance with Section 3.0.
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

3.4 Compliance Investigations

A Compliance Investigation may be initiated at any time by the Compliance Enforcement Authority or by NERC, in response to a system disturbance, Complaint, or Possible Violation of a Reliability Standard identified by any other means.

Compliance Investigations will generally be led by the Regional Entity's staff. NERC reserves the right to assume the leadership of a Compliance Investigation.⁴ The Regional Entity shall not be entitled to appeal NERC's decision to lead a Compliance Investigation.

Compliance Investigations are confidential. Subject to the confidentiality requirements in section 9.3, Confirmed Violations resulting from a Compliance Investigation will be made public.

3.4.1 Compliance Investigation Process Steps

The process steps for a Compliance Investigation are as follows:⁵

- The Compliance Enforcement Authority is notified or becomes aware of circumstances indicating a Possible Violation of a Reliability Standard and determines whether a Compliance Investigation is warranted. Within two (2) business days of the decision to initiate a Compliance Investigation, the Compliance Enforcement Authority: (i) notifies the Registered Entity of the initiation and initial scope of the Compliance Investigation, the requirements to preserve all records and information relevant to the Compliance Investigation and, where appropriate, the reasons for the Compliance Investigation, and (ii) notifies NERC of the initiation of and the reasons for the Compliance Investigation. While the Compliance Enforcement Authority may, at its discretion, notify the Registered Entity of the reasons for its investigation, the investigation, as it unfolds, need not be limited to this scope.

⁴ Examples of situations in which NERC may decide to lead a Compliance Investigation include: (i) to assure consistency in investigative processes, (ii) to coordinate investigations into matters that may cross Regional Entity boundaries, (iii) where the possible violation the Regional Entity or one of its affiliates, divisions, committees or subordinate structures, or (iv) where the Regional Entity determines it cannot conduct the Compliance Investigation.

⁵ If no Possible Violation(s) are found, this process normally completes within sixty (60) days following the decision to initiate a Compliance Investigation.

- NERC assigns a NERC staff member to the Compliance Investigation and to serve as a single point of contact for communications with NERC.
- The Compliance Enforcement Authority requests data or documentation and provides a list of individuals on the investigation team and their recent employment history. The Registered Entity may object to any individual on the investigation team in accordance with Section 3.1.4; however, the Registered Entity may not object to participation by NERC on the investigation team. If the Reliability Standard does not specify the advance notice period, a request is normally issued with no less than twenty (20) days advance notice.
- Within ten (10) business days of receiving the notification of a Compliance Investigation, a Registered Entity subject to an investigation may object to any member of the investigation team on grounds of a conflict of interest or the existence of other circumstances that could interfere with the team member's impartial performance of his or her duties. Such objections must be provided in writing to the Compliance Enforcement Authority within such ten (10) business day period. The Compliance Enforcement Authority will make a final determination as to whether the individual will participate in the investigation of the Registered Entity.
- If necessary, the Compliance Investigation may include an on-site visit with interviews of the appropriate personnel and review of data.
- The Registered Entity provides the required information to the Compliance Enforcement Authority in the format as specified in the request.
- The Compliance Enforcement Authority reviews information to determine compliance with the Reliability Standards. The Compliance Enforcement Authority may request additional data and/or information if necessary for a complete assessment or to demonstrate compliance.
- The Compliance Enforcement Authority may require the Registered Entity to produce one or more officers, employees or other authorized representatives of the Registered Entity who are familiar with the subject matter of the Compliance Investigation to answer questions concerning the matters under investigation.
- The Compliance Enforcement Authority completes the assessment of compliance with the Reliability Standard and/or approval of the applicable Mitigation Plan, writes and distributes the report, and notifies the Registered Entity.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall proceed in accordance with Section 3.0.
- Regional Entities will notify NERC of any Alleged Violations as required by Section 8.0.

- If the Compliance Enforcement Authority determines that no violation occurred, it shall send the Registered Entity and NERC a notice that the investigation has been completed. NERC will in turn notify the Public Utilities Board.

3.5 Self-Reporting

Self-Reporting is encouraged at the time a Registered Entity becomes aware (i) of a Possible Violation of a Reliability Standard, or (ii) a change in the violation severity level of a previously reported Possible Violation. Self-Reporting of a Possible Violation of a Reliability Standard is encouraged regardless of whether the Reliability Standard requires reporting on a pre-defined schedule in the Compliance Program and the violation is determined outside the pre-defined reporting schedule.

3.5.1 Self-Reporting Process Steps

The process steps for Self-Reporting are as follows:⁶

- The Compliance Enforcement Authority posts the Self-Reporting submittal forms and ensures they are maintained and available on its Web site.
- The Registered Entity provides the Self-Reporting information to the Compliance Enforcement Authority.
- The Compliance Enforcement Authority reviews the information to determine compliance with the Reliability Standards and may request the Registered Entity to provide clarification or additional data and/or information.
- The Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standards and any Mitigation Plan, if applicable, and notifies the Registered Entity.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall proceed in accordance with Section 3.0.
- Regional Entities notify NERC of any Alleged Violations as required by Section 8.0.

3.6 Periodic Data Submittals

The Compliance Enforcement Authority requires Periodic Data Submittals in accordance with the schedule stated in the applicable Reliability Standard, established by the Compliance Enforcement Authority, or on an as-needed basis. Requests for data submittals will be issued by the Compliance Enforcement Authority to Registered Entities with at least the minimum advance notice period specified by the applicable Reliability Standard. If the Reliability Standard does not specify an advance notice period, the request will normally be issued with no less than twenty (20) days advance notice.

⁶ This process normally completes within sixty (60) days following the Compliance Enforcement Authority's receipt of data.

3.6.1 Periodic Data Submittals Process Steps

The process steps for Periodic Data Submittal are as follows:⁷

- The Compliance Enforcement Authority posts the current data reporting schedule on its web site and keeps Registered Entities informed of changes and/or updates. The Compliance Enforcement Authority ensures that the appropriate Reliability Standard compliance procedures and the required submittal forms for the Reliability Standards being evaluated are maintained and available via its web site.
- The Compliance Enforcement Authority makes a request for a Periodic Data Submittal.
- The Registered Entity provides the required information to the Compliance Enforcement Authority in the format as specified in the request.
- The Compliance Enforcement Authority reviews the data submittal to determine compliance with the Reliability Standards and may request additional data and/or information for a complete assessment or to demonstrate compliance.
- The Compliance Enforcement Authority reviews its draft assessment of the Registered Entity's compliance with the Registered Entity and provides an opportunity for the Registered Entity to comment on the assessment before it is finalized.
- The Compliance Enforcement Authority completes the assessment of the Registered Entity for compliance with the Reliability Standard and notifies the Registered Entity.
- If the Compliance Enforcement Authority concludes that a reasonable basis exists for believing a violation of a Reliability Standard has occurred, it shall proceed in accordance with either Section 3.0.
- Regional Entities notify NERC of any Alleged Violations as required by Section 8.0.

3.7 Complaints

Either NERC or Regional Entities may receive Complaints alleging violations of a Reliability Standard. A Regional Entity will conduct a review of each Complaint it receives to determine if the Complaint provides sufficient basis for initiating a Compliance Monitoring and Enforcement process, except that NERC will review any Complaint (1) that is related to a Regional Entity or its affiliates, divisions, committees or subordinate structures, (2) where the Regional Entity determines it cannot conduct the review, or (3) if the complainant wishes to remain anonymous or specifically requests NERC to conduct the review of the Complaint.

If the Complaint is submitted to NERC, NERC will forward the information to the Regional Entity, as appropriate.

⁷ If no Possible Violation(s) are found, this process generally completes within ten (10) business days of the Compliance Enforcement Authority's receipt of data.

All anonymous Complaints will be reviewed and any resulting Compliance Monitoring and Enforcement process conducted by NERC will be conducted in accordance with Section 3.7.2 to prevent disclosure of the identity of the complainant.

The Compliance Enforcement Authority conducting the review will determine if the Complaint may be closed as a result of the initial review and assessment of the Complaint to determine if it provides sufficient basis for initiating a Compliance Monitoring and Enforcement process. The Regional Entity will report the results of its review of the Complaint to NERC. If, as a result of the initial review of the Complaint, the Compliance Enforcement Authority determines that initiating a Compliance Monitoring and Enforcement process is warranted, the Compliance Monitoring and Enforcement process will be conducted in accordance with the applicable provisions of Section 3.0.

3.7.1 Complaint Process Steps

The detailed process steps for the Complaint process are as follows:⁸

- The complainant notifies NERC or a Regional Entity using the NERC compliance hotline, submitting a NERC Complaint reporting form, or by other means. A link to the Complaint reporting form will be posted on the NERC and Regional Entity web sites. The Complaint should include sufficient information to enable NERC or the Regional Entity to make an assessment of whether the initiation of a Compliance Monitoring and Enforcement process is warranted. NERC or the Regional Entity may not act on a Complaint if the Complaint is incomplete and does not include sufficient information.
- If the Compliance Enforcement Authority determines that initiation of a Compliance Monitoring and Enforcement process is warranted, it initiates the Compliance Monitoring and Enforcement process in accordance with the applicable provisions of Section 3.0; otherwise it takes no further action. The Compliance Enforcement Authority notifies the complainant, the Registered Entity, and NERC of the Compliance Monitoring and Enforcement process. If the Compliance Enforcement Authority determines that a Compliance Monitoring and Enforcement process is not warranted, it will notify the complainant, NERC, and the Registered Entity that no further action will be taken.
- The Compliance Enforcement Authority fully documents the Complaint and the Complaint review, whether a Compliance Monitoring and Enforcement process is initiated or not.

⁸ NERC has established a Compliance Hotline that may be used for the submission of Complaints by persons or entities that do not want his/her/its identity disclosed (see www.nerc.com for additional information).

3.7.2 Anonymous Complainant Notification Procedure

An anonymous complainant who believes, or has information indicating, there has been a violation of a Reliability Standard, can report the possible violation and request that the complainant's identity not be disclosed.⁹ All Complaints lodged by a person or entity requesting that the complainant's identity not be disclosed shall be investigated by NERC following the procedural steps described in Section 3.7.1. Anonymous Complaints received by a Regional Entity will either be directed to NERC or the Regional Entity will collect and forward the information to NERC, at the Regional Entity's discretion. Neither NERC nor the Regional Entity shall disclose the identity of any person or entity reporting possible violations to NERC or to a Regional Entity that requests that his/her/its identity not be revealed. The identity of the complainant will only be known by NERC and in the case where a Regional Entity collects the information, by NERC and the Regional Entity. If the Compliance Enforcement Authority determines that initiating a Compliance Monitoring and Enforcement process is not warranted, it will notify the complainant, NERC, and the Registered Entity that no further action will be taken.

4.0 ANNUAL IMPLEMENTATION PLANS

4.1 NERC Compliance Monitoring and Enforcement Program Implementation Plan

NERC will maintain and update the NERC Implementation Plan, to be carried out by Compliance Enforcement Authorities in the performance of their responsibilities and duties in implementing the NERC Compliance Monitoring and Enforcement Program. The NERC Implementation Plan will be provided to the Regional Entities by on or about September 1 of each year and will identify risks to the Bulk Power System, to be considered in the Regional Entities' compliance monitoring of Registered Entities. The NERC Implementation Plan will be posted on the NERC web site.

4.2 Regional Entity Implementation Plan

On or about October 1 of each year, Regional Entities will submit a Regional Implementation Plan for the following calendar year to NERC for approval. The Regional Implementation Plan and the Regional Entity's other relevant Compliance Program documents shall be posted on the Regional Entity's Web site.

5.0 ENFORCEMENT ACTIONS

The Regional Entity shall determine (i) whether to apply to the Public Utilities Board for an Order that there has been a violation of a Reliability Standard by a Registered Entity within the Regional Entity's area of responsibility, and (ii) if so, the appropriate remedial actions, and penalties and sanctions to recommend to the Public Utilities Board. The Regional Entity shall provide to NERC such information as is requested by NERC concerning any penalty, sanction, or remedial actions recommended by the Regional Entity.

Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information is unreasonable, the party may request a written determination from the NERC compliance program officer.

5.1 Notification to Registered Entity of Alleged Violation

If the Regional Entity alleges that a Registered Entity has violated a Reliability Standard, the Regional Entity shall issue a Notice of Alleged Violation (signed by an officer or designee) to the Registered Entity (CEO or equivalent and compliance contact) and NERC. The Regional Entity may also issue an initial Notice of Alleged Violation, without specifying the proposed penalty or sanction, to the Registered Entity. The Notice of Alleged Violation shall contain, at a minimum:

- (i) the Reliability Standard and requirement(s) thereof the Registered Entity has allegedly violated,
- (ii) the date and time the Alleged Violation occurred (or is occurring),
- (iii) the facts the Regional Entity believes demonstrate or constitute the Alleged Violation,
- (iv) the proposed penalty or sanction, if any, considered by the Regional Entity to be appropriate for the Alleged Violation, including an explanation of the basis on which the particular penalty or sanction was considered to be appropriate,
- (v) notice that the Registered Entity shall, within thirty (30) days, elect one of the following options or the matter will be referred to the Public Utilities Board:
 1. agree with the Alleged Violation and proposed penalty or sanction, and agree to submit and implement a Mitigation Plan to correct the violation and its underlying causes, or
 2. agree with the Alleged Violation and agree to submit and implement a Mitigation Plan to eliminate the violation and its underlying causes, but contest the proposed penalty or sanction, or
 3. contest both the Alleged Violation and proposed penalty or sanction,
- (vi) notice that the Registered Entity may elect to submit a Mitigation Plan while contesting the Alleged Violation and/or the proposed penalty or sanction, and that submission of a Mitigation Plan will not waive the Registered Entity's right to contest the Alleged Violation and/or the proposed penalty or sanction; and
- (vii) notice that if the Registered Entity elects to contest the Alleged Violation and/or the proposed penalty or sanction, a conference will be convened pursuant to Section 3.0.2, and if no settlement is reached, the matter will be referred to a hearing before the Public Utilities Board, pursuant to Section 3.0.3; and

- (vii) required procedures to submit the Registered Entity's Mitigation Plan.

The Registered Entity shall provide the Regional Entity with written notice of its election, signed by an authorized representative of the Registered Entity, together with any supporting information or documents.

5.2 Settlement Process

Settlement negotiations may occur at any time prior to a determination by the Public Utilities Board. All settlement negotiations will be confidential until such time as the settlement is approved pursuant to Section 3.0.6. For all settlement discussions, the Regional Entity shall require the Registered Entity to designate an individual(s) authorized to negotiate on its behalf. All settlement agreements must, if approved, provide for waiver of the Registered Entity's right to further hearings and appeal.

The Regional Entity will issue a letter setting forth the final settlement terms including all penalties, sanctions and mitigation requirements provided for in the final settlement.

The Regional Entity shall report the terms of all settlements of compliance matters to NERC. NERC will review the settlement for the purpose of evaluating its consistency with other settlements entered into for similar violations or under other, similar circumstances. Based on this review, NERC will either approve the settlement or reject the settlement and notify the Regional Entity and the Registered Entity of changes to the settlement that would result in approval. If NERC rejects the settlement, the Regional Entity will attempt to negotiate a revised settlement agreement with the Registered Entity including any changes to the settlement specified by NERC.

Following approval of a settlement in accordance with Section 3.0.6, (i) the Regional Entity will report the approved settlement of the violation to NERC, and (ii) subject to the confidentiality requirements in section 9.3, NERC will publicly post the Confirmed Violation (regardless of whether the settlement includes or does not include an admission of a violation) and the resulting penalty or sanction provided for in the settlement. Subject to the confidentiality requirements in section 9.3, this posting shall include a copy of the settlement or a description of the terms of the settlement and a copy of any Mitigation Plan that is agreed to as part of the settlement.

6.0 MITIGATION OF VIOLATIONS OF RELIABILITY STANDARDS

Parties engaged in the process described in this section should consult with each other on the data and information that would be appropriate for effectively addressing this section's process requirements. If a party believes that a request for data or information is unreasonable, the party may request a written determination from the NERC compliance program officer.

6.1 Requirement for Submission of Mitigation Plans

A Registered Entity that has a Confirmed Violation of a Reliability Standard shall file with the Regional Entity (i) a proposed Mitigation Plan to correct the violation, or (ii) a description of how the violation has been mitigated, and any requests for extensions of Mitigation Plans or a report of completed mitigation. A Registered Entity may also submit a proposed Mitigation Plan with a Self-Report, in response to a Notice of Alleged Violation, or at any other time.

6.2 Contents of Mitigation Plans

A Mitigation Plan shall include the following information:

- The Registered Entity's point of contact for the Mitigation Plan, who shall be a person (i) responsible for filing the Mitigation Plan, (ii) technically knowledgeable regarding the Mitigation Plan, and (iii) authorized and competent to respond to questions regarding the status of the Mitigation Plan. This person may be the Registered Entity's point of contact described in Section 2.0.
- The Alleged or Confirmed Violation(s) of Reliability Standard(s) the Mitigation Plan will correct.
- The cause of the Alleged or Confirmed Violation(s).
- The Registered Entity's action plan to correct the Alleged or Confirmed Violation(s).
- The Registered Entity's action plan to prevent recurrence of the Alleged or Confirmed Violation(s).
- The anticipated impact of the Mitigation Plan on the Bulk Power System reliability and an action plan to mitigate any increased risk to the reliability of the Bulk Power-System while the Mitigation Plan is being implemented.
- A timetable for completion of the Mitigation Plan including the completion date by which the Mitigation Plan will be fully implemented and the Alleged or Confirmed Violation(s) corrected.
- Implementation milestones no more than three (3) months apart for Mitigation Plans with expected completion dates more than three (3) months from the date of submission. Additional violations could be determined for not completing work associated with accepted milestones. Implementation milestones that precede the date that a Mitigation Plan becomes effective in Manitoba pursuant to section 3.0.6 will be considered to be extended until the date it becomes effective.
- Any other information deemed necessary or appropriate

The Mitigation Plan shall be signed by an officer, employee, attorney or other authorized representative of the Registered Entity, which if applicable, shall be the person that signed the Self-Certification or Self Reporting submittals.

6.3 Timetable for Completion of Mitigation Plans

In all cases the Mitigation Plan should be completed without delay. At the Compliance Enforcement Authority's discretion, the completion deadline may be extended for good cause including: (i) short assessment periods (i.e., event driven or monthly assessments), and (ii) construction requirements in the Mitigation Plan that extend beyond the next assessment period or other extenuating circumstances. Completion deadlines that precede the date that a Mitigation Plan becomes effective in Manitoba pursuant to section 3.0.6 will be considered to be extended until the date it becomes effective. Sanctions for any violation of the applicable Reliability Standard(s) occurring during the implementation period will be held in abeyance and will be waived if the Mitigation Plan is satisfactorily completed.

Any Alleged Violations of the applicable standard during the period of time the accepted Mitigation Plan is being implemented will be recorded by the Compliance Enforcement Authority. Upon completion of the accepted Mitigation Plan in accordance with Section 6.6, the Compliance Enforcement Authority will notify the Registered Entity that any Alleged Violations of the applicable Reliability Standard during the period that the accepted Mitigation Plan was being implemented have been waived and no penalties or sanctions will be recommended to the Public Utilities Board. Regional Entities will also notify NERC of any such waivers of violations of Reliability Standards.

A request for an extension of any milestone or the completion date of the accepted Mitigation Plan by a Registered Entity must be received by the Compliance Enforcement Authority at least five (5) business days before the original milestone or completion date. The Compliance Enforcement Authority may accept a request for an extension or modification of a Mitigation Plan if the Compliance Enforcement Authority determines the request is justified, and shall notify NERC of the extension or modification within five (5) business days.

If a Mitigation Plan submitted by a Registered Entity is rejected by the Regional Entity or the Public Utilities Board, the Registered Entity shall be subject to any findings of violation of the applicable Reliability Standards during the period the Mitigation Plan was under consideration and to imposition of any penalties or sanctions imposed for such violations as determined by the Public Utilities Board.

6.4 Submission of Mitigation Plans

A Mitigation Plan may be submitted at any time but shall have been submitted by the Registered Entity within thirty (30) days after being served the Notice of Alleged Violation, if the Registered Entity does not contest the Alleged Violation and/or penalty or sanction.

If a Registered Entity submits a Mitigation Plan while it contests an Alleged Violation or penalty or sanction; such submission shall not be deemed an admission of a violation or the appropriateness of a proposed penalty or sanction. If the Registered Entity has not yet submitted a Mitigation Plan, or the Registered Entity submits a Mitigation Plan but it is rejected by the Regional Entity any subsequent Alleged Violations of the Reliability Standard identified by the Compliance Enforcement Authority before the Public Utilities Board renders its decision on the Mitigation Plan will not be held in abeyance and will be considered as repeat Alleged Violations of the Reliability Standard.

6.5 Review and Acceptance or Rejection of Proposed Mitigation Plans

Unless extended by the Regional Entity, it will complete its review of the Mitigation Plan, and will issue a written statement accepting or rejecting the Mitigation Plan, within thirty (30) days of receipt; otherwise the Mitigation Plan will be deemed accepted. If the Regional Entity rejects a Mitigation Plan, the Regional Entity will provide the Registered Entity with a written statement describing the reasons for the rejection, and will provide the Registered Entity with an opportunity to submit a revised Mitigation Plan by a Required Date. If the Registered Entity submits a revised Mitigation Plan by the Required Date, the Regional Entity will notify the Registered Entity within ten (10) business days after receipt of a revised Mitigation Plan whether the Regional Entity will accept or reject the revised Mitigation Plan and provide a written statement describing the reasons for rejection and the Required Date for the second revised Mitigation Plan.

If the Registered Entity does not submit a revised Mitigation Plan by the Required Date, the Regional Entity may submit the proposed Mitigation Plan to the Public Utilities Board as a contested matter pursuant to Section 3.0.5.

Prior to accepting a Mitigation Plan, the Regional Entity shall obtain NERC approval of the Mitigation Plan. The Regional Entity will notify NERC of its proposed acceptance of a Mitigation Plan and will provide the Mitigation Plan to NERC. NERC will review the Mitigation Plan and will notify the Regional Entity, as to whether the Mitigation Plan is approved or disapproved by NERC. If NERC disapproves a Mitigation Plan that was proposed to be accepted by the Regional Entity, NERC shall state its reasons for the rejection, and may state the changes to the Mitigation Plan that would result in approval by NERC.

6.6 Completion/Confirmation of Implementation of Mitigation Plans

The Registered Entity shall provide updates at least quarterly to the Regional Entity on the progress of the Mitigation Plan. The Regional Entity will track the Mitigation Plan to completion and may conduct on-site visits and review status during audits to monitor Mitigation Plan implementation.

Upon completion of the Mitigation Plan, the Registered Entity shall provide to the Regional Entity certification, signed by an officer, employee, attorney or other authorized representative of the Registered Entity, that all required actions described in the Mitigation Plan have been completed and shall include data or information sufficient for the Regional Entity to verify completion. The Regional Entity shall request such data or information and conduct follow-up assessments, on-site or other Spot Checking, or Compliance Audits as it deems necessary to verify that all required actions in the Mitigation Plan have been completed and the Registered Entity is in compliance with the subject Reliability Standard.

In the event all required actions in the Mitigation Plan are not completed within the applicable deadline including any extensions of the original deadline granted under Section 6.3, any Alleged Violation(s) of a Reliability Standard subject to the Mitigation Plan that occurred during the originally scheduled time period for completion will be brought to the Public Utilities Board for enforcement immediately and a new Mitigation Plan must be submitted for acceptance by the Regional Entity. In addition, the Regional Entity may conduct a Compliance Audit of, or (if permitted under section 7) issue a Remedial Action Directive to, the Registered Entity.

Regional Entities will provide to NERC information as NERC requests, and will notify NERC when each Mitigation Plan is verified to have been completed.

6.7 Recordkeeping

The Compliance Enforcement Authority will maintain a record containing the following information for each Mitigation Plan:

- Name of Registered Entity.
- The date of the violation.
- Monitoring method by which the violation was detected, i.e., Self-Certification, Self-Reporting, Compliance Audit, Compliance Investigation, Complaint, etc.
- Date of notification of Alleged Violation and proposed sanction.
- Expected and actual completion date of the Mitigation Plan and major milestones.
- Expected and actual completion date for each required action.
- Accepted changes to milestones, completion dates, or scope of Mitigation Plan.
- Date that Mitigation Plan became effective in Manitoba pursuant to Section 3.0.6.
- Registered Entity's completion notice and data submitted as evidence of completion.

7.0 REMEDIAL ACTION DIRECTIVES

The Compliance Enforcement Authority may issue a Remedial Action Directive to a Registered Entity when such action is immediately necessary to protect the reliability of the Bulk Power System from an imminent threat. A Remedial Action Directive may include, but is not limited to, any of the following: specifying operating or planning criteria, limits, or limitations; requiring specific system studies; defining operating practices or guidelines; requiring confirmation of data, practices, or procedures through inspection testing or other methods; requiring specific training for personnel; requiring development of specific operating plans; directing the Registered Entity to develop and comply with a plan to remediate a violation; imposing increased auditing or additional training requirements; and requiring the Registered Entity to cease an activity that may constitute a violation of a Reliability Standard.

The following will apply to a Remedial Action Directive under this Section:

- A Remedial Action Directive may be issued to the Registered Entity at any time, including during any procedures relating to an Alleged Violation of a Reliability Standard. The Compliance Enforcement Authority will specify if a Remedial Action Directive obviates the need for a Mitigation Plan.
- Prior to issuing a Remedial Action Directive, the Regional Entity shall consult the Reliability Coordinator for the Registered Entity, if applicable, to ensure that the Remedial Action Directive is not in conflict with directives issued by the Reliability Coordinator.
- Any Remedial Action Directive must be provided in a notice to the Registered Entity and shall include: (i) a list of the violations or Possible Violations of Reliability Standards that are the basis for issuance of the Remedial Action Directive; (ii) a discussion of the factual basis for the Remedial Action Directive; (iii) a deadline for compliance and (iv) notice to the Registered Entity that failure to comply with the directive by the Required Date may result in further Remedial Action Directives or significantly increased sanctions. The Compliance Enforcement Authority will monitor implementation of Remedial Action Directives as necessary to verify compliance.
- The Regional Entity will notify NERC within two (2) business days after issuing a Remedial Action Directive.
- Once the Compliance Enforcement Authority has given the Registered Entity notice of the Remedial Action Directive, the Registered Entity may contest the Remedial Action Directive by giving written notice to the Compliance Enforcement Authority within two (2) business days following receipt of notice of the Remedial Action Directive. Due to the urgency of resolving any objections to a Remedial Action Directive, the parties will proceed to the Public Utilities Board for a ruling on an urgent basis. The Public Utilities Board review shall constitute the Registered Entity's right to appeal the Remedial Action Directive. The Registered Entity may elect not to implement the Remedial Action Directive until the hearing process is completed, or may proceed with implementing the Remedial Action Directive even if it is contesting the Remedial Action Directive.

8.0 REPORTING AND DISCLOSURE

Regional Entities shall prepare and submit to NERC all required reports (including those required by applicable NERC Rules of Procedure containing current information concerning (1) Registered Entity compliance with Reliability Standards, (2) all Alleged and Confirmed Violations of Reliability Standards by Registered Entities, (3) the status of Alleged Violations, (4) sanctions and penalties, (5) Remedial Action Directives imposed, and (6) Mitigation Plan(s) accepted including dates for all required actions and for completion.

Regional Entities shall report to NERC, on a confidential basis, any allegations or evidence of violations of Reliability Standards regardless of significance, whether verified or still under investigation, that are received or obtained by the Regional Entity through any means within five (5) business days, unless the violation indicated or alleged has resulted in or has the potential to result in, a reduced level of reliability to the Bulk Power System, in which cases the Regional Entity shall notify NERC within forty-eight (48) hours. Such reports shall include information regarding the nature of the violation indicated or alleged and its potential impact on the reliability of the Bulk Power System, the name of the Registered Entity involved, the status and timetable of any compliance violation assessment, and the name of a Regional Entity staff person knowledgeable about the information to serve as a point of contact, as required by applicable NERC Rules of Procedure.

Regional Entities shall report to NERC the status of violations of Reliability Standards, regardless of significance, that have not yet resulted in a final determination of violation or have not completed the hearing process, or for which mitigation activities (including activities being carried out pursuant to a settlement) have not been completed. Regional Entities will ensure the information is current when these reports are provided.

Regional Entities shall report to NERC all Confirmed Violations of Reliability Standards by Registered Entities including all penalties, sanctions, Mitigation Plans and schedules, and settlements, within ten (10) business days of their becoming effective pursuant to Section 3.0.6. At the same time, Regional Entities will provide the report to the affected Registered Entity, accompanied by a notice that the Registered Entity may provide a statement to NERC to accompany the report when posted by NERC. The Registered Entity's statement must include the name, title, and signature of an officer, employee, attorney or other authorized representative of the Registered Entity.

Subject to the confidentiality requirements in section 9.3, NERC will publicly post each report of a Confirmed Violation, together with any statement submitted by the Registered Entity, no sooner than five (5) business days after the report is provided by the Regional Entity to NERC and the Registered Entity.

The Regional Entity will provide reports quarterly to the Public Utilities Board on the status of all Confirmed Violations for which mitigation activities have not been completed. Subject to the confidentiality requirements in section 9.3, the Regional Entity will publish public reports quarterly on its Web site of all Confirmed Violations of Reliability Standards during the quarter just completed, with the identity of the violator.

The parties acknowledge that governmental and regulatory bodies in the United States have no jurisdiction over reliability matters in Canada. Accordingly, neither MRO nor NERC will make any filings with governmental or regulatory bodies in the United States regarding a violation of a Reliability Standard by a Registered Entity in Manitoba occurring in Manitoba, and any regulatory filings will instead be made with the Public Utilities Board in accordance with the procedures herein. That includes, but is not limited to, the filing of any Notice of Alleged Violation, Mitigation Plan, proposed sanction, penalty or settlement. For greater certainty, if an event impacts on the electrical system in Manitoba and in another jurisdiction outside Manitoba, or if an event involves an Alleged Violation of a Reliability Standard by a Registered Entity in Manitoba collectively with another party outside Manitoba (e.g. as part of a reserve sharing group), the following will apply:

- MRO and NERC will investigate to gain a factual understanding of the event across all jurisdictions.
- MRO and NERC will not include allegations or findings about whether the event involved a violation of a Reliability Standard by a Registered Entity in Manitoba, in any filings and reports to governmental or regulatory bodies in the United States.
- MRO and NERC will instead pursue with the Public Utilities Board any Alleged Violations of Reliability Standards by Registered Entities in Manitoba associated with the event, in accordance with the procedures herein.

9.0 DATA RETENTION AND CONFIDENTIALITY

9.1 Records Management

The Compliance Enforcement Authority records management policy shall provide for a routine and orderly process for the retention and disposal of electronic and paper records related to the Compliance Program, ensure verification of compliance with appropriate business, regulatory, and legal requirements and at a minimum conform to the Reliability Standards data retention requirements of the Reliability Standards. The policy shall allow for the maintenance of records as required to implement the Compliance Program.

9.2 Retention Requirements

The Compliance Enforcement Authority records management policy will require that information and data generated or received pursuant to Compliance Program activities, including Compliance Audits, Self-Certifications, Spot Checking, Compliance Investigations, Self-Reporting, Periodic Data Submittals, and Complaints, as well as conferences, will be retained for the longer of (i) five (5) years or (ii) any retention period specified in a Reliability Standard or by Canadian law. The obligation to retain information and data commences upon the initiation of the Compliance Program activity that produces the data or information. If the information or data is material to the resolution of a controversy, the retention period for such data shall not commence until after the controversy is resolved.

Upon request from NERC, Regional Entities will provide to NERC copies of such information and data. NERC will retain the information and data in order to maintain a record of activity under the Compliance Program. In providing the information and data to NERC, the Regional Entity shall preserve any mark of confidentiality.

9.3 Confidentiality

9.3.1 Protection of Confidential Information

Information or data generated or received pursuant to Compliance Program activities, including a hearing process, shall be treated in a confidential manner pursuant to applicable Manitoba legislation. The Compliance Enforcement Authority personnel (including any contractors and consultants) and committee members, and participants in Compliance Program activities shall be informed of, and agree to comply with, Manitoba legislation concerning confidential information. Sensitive information related to Possible Violations of NERC CIP Reliability Standards shall be deemed to be confidential information and shall not be made public to the extent allowed by law.

ATTACHMENT 1

PROCESS FOR NON-SUBMITTAL OF REQUESTED DATA

If data, information, or other reports (including Mitigation Plans) requested from a Registered Entity are not received by the Required Date, the Compliance Enforcement Authority may sequentially execute the following steps for each Reliability Standard for which the Compliance Enforcement Authority has requested data, information, or other reports. The Compliance Enforcement Authority however will afford the Registered Entity reasonable opportunity to resolve a difficulty submitting data due to time or format issues.

Step 1: The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's designated contact.

Step 2: The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's vice president or equivalent responsible for compliance (with a copy to NERC and the Registered Entity's designated contact).

Step 3: The Compliance Enforcement Authority will issue a follow-up notification to the Registered Entity's chief executive officer or equivalent (with a copy to NERC, the Registered Entity's vice president or equivalent responsible for compliance and the Registered Entity's designated contact).

A full Compliance Audit may be scheduled at this step.

Step 4: Thirty (30) days after the Required Date, the Registered Entity will be considered to be in violation of a Reliability Standard at the Severe Violation Severity Level, subject to approval by the Public Utilities Board.

Step 4 does not apply to Compliance Audits and Mitigation Plan tracking requests.