

Federal Energy Regulatory Commission



Strategic Plan

FY 2018–2022

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Message from the Chairman

The Federal Energy Regulatory Commission (FERC or the Commission) has very important work to do in the years covered by this Strategic Plan, fiscal years (FY) 2018 through 2022. The nation is experiencing significant changes in energy supply due to a number of factors, such as the increased availability of domestic natural gas and the emergence and growth of new energy technologies. Both the nation's energy infrastructure and energy markets must adapt to these changes to ensure that consumers have access to economically efficient, safe, reliable, and secure energy at a reasonable cost.

The FYs 2018 – 2022 Strategic Plan builds on the success of our previous Strategic Plan, which encompassed all major functions and operations of the Commission, including management and stewardship responsibilities. In looking forward over the next 4-5 years, we conducted a situational assessment relative to each of our six strategic objectives. The results, including key challenges and opportunities facing the agency and our responsive actions, are highlighted in the plan.

We recognize our responsibility to fully address these challenges and seize these opportunities. The Commission is fortunate to have a highly dedicated and professional team of employees across all areas of our operations. We are committed to executing our Strategic Plan to achieve results and to address important energy challenges that face our nation.



Kevin J. McIntyre
Chairman
Federal Energy Regulatory Commission



About the Federal Energy Regulatory Commission

Overview

The Federal Energy Regulatory Commission (FERC or the Commission) is an independent agency that regulates the transmission and wholesale sale of electricity and natural gas in interstate commerce, and regulates the transportation of oil by pipelines in interstate commerce. FERC also reviews proposals to build interstate natural gas pipelines, natural gas storage projects, and liquefied natural gas (LNG) terminals, and FERC licenses non-federal hydropower projects. Congress assigned these responsibilities to FERC in various laws enacted over nearly 100 years, such as the Federal Power Act, Public Utility Regulatory Policies Act, Natural Gas Act, and Interstate Commerce Act. More recently, as part of the Energy Policy Act of 2005, Congress gave FERC additional responsibilities to protect the reliability and cybersecurity of the bulk-power system through the establishment and enforcement of mandatory reliability standards, as well as additional authority to enforce FERC regulatory requirements through the imposition of civil penalties and other means.

FERC is composed of up to five commissioners who are appointed by the President of the United States with the advice and consent of the Senate. Commissioners serve staggered five-year terms and have an equal vote on the orders through which FERC acts. The President appoints one of the commissioners to be the chairman of FERC, the administrative head of the agency. FERC is a bipartisan body; no more than three commissioners may be of the same political party. To carry out its authorities, the Commission has approximately 1,500 staff that are organized into 12 offices.¹ Commission staff are located primarily in the Washington D.C. region, with several field offices across the country.



¹ See the organization chart in Appendix A

FERC’s Responsibilities

The Commission has many responsibilities under various statutes. There are, however, many energy-related areas that are outside FERC’s jurisdictional responsibilities and fall to other federal agencies or state public utility commissions. Examples include:

What FERC does

- Regulates the transmission and wholesale sales of electricity in interstate commerce
- Reviews certain mergers and acquisitions and corporate transactions by electricity companies
- Regulates the transportation and sale of natural gas for resale in interstate commerce
- Regulates the transportation of oil by pipeline in interstate commerce
- Approves the siting and abandonment of interstate natural gas pipelines and storage facilities
- Reviews siting applications for electric transmission projects under limited circumstances
- Ensures the safe operation and reliability of proposed and operating LNG terminals
- Licenses and inspects private, municipal and state hydroelectric projects
- Protects the reliability and security of the high-voltage interstate transmission system through mandatory reliability standards
- Monitors and investigates energy markets
- Enforces FERC regulatory requirements through imposition of civil penalties and other means
- Oversees environmental matters related to natural gas and hydroelectricity projects and other matters
- Administers accounting and financial reporting regulations and conduct of regulated companies

What FERC does not do

- Regulation of retail electricity and natural gas sales to consumers
- Approval for the physical construction of electric generation facilities
- Regulation of many activities of state and municipal power systems, federal power marketing agencies, and most rural electric cooperatives
- Regulation of nuclear power plants
- Issuance of state water quality certificates
- Oversight for the construction of oil pipelines
- Abandonment of service as related to oil facilities
- Mergers and acquisitions as related to natural gas and oil companies
- Responsibility for pipeline safety or for pipeline transportation on or across the Outer Continental Shelf
- Regulation of local distribution of electricity and natural gas
- Development and operation of natural gas vehicles
- Reliability problems related to local distribution facilities
- Tree trimming near local distribution power lines in residential neighborhoods



Mission

Economically Efficient, Safe, Reliable, and Secure Energy for Consumers

Assist consumers in obtaining economically efficient, safe, reliable, and secure energy services at a reasonable cost through appropriate regulatory and market means, and collaborative efforts.

Goal 1: Ensure Just and Reasonable Rates, Terms, and Conditions

Objective 1.1: Establish Commission rules and policies that will result in just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of jurisdictional service.

Core Function 1.1.1: Evaluate existing Commission rules and policies in light of emerging issues and changing circumstances to determine whether modification of such rules and policies is necessary or new rules or policies need to be developed.

Core Function 1.1.2: Analyze and act upon filings in a fair, clear, and timely manner. Where filings do not provide the Commission with sufficient information to act upon their merits, facilitate settlements of disputes or, in the absence of settlement, develop an adequate record for Commission action.

Objective 1.2: Increase compliance with FERC rules; detect and deter market manipulation.

Core Function 1.2.1: Increase compliance by identifying anomalies and potential rule improvements, and through stakeholder education and outreach.

Core Function 1.2.2: Detect and deter market manipulation by identifying and conducting investigations of potential violations.

Goal 2: Promote Safe, Reliable, and Secure Infrastructure

Objective 2.1: Facilitate benefits to the nation through the review of natural gas and hydropower infrastructure proposals.

Core Function 2.1.1: Conduct thorough and timely technical review of applications to construct, operate, or modify natural gas and hydropower infrastructure.

Core Function 2.1.2: Ensure natural gas and hydropower infrastructure is constructed and operated in compliance with environmental mitigation conditions in FERC orders.

Objective 2.2: Minimize risks to the public associated with FERC-jurisdictional energy infrastructure.

Core Function 2.2.1: Conduct comprehensive and timely inspections of hydropower and LNG facilities to ensure compliance with the Federal Power Act, the Natural Gas Act, and Commission orders.

Core Function 2.2.2: Protect and improve the reliable and secure operation of the bulk-power system by identifying reliability and security risks; overseeing the development, implementation and enforcement of mandatory reliability standards; and promoting the resilience, reliability and security of the bulk-power system.

Core Function 2.2.3: Protect against cyber and physical security threats to FERC-jurisdictional energy infrastructure and improve their resilience by working with regulated entities and stakeholders and by coordinating with other government agencies to identify and apply best practices separate from basic regulatory requirements.

Goal 3: Mission Support through Organizational Excellence

Objective 3.1: Manage resources effectively through an engaged workforce.

Core Function 3.1.1: Maintain processes and provide compliant services that enable FERC to manage resources effectively and efficiently.

Core Function 3.1.2: Provide tools and services that enable FERC staff to effectively perform their jobs and drive Commission success.

Objective 3.2: Facilitate public trust and understanding of Commission activities by promoting transparency, open communication, and a high standard of ethics.

Core Function 3.2.1: Develop and maintain internal processes and services that promote high standards of ethics.

Core Function 3.2.2: Maintain processes and public information services in accordance with the principles of transparency and open communication.

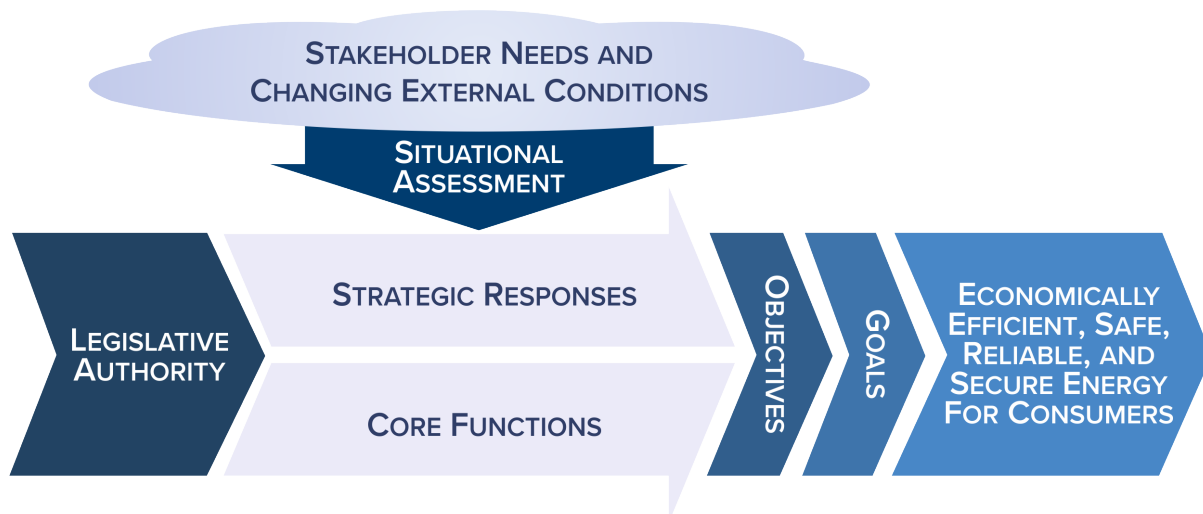


Strategic Plan Structure

Every four years, FERC updates its Strategic Plan as required by the GPRA Modernization Act of 2010. The Commission believes in the benefit of establishing goals, communicating priorities, and holding itself accountable. As a regulatory agency, the foundation of the Commission's Strategic Plan is rooted in its federal mandates under various laws and statutes. The plan also demonstrates the Commission's responsiveness to changes in stakeholder needs and the energy landscape. The plan is designed to help employees align their individual work to the mission and goals of the agency. The plan also gives external stakeholders an understanding of the Commission's authorities, priorities, and processes.

This figure below depicts the overall structure of the FERC strategic plan. The plan is ultimately focused on fulfilling FERC's *mission* of Economically Efficient, Safe, Reliable, and Secure Energy for Consumers at a Reasonable Cost. The *goals* represent broad outcomes that FERC is trying to achieve. The first two goals are mission critical and correspond to key aspects of FERC's legislative authority. The third goal is a stewardship goal focused on establishing a foundation of organizational excellence that enables the achievement of FERC's mission.

The *objectives* in this plan describe more specific, action-oriented steps that FERC will employ to meet the goal. For each objective, the strategic plan identifies a set of *core functions*. A core function is an integrated and focused combination of activities and capabilities that carry out a critical operation or program necessary to achieve the objective and fulfill its mandate. Core functions describe what, as a regulatory agency, the Commission has an obligation to do. Within the strategic plan, core functions represent an investment in and a commitment to maintaining FERC's ability to fulfill its responsibilities as a regulatory agency and demonstrate its dependability and dedication to excellence.



Since the last strategic plan was published in 2014, the energy landscape has changed considerably and is likely to continue to do so. FERC conducted a *situational assessment* of each of the six strategic objectives included in the plan. Each situational assessment identifies factors that are likely to have a significant impact on the achievement of the objective over the next four years. The identified factors could be either an issue that poses a barrier to the achievement of the objective or an opportunity that offers a benefit/advantage relative to achieving of the objective. For each situational assessment item, FERC developed a *strategic response* that will be implemented to address the identified issue or opportunity. The strategic responses range from a refocusing of effort or attention to a more structured set of actions directed toward a particular result. The range of strategic responses enables more flexible action and broader organizational engagement in strategic action. The situational assessments and strategic responses represent an investment in and commitment to maintaining awareness and responsiveness in regard to evolving stakeholder needs and changing external conditions.

The strategic plan also identifies *performance measures* that provide a general indication of progress toward an objective. Alongside the measures, Commission staff use supplemental information and other indicators to fully analyze and understand the Commission's performance within each objective.

In preparing this plan for publication, FERC was assisted by contractors, who provided technical input into the design and assembly of this document.





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Goal 1: Ensure Just and Reasonable Rates, Terms, and Conditions

Ensure that rates, terms, and conditions of jurisdictional services are just, reasonable, and not unduly discriminatory or preferential.

The nation's security and economic prosperity depend on maintaining economically efficient, safe, reliable, and secure energy services at a reasonable cost for consumers. FERC's regulation ensures just and reasonable rates, terms, and conditions for jurisdictional services.

In carrying out its regulatory role, FERC uses a range of ratemaking activities as well as market oversight and enforcement. FERC's jurisdiction includes the wholesale sales and transmission of electricity and natural gas in interstate commerce, as well as the transportation of oil by pipeline in interstate commerce. FERC's ratemaking activities leverage both regulatory and market means, and involve the issuance of orders and the establishment of rules and policies. Its enforcement activities include both increasing compliance and detecting and deterring market manipulation.

Through these efforts, FERC ensures that consumers have reasonable access to the services they need and that service providers are appropriately compensated.

Objective 1.1: Establish Commission rules and policies that will result in just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of jurisdictional service.

Electricity, natural gas, and oil are vital resources that fuel economic activity and help to meet the nation's energy needs. Through the Federal Power Act, Public Utility Regulatory Policies Act, Natural Gas Act, and Interstate Commerce Act, among other laws, Congress gave FERC authority to regulate the transmission and wholesale sale of electricity and natural gas in interstate commerce, and to regulate the transportation of oil by pipeline in interstate commerce. The Commission's responsibility in the exercise of this authority is to ensure that rates, terms, and conditions for wholesale sales and transmission of electric energy and natural gas in interstate commerce, as well as for transportation of oil by pipeline in interstate commerce, are just and reasonable and not unduly discriminatory or preferential.

FERC carries out this responsibility by issuing orders and establishing rules and policies that continually balance two important interests: protecting energy consumers against excessive rates, and providing an opportunity for regulated entities to recover their costs and earn a reasonable return on their investments. FERC's orders, rules, and policies use both market and regulatory means to impact energy service provider practices. FERC leverages competitive market forces to promote efficiency for consumers where appropriate. When competitive market conditions do not exist or competitive forces are inadequate to protect consumers, FERC relies on traditional rate-setting authority and tools such as cost-of-service ratemaking.

In exercising its authority, FERC ensures that interested stakeholders have the opportunity to provide their views and that the Commission's ultimate decisions are adequately supported by the public record. Stakeholder engagement and transparency help FERC establish rules and policy that result in just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions.



Objective 1.1: Situational Assessment and Strategic Responses

Situational Assessment Item – *Changes in Energy Supply and Demand*

Changes in both energy supply and demand are having an impact on the fuel mix of resources participating in wholesale energy markets, the dynamics of competitive markets, incentives for investment in infrastructure, and the security and resilience of the bulk-power system. These changes create new challenges and increase the complexity of maintaining just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of jurisdictional service.

Strategic Response

The Commission will use its diverse resources to address this issue from multiple perspectives:

- Identify key services and products that contribute to meeting short-term and long-term consumer needs, including but not limited to reliability and the need for a secure and resilient bulk-power system, and ensure appropriate compensation for those services and products through just and reasonable rates.
- Perform analysis to consider compensation for necessary services and products that enhance bulk-power system reliability, security, and resilience and/or benefits consumers.
- Focus on removing barriers to technology that enhances bulk-power system reliability, security, and resilience and/or benefits consumers by promoting market competitiveness.
- Explore whether evolving competitive opportunities warrant revision to the Commission's regulations implementing the Public Utility Regulatory Policies Act (PURPA) of 1978.
- Evaluate and revise, as appropriate, the current policies for the establishment of base return on equity in light of changes in market dynamics and court precedent.

In addition to addressing the situational assessment item through the stated actions above, the Commission will continue to carry out its core functions as a regulatory agency, which are described below.

Core Functions for Objective 1.1

Core Function 1.1.1: Evaluate existing Commission rules and policies in light of emerging issues and changing circumstances to determine whether modification of such rules and policies is necessary or new rules or policies need to be developed.

To adapt to emerging issues and changing circumstances in the electric and natural gas industries, FERC evaluates existing rules and policies to assess whether they continue to ensure just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of service. This evaluation allows FERC to develop or modify its existing rules and policies to improve economic efficiency and operations in the markets. The evaluation also enables FERC to ensure adequate compensation for resources responding to system needs, to remove barriers to ensure access to the market and grid by all resources, and to ensure that consumers have reasonable access to the services they need.

FERC accomplishes its ongoing review of existing rules and policies in a number of ways. Based on its knowledge and experience with the industries it regulates, FERC may gather information through technical conferences or other means of outreach with stakeholders. FERC also keeps informed of national and international events and trends and draws on its knowledge and experience with its jurisdictional industries

to detect important recurring or emerging issues. FERC gathers data and uses it to perform economic, engineering, and technical analyses of the energy markets to inform policy recommendations. FERC evaluates the outcomes of recent policy changes on market participant behavior and market operations. FERC also undertakes research projects on energy market design issues. FERC’s technical, legal, and policy experts also carefully review and analyze filings to support the Commission’s review of industry proposals.

Where necessary, the Commission will pursue changes to its regulations through rulemaking proceedings. In some instances, the Commission on its own initiative will institute a rulemaking to address new concerns or trends in the industry. In other instances, the regulated community or other stakeholders will petition the Commission for changes to its regulations. FERC engages in a transparent rulemaking process to pursue changes to its regulations. A process of notice and comment maintains transparency and ensures stakeholder input. Through staff reports and white papers, technical conferences and workshops, and presentations and speeches, FERC also provides guidance to the regulated community and other stakeholders.

By remaining aware and agile, FERC can adjust existing policies and develop new policies to ensure that consumers have reasonable access to needed services and that service providers are appropriately compensated in a rapidly changing marketplace.

Core Function 1.1.2: Analyze and act upon filings in a fair, clear, and timely manner. Where filings do not provide the Commission with sufficient information to act upon their merits, facilitate settlements of disputes or, in the absence of settlement, develop an adequate record for Commission action.

To maintain or establish just, reasonable, and not unduly discriminatory or preferential rates, terms, and conditions of service, FERC analyzes and takes appropriate action on applications to change existing or implement new rates, terms, and conditions of service.

Jurisdictional entities have tariffs on file with the Commission that state what rates they can charge for jurisdictional services, as well as establish the rates, terms and conditions of service. Jurisdictional entities may submit to FERC requests to make changes to existing tariffs or implement new ones, and most orders that the Commission issues are in response to such requests. FERC may also conduct an independent review of tariff provisions and rates—i.e., a review not initiated by a jurisdictional entity’s filing—either pursuant to a stakeholder complaint or on its own motion.

Other stakeholders (such as ratepayers and state and local government agencies) may participate in proceedings. The Commission has adopted procedures that allow broad participation in its proceedings by the regulated entity and other parties impacted by its decisions.

FERC advisory staff develop recommendations to the Commission regarding potential actions through a multifaceted process that varies in complexity with the nature of the request. Analysis of the initial filing requires broad legal and technical expertise—from attorneys, economists, accountants, engineers, and rate and policy analysts—and includes a careful examination of the record, Commission policy and precedent relevant to each filing. Based on this analysis, the Commission issues a fair, clear, and timely order accepting, modifying, suspending, setting for hearing, or rejecting the rates, terms, and conditions of service.

Some issues are not easily resolved, especially those where there are material issues of fact in dispute. In such cases, the Commission may set the matter for hearing and/or direct the parties involved to engage in settlement judge procedures. If in the settlement judge procedures the negotiations reach an impasse, the Commission’s chief administrative law judge terminates those procedures and appoints a presiding administrative law judge to conduct a hearing and issue an initial decision. In the hearing, the parties and Commission trial staff conduct discovery to develop the record. The parties and trial staff file testimony prepared by expert witnesses on the disputed issues, conduct cross-examination of witnesses at the hearing, and file briefs with the presiding judge. An administrative law judge presides over the hearing, and ensures



due process by ruling on discovery disputes, motions to compel, and issuing procedural and substantive orders. The administrative law judge also has the obligation to develop the evidence that will be made part of the official record and to ensure a full and complete record. At the conclusion of the hearing, the presiding judge considers the evidentiary record and issues a fair and impartial initial decision. The parties and Commission trial staff may file briefs on exceptions or opposing exceptions to the initial decision with the Commission. Finally, Commission advisory staff review the judge's initial decision and provide recommendations to the Commission regarding final action, including whether to affirm, modify, or reverse it in a Commission order.

Objective 1.1: Performance Measure

Commission staff will use the following measure to assess performance in Objective 1.1. The result of this measure will be used in combination with other data and supplemental information to establish a more complete picture of performance on this objective.

The degree to which electric storage resources are participating annually in organized wholesale electricity markets operated by regional transmission organizations (RTOs) and independent system operators (ISOs) after the issuance and implementation of Order No. 841 (Electric Storage Participation in Markets Operated by RTOs/ISOs)²

This measure assesses the participation of electric storage resources in organized wholesale electric markets, where increased participation would serve as an indication that competition has increased in electricity markets. This is an outcome measure, which along with other indicators and supplemental information, could provide a useful benchmark by which to evaluate the effectiveness of FERC's Order No. 841.

The intent of Order No. 841 is to remove barriers to the participation in organized wholesale electric markets of electric storage resources. The entrance

of these resources into the organized wholesale electric markets helps promote competitiveness and enhances bulk-power system reliability, security, and resilience.

This measure will demonstrate accountability and inform decision making. There are two parts to this performance measure: (1) the Commission expects to act on 75 percent of the six RTO/ISO³ compliance filings by FY 2020; (2) after FY 2020 and the implementation of Order No. 841, the Commission will measure the degree of participation of electric storage resources in at least three of the six RTOs/ISOs on an annual basis. Although the Commission is aware that other factors influence the degree to which electric storage resource participation in organized wholesale electric markets, comparing the results up to FY 2020 and after FY 2020 should provide useful insight into the order's impact.

² *Electric Storage Participation in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 841, FERC Stats. & Regs. ¶ 31,398 (2018) (cross-referenced at 162 FERC ¶ 61,127), available at <https://www.ferc.gov/media/news-releases/2018/2018-1/02-15-18-E-1.asp>.

³ California Independent System Operator Corporation (CAISO), ISO New England, Inc. (ISO-NE), New York Independent System Operator, Inc. (NYISO), Midcontinent Independent System Operator, Inc. (MISO), PJM Interconnection, L.L.C. (PJM), and Southwest Power Pool, Inc. (SPP).

Objective 1.2: Increase compliance with FERC rules; detect and deter market manipulation.

The Federal Power Act and the Natural Gas Act, along with other statutory authorities, give FERC oversight and enforcement responsibilities that focus on increasing compliance of regulated entities and detecting and deterring market manipulation. The Energy Policy Act of 2005 in particular increased both the Commission's responsibilities and its penalty authority.

Within the compliance focus of this objective, FERC gathers information about and analyzes market fundamentals, behavior, and trends in order to take proactive steps to reduce the probability that violations of applicable laws, the Commission's regulations, or market rules will occur. FERC also promotes internal compliance programs and employs a robust audit program to identify problems and provide recommendations to improve compliance. FERC also makes market and audit data transparent to the public and market participants so that market efficiency is promoted and anomalies and areas of concern may be identified and reported.

Fraud and market manipulation pose a significant threat to the markets overseen by the Commission, and the financial harm imposed by such actions ultimately is borne by consumers. To detect and deter fraud and market manipulation, FERC uses market surveillance and other sources to identify indications of misbehavior. FERC then conducts investigations, and, when appropriate, exercises the Commission's civil penalty authority to discourage violations.

Promoting compliance and inhibiting market misconduct strengthen markets, increase market confidence, and support the Commission's goal of ensuring that rates, terms, and conditions of jurisdictional energy services are just, reasonable, and not unduly discriminatory or preferential.

Objective 1.2: Situational Assessment and Strategic Responses

Situational Assessment Item – *Non-traditional Market Participants*

FERC-jurisdictional energy markets are continuing to evolve, including increasing participation of non-traditional market participants, which offers an opportunity to engage with traditional and new stakeholders to bolster compliance.

Strategic Response

- The Commission will bolster its existing efforts and explore new ways to educate market participants, including with respect to market manipulation and the evolving nature of markets.

In addition to addressing the situational assessment item through the stated actions above, the Commission will continue to carry out its core functions as a regulatory agency, which are described below.

Core Functions for Objective 1.2

Core Function 1.2.1: Increase compliance by identifying anomalies and potential rule improvements, and through stakeholder education and outreach.

In the complex and rapidly evolving energy marketplace, ongoing observation and analysis are necessary to ensure that market rules are effective and practicable for those who must follow them. FERC monitors market activities and conducts audits of jurisdictional entities to understand the factors affecting compliance and facilitate compliance through information sharing, feedback, and practical recommendations.



FERC staff routinely monitor the energy markets to identify and evaluate significant market events and trends, inefficient market rules, and other unusual market behavior. In addition, FERC staff have developed and routinely run algorithmic screens and conduct ongoing analysis of transactional and other market data to identify factors that may inhibit compliance and/or indicate a need for new or adapted market rules. These analyses may result in reports to the Commission or the public to inform recommendations for market rule changes or other Commission action and to provide market participants with information about market fundamentals.

FERC staff also work to increase compliance by conducting audits of jurisdictional entities. These audits assess compliance with carefully crafted rules and regulations and provide insight into the factors affecting compliance. FERC staff thoroughly examine areas identified within the scope of each audit in order to assess compliance and, in cases of noncompliance can often identify irregularities and/or areas where existing policies or regulations are not wholly effective. Audits thus require a deep understanding of both FERC policy and the complexities of energy markets and draw on the expertise of different Commission offices with multidisciplinary skills in auditing, accounting, engineering, rate design, policy, and law. In addition, audit staff provide informal feedback to the audited entities during the audit engagements, and formal findings are issued in public reports that facilitate compliance across jurisdictional entities.

A risk-based approach to plan and prioritize audits helps FERC examine areas of regulatory importance and make the most efficient use of its resources. Annual risk assessments gather input from a variety of resources, including forms filed with the Commission, state commissions, and the Securities and Exchange Commission; rate information; FERC and state rate actions; discussions with industry and state officials; discussions with senior FERC officials and staff; and internally developed audit screens.

FERC's oversight activities promote compliance and alert the Commission to potential areas of concern. By reducing the probability that noncompliance will occur, FERC ensures that policies and regulations continue to promote a fair marketplace and market efficiencies.

Core Function 1.2.2: Detect and deter market manipulation by identifying and conducting investigations of potential violations.

Even the most carefully crafted policies are ineffective if they are not followed. Surveillance and enforcement promote a fair market for both service providers and end users. In its role as an enforcement body, FERC conducts surveillance and investigations with the aim of detecting and deterring violations, including market manipulation by regulated entities.

FERC staff monitor energy markets on a daily basis using sophisticated surveillance screens and tools developed by staff that algorithmically screens data from the physical and financial energy markets. Staff run these automated screens on a routine basis (daily, weekly, monthly, as appropriate depending on the nature of the screen) and carefully study the results. Staff analyze any screen trips in depth to determine whether anomalous market behavior is an indication of a potential violation or the result of factors such as market fundamentals, weather or unusual market activity, or business needs. To the extent data are available, the screening and analysis will incorporate financial products to examine their interaction with physical transactions. When staff analyses identify potential violations by market participants, staff refer them for investigation.

FERC monitoring is only one source for detecting market manipulation. FERC may be notified through a variety of sources, including self-reports, tips, calls to the Enforcement Hotline, and referrals from organized markets or their monitoring units. In addition, information may come from other offices within the Commission or other authorities such as state agencies. FERC staff may also follow up on findings from other investigations.

In response to any of these inputs, FERC staff conduct public and non-public investigations of these possible violations of the statutes, regulations, rules, orders, and tariffs administered by the Commission. Attorneys, analysts, and economists, who are experienced and knowledgeable about energy markets, compile and review information from data requests, sworn testimony, field audits, and similar methods, and develop an investigative record. In attempting to achieve a fair resolution of an investigation, FERC staff will also consider the level of cooperation by the utility being investigated, whether the violation was self-reported, the compliance culture of the organization, and the harm or risk of harm posed by the violation.

FERC staff determine whether the evidence indicates a violation. If no violation is identified, the investigation is terminated. If a violation of sufficient seriousness is indicated, the Office of Enforcement reports its factual findings and legal conclusions to the Commission and, upon authorization from the Commission, attempts to resolve the investigation through settlement. If a settlement is not reached, FERC staff may recommend that the Commission pursue further enforcement proceedings and participates in enforcement proceedings before an administrative law judge or district court. All investigations produce an administrative record that reflects the investigative findings and legal conclusions.

FERC's enforcement efforts lead to a fair resolution of each investigation, whether the result is a settlement or an enforcement proceeding that results in the payment of a civil penalty, disgorgement of unjust profits, compliance monitoring, and/or other remedies available to the Commission. FERC's actions to detect and deter market manipulation by market participants ensure that policies and regulations continue to promote a fair marketplace.

Objective 1.2: Performance Measure

Commission staff will use the following measure to assess performance in Objective 1.2. The result of this measure will be used in combination with other data and supplemental information to establish a more complete picture of performance on this objective.

Percentage of audit recommendations implemented within six months of issuance

This measure tracks the timeliness of the industry's implementation of audit recommendations directed by FERC. These recommendations include corrective actions that improve compliance and enforce FERC's regulations of the interstate transmission of electricity, natural gas, and oil. Timely implementation of audit recommendations helps to maximize their impact. The sooner recommendations are implemented, the sooner the jurisdictional entity will experience the benefits. Timely implementation of recommendations also helps to demonstrate industry's commitment to compliance and fair, competitive markets.

FERC's audits include a review of the jurisdictional entity's compliance program and provide feedback

on the ways the entity may strengthen its program. A strong internal compliance program is an effective way of ensuring compliance with statutes, Commission rules, orders, regulations, and tariff provisions, and significantly increases the likelihood that entities will abide by, and follow the spirit of, relevant rules and regulations.

Compliance programs with a strong emphasis on risk assessment encourage and promote self-detection of issues in a timely manner to prevent noncompliance proactively, rather than responding reactively to mitigate and remediate compliance deficiencies.

The measurement results will be used to evaluate the industry's responsiveness to audit recommendations, inform future audits, and help FERC to determine whether additional and/or different outreach and educational materials are needed.



2

Goal 2: Promote Safe, Reliable, and Secure Infrastructure

Promote the development of safe, reliable, and secure infrastructure that serves the public interest.

The nation's demand for energy continues to grow, requiring the expansion of the infrastructure that provides that energy. Infrastructure for which FERC approval is required includes interstate natural gas pipelines and storage projects, LNG facilities, and non-federal hydropower facilities. These facilities are critical to meet the nation's growing energy needs. Ensuring the development of safe, reliable, and secure infrastructure that provides energy for consumers at a reasonable cost is a significant, multifaceted challenge. Because of its many uses, particularly as a fuel for electric power generation, the demand for natural gas in the United States is at its highest levels on record and natural gas production continues to increase due to the development of shale gas. Interest in developing hydropower projects has also increased. Hydropower facilities provide renewable, domestic energy.

FERC's role as an independent regulatory agency includes both the review of infrastructure projects as well as the minimization of risks to the public in the operation of the infrastructure. To promote safe, reliable, and secure infrastructure, FERC must ensure the sustainability and safety of non-federal hydropower projects and LNG facilities throughout their entire life cycle; oversee the development and review of, as well as compliance with, mandatory reliability and security standards for the bulk-power system; and help to secure the infrastructure from cyber and physical attacks.

Objective 2.1: Facilitate benefits to the nation through the review of natural gas and hydropower infrastructure proposals.

The Natural Gas Act and the Federal Power Act, among other statutory authorities, charge FERC with the responsibility to oversee the development of robust, reliable and secure energy infrastructure that operates safely. More specifically, FERC is charged with authorizing the construction and operation of interstate natural gas pipelines and storage projects, LNG facilities, and non-federal hydropower projects. With the rising demand for natural gas and hydropower comes increased infrastructure construction, making it all the more important that FERC oversee the private sector development of safe, reliable, and secure infrastructure in a way that fosters economic and environmental benefits for the nation.

FERC achieves this objective through the review of applications to construct, operate, or modify natural gas and hydropower infrastructure by ensuring that facilities are constructed and operated in compliance with the conditions of FERC orders. FERC's review of proposed projects must balance a range of factors such as competing interests, legal requirements, and environmental impacts. FERC also coordinates with other agencies, as appropriate, to consider issues related to environmental statutes such as the Endangered Species Act, National Historic Preservation Act, Coastal Zone Management Act, and Clean Water Act. In exercising its authority, FERC ensures the development and operation of safe, reliable, and secure infrastructure while ensuring that impacts are mitigated to acceptable levels.



Objective 2.1: Situational Assessment and Strategic Responses

Situational Assessment Item – *Permitting Challenges*

It is increasingly difficult for the Commission to complete its permitting process for needed energy infrastructure on a schedule that is timely and predictable.

Strategic Response

The Commission will implement a combination of internal and external process improvements and stakeholder communication to address permitting challenges:

- Seek and implement ways to make the Commission’s permitting process more efficient. Such efforts include implementation of the Fixing America’s Surface Transportation Act of 2015; enhanced interactions with other federal agencies, including pursuant to the One Federal Decision Memorandum of Understanding; and a formal review of the Commission’s 1999 Certificate Policy Statement for Natural Gas Pipelines, launched in April of 2018.
- Provide to the public more detailed, project-specific information on FERC.gov.
- Develop and provide to the public clearer information on FERC’s role and responsibilities with respect to infrastructure permitting, as well as how FERC’s permitting process works.

In addition to addressing the situational assessment item through the stated actions above, the Commission will continue to carry out its core functions as a regulatory agency, which are described below.

Core Functions for Objective 2.1

Core Function 2.1.1: Conduct thorough and timely technical review of applications to construct, operate, or modify natural gas and hydropower infrastructure.

To meet the demand for energy, FERC must respond to energy infrastructure applications with timely and well-reasoned decisions. FERC receives applications for original hydropower construction, relicensing of existing hydropower facilities, amendments to hydropower licenses, LNG facility construction, and natural gas pipeline and storage project construction. It is incumbent upon FERC to ensure that such projects are constructed safely and result in sustainable infrastructure that benefits the nation economically by providing widespread energy access and fostering competitive markets. Therefore, each application undergoes a thorough review as part of FERC’s authorization process. FERC establishes a cross-office team of subject matter experts, including engineers, biologists, archaeologists, geologists, other environmental scientists, accountants, economists, and lawyers, who thoroughly review and analyze the application from environmental, engineering, economic, and legal perspectives; for natural gas applications, FERC also considers accounting and rate impacts. During the review, staff prepare documents in accordance with the National Environmental Policy Act, e.g., an environmental assessment or environmental impact study. For less complex applications, the Commission may delegate to staff authorization to approve or deny the application; for more complex applications, the Commission reviews staff’s recommendation and makes the final determination. The process results in a Commission order, including terms and conditions, addressing the application. The Commission’s review processes are designed to result in well-reasoned decisions based on a wide range of input from staff technical experts, other regulatory agencies, and the public.



Core Function 2.1.2: Ensure natural gas and hydropower infrastructure is constructed and operated in compliance with environmental mitigation conditions in FERC orders.

FERC issues orders authorizing energy infrastructure projects for natural gas pipelines and storage facilities, LNG facilities, and hydropower facilities. FERC’s orders include terms and conditions designed to address impacts resulting from a project on the environmental resources in project areas. Among other things, these terms and conditions address water and air quality, land use and recreation, erosion control, cultural resources, and wildlife and endangered species.

As specified by the authorization, licensees and certificate holders must implement specific environmental and operational measures, generally after filing detailed plans, proposals, and reports regarding this implementation. FERC ensures compliance with the terms and conditions of the order through extensive environmental review and inspection programs of jurisdictional facilities during construction and operation. These programs evaluate and assess implementation and compliance with the environmental and public use requirements of authorizations. At regularly scheduled intervals, qualified Commission staff familiar with the project and FERC rules and regulations conduct on-site inspections to confirm that licensees and certificate holders are abiding by terms and conditions specified in the authorizations.

By helping to ensure that facilities are built and operated in compliance with the stipulated terms and conditions, FERC’s review and inspection programs support the operation of safe, reliable, and secure energy infrastructure.

Objective 2.1: Performance Measure

Commission staff will use the following measure to assess performance in Objective 2.1. The result of this measure will be used in combination with other data and supplemental information to establish a more complete picture of performance on this objective.

Percent of orders issued within established timeframes

The measure reflects the Commission’s ability to analyze proposals for infrastructure while ensuring any decisions are based on thorough environmental and technical analyses in a timely manner.

FERC regulated entities must obtain authorization before beginning the construction of natural gas pipeline, gas storage, LNG, and hydropower facilities and implementing measures required from relicensing a hydropower facility. FERC must process applications in an efficient and timely manner and ensure that its authorizations are based on thorough environmental analysis. In most cases, the Commission is required to prepare a National Environmental Policy Act (NEPA) document that looks at the various potential environmental impacts of a project.

The preparation of NEPA documents depends on the quality and timeliness of the data provided by the applicant. FERC has made an effort to improve application quality by developing a pre-filing process in which the applicant works to compile the necessary information before the application is filed.

The results of this performance measure will be used to determine whether the FERC processes, capabilities, and resources for analyzing infrastructure proposals needs to be improved or expanded. The Commission may also use the results to determine whether staff, licensees, or applicants need additional guidance for any component of the process (e.g., performing outreach, submitting adequate applications, completing NEPA documents, or drafting orders).



Cross Agency Priority Goal

The Commission has been named as an Agency Partner to achieve a Cross-Agency Priority (CAP) Goal. CAP Goals have been established to drive implementation of the President's Management Agenda and tackle critical government-wide challenges that cut across agencies.

Per the GPRM Modernization Act requirement to address CAP Goals in the agency strategic plan, the annual performance plan, and the annual performance report, please refer to www.Performance.gov for the agency's contributions to those goals and progress, where applicable. The Commission currently contributes to the Modernizing the Infrastructure Permitting Process CAP Goal.

As a lead agency responsible for the environmental review of non-federal hydropower, interstate natural gas facilities, and natural gas import/export projects, the Commission contributes to this CAP Goal by providing a more predictable and transparent review process, based on concurrent and synchronized evaluations with other agencies. In accordance with the CAP Goal, the Commission will seek to review proposals within an average of two years from complete application to decision.



Objective 2.2: Minimize risks to the public associated with FERC-jurisdictional energy infrastructure.

The Natural Gas Act and the Federal Power Act, among other statutory authorities, charge FERC with ensuring that energy infrastructure, once authorized, continues to operate safely and reliably. Failure of LNG or hydropower infrastructure due to structural issues, unsafe operations, natural disasters, cyber and physical attacks, or other hazards can result in loss of life as well as environmental and economic consequences. In addition, the Energy Policy Act of 2005 amended the Federal Power Act to give FERC authority with respect to reliability standards for the bulk-power system and oversight of an Electric Reliability Organization (ERO). In fulfilling these responsibilities, it is critical that FERC minimize risks to the public associated with FERC-jurisdictional energy infrastructure

FERC achieves this objective through a range of activities. FERC conducts timely safety reviews and inspections with rigorous requirements, thereby advancing the safety of non-federal hydropower projects and LNG facilities throughout their entire life cycle. FERC also oversees the development and review of mandatory reliability and security standards for the bulk-power system, as well as compliance with these standards. In addition, FERC collaborates with regulated entities and other federal and state governmental agencies to identify and seek solutions to cyber and physical threats to FERC-jurisdictional infrastructure, facilitating proactive efforts that prevent or mitigate loss or damage.





Objective 2.2: Situational Assessment and Strategic Responses

Situational Assessment Item – *Public and Environmental Safety Impacts*

The Commission has witnessed recent incidents at jurisdictional facilities that have highlighted the safety and environmental impacts that can be associated with hydropower and natural gas infrastructure.

Strategic Response

The Commission will take additional actions to address emerging public and environmental safety issues:

- Focus on identifying areas for improvement based on the results of the peer review analysis of the Commission's dam safety program performed after the Oroville incident.
- Continue to improve the Commission's compliance program to ensure that the regulated community is held to the high standards set forth in project-specific certificate conditions.

Situational Assessment Item – *New and Evolving Threats*

FERC-jurisdictional infrastructure and facilities are at increased risk from new and evolving threats, including physical and cyber security threats, by sophisticated perpetrators that often have access to significant resources.

Strategic Response

In light of such threats, the Commission will implement a variety of actions:

- Strengthen internal expertise related to the cyber and physical security of jurisdictional facilities through hiring of additional qualified staff, enhanced training and educational activities.
- Apply, as appropriate, staff expertise related to cyber and physical security in inspections, audits, and reviews to help regulated entities improve their responses to threats and their overall security posture; assist owners and operators of jurisdictional facilities in recognizing vulnerabilities within their facilities; and provide guidance about how to improve security and reduce risk to themselves and the public.
- Conduct oversight activities to observe the implementation of cyber and physical security at jurisdictional facilities and to identify areas where reliability and security standards can be strengthened or best practices applied.
- Work with other federal agencies to improve information sharing and awareness of interdependencies and the need to address critical infrastructure issues using a holistic approach as opposed to acting in isolation.

Situational Assessment Item – *New Challenges to Bulk-Power System Performance*

Multiple internal and external factors – including the development, application and increased penetration of new technologies, including electric storage; the deployment of distributed energy resources; increased dependence on computing and telecommunications; and threats from extreme weather and natural disasters – are creating new challenges and opportunities to maintain and improve reliability, security, and resilience. All of these trends are occurring in an environment of greater customer needs, expectations, and capabilities.

Strategic Response

- Conduct monitoring, analysis of bulk-power system performance, the targeted application and oversight of market rules and mandatory reliability standards, oversight of the ERO, and engagement with interested industry members and groups to promote additional best practices.

In addition to addressing the situational assessment item through the stated actions above, the Commission will continue to carry out its core functions as a regulatory agency, which are described below.

Core Functions for Objective 2.2

Core Function 2.2.1: Conduct comprehensive and timely inspections of hydropower and LNG facilities to ensure compliance with the Federal Power Act, the Natural Gas Act, and Commission orders.

To fulfill its responsibility for ensuring the safety of an LNG facility or a non-federal hydropower project, FERC relies on physical inspections. Before hydropower and LNG facilities are constructed, FERC staff review the design, plans, and specifications in both the Commission order and the documents and reports filed by authorization holders. During facility construction and operation, FERC engineers conduct regularly scheduled and comprehensive inspections. The inspections verify that dams and LNG facilities meet stipulated design criteria that ensure safe and reliable operation. The resulting inspection reports and deficiency reports also include necessary remedial modifications and/or required maintenance.

Core Function 2.2.2: Protect and improve the reliable and secure operation of the bulk-power system by identifying reliability and security risks; overseeing the development, implementation and enforcement of mandatory reliability standards; and promoting the resilience, reliability and security of the bulk-power system.

The nation's bulk-power system is the backbone of the economy, delivering essential services to end users every moment of every day. FERC promotes the reliability of that system through oversight of the ERO, which develops mandatory reliability and security standards in the United States and enforces compliance with those standards through audits, investigations, and proposed penalties.

In its oversight role, FERC reviews reliability and security standards proposed by the ERO. For proposed standards, the Commission may issue an order to accept, remand, or direct modifications.

FERC reviews documentation supporting ERO audits, investigations, and proposed penalties and remediation for non-compliance. FERC also gathers information through near-real-time monitoring of the grid, obtaining supplementary data on grid functionality through data services and coordination with facility owners and operators. FERC maintains an up-to-date knowledge on grid technologies and changes in the bulk-power system to assess potential risks to reliability and opportunities to improve reliability. In addition, FERC engages with stakeholders and experts, sometimes by hosting technical conferences, to better monitor the cyber security landscape and remain abreast of trends that may affect bulk-power system reliability.



These sources inform FERC's assessment and analysis activities. First, drawing on the substantial expertise of its staff, including electrical engineers with many years of experience in the utility industry, FERC analyzes proposed ERO standards to determine whether they support the reliable operation of the grid. In addition, FERC oversees ERO audits, investigations, and proposed penalties and remediation to determine whether they lead to compliance with reliability and security standards. The Commission may issue an order initiating review of a proposed penalty in cases where further review is warranted. FERC conducts inquiries, audits, and investigations of major blackouts and other grid-related events to determine whether the standards were violated and whether adjustments to the standards are needed to help prevent future blackouts. FERC, sometimes in collaboration with the ERO, engages with regulated entities to assess how the standards are implemented and to determine if changes to the standards are warranted.

Core Function 2.2.3: Protect against cyber and physical security threats to FERC-jurisdictional energy infrastructure and improve their resilience by working with regulated entities and stakeholders and by coordinating with other government agencies to identify and apply best practices separate from basic regulatory requirements.

Growing cyber and physical security threats, along with increasing automation and other developments, demand an agile and focused approach to energy infrastructure security. FERC staff employ deep familiarity with FERC-jurisdictional infrastructure, extensive experience in grid operations, and cyber security expertise to coordinate with and support other government agencies and regulated entities in addressing these threats.

FERC employs a four-part process of identify, inform, assess, and address cyber and physical security threats. FERC partners with federal agencies to identify and assess threats, activities, and capabilities of adversaries that may initiate a cyber or physical attack on FERC-jurisdictional infrastructure and ensures that jurisdictional entities are made aware of these threats. FERC also works with government partners to identify and assess key infrastructure facilities that present the greatest risk. By maintaining connections, partnership, and awareness, FERC's collaboration and outreach efforts to inform are directed toward both government partners and jurisdictional entities. To ensure that jurisdictional entities are informed about security threats and counter measures, FERC conducts briefings and helps infrastructure representatives obtain security clearances that gives them access to classified threat information. FERC also reviews and provides input to ERO alerts, advisories, and bulletins to ensure they are useful and relevant to jurisdictional entities. Finally, FERC helps jurisdictional entities address cyber and physical threats by developing and compiling best practices, mitigation measures, and tools and techniques to enhance protection of facilities. FERC encourages the implementation of these best practices, mitigation measures, and tools and techniques by conducting onsite security assessments of jurisdictional electric, natural gas, hydropower, and LNG facilities.

The Commission's contributions reduce the risk of cyber and physical security threats to vital energy infrastructure. The Commission's efforts in this area thus provide an important complement to FERC's related responsibilities for both regulatory requirements and enforcement.

Objective 2.2: Performance Measures

Commission staff will use the following measures to assess performance in Objective 2.2. The results of these measures will be used in combination with other data and supplemental information to establish a more complete picture of performance on this objective.

The annual amount of lost load in a given year resulting from bulk-power system transmission-related events (unplanned disturbances), excluding weather related outages

The annual amount of lost load (measured in megawatts) resulting from unplanned disturbances other than weather provides a measure of FERC's impact on system reliability and serves as an indicator of the Commission's effectiveness in minimizing risks to the public associated with FERC-jurisdictional energy infrastructure. FERC's efforts to protect and improve the reliable and secure operation of the bulk-power system are intended to minimize avoidable outages caused by problems on the bulk-power system.

The measure helps to inform the Commission's understanding of the quality and sufficiency of reliability standards proposed by the ERO in avoiding or reducing outages. The measure also helps to inform FERC's efforts in overseeing the ERO's enforcement of the reliability standards. A pattern of lost load would indicate a need for further investigation.

The time in which each U.S. interconnection recovers from generator loss events

This measure serves as a proxy for the bulk-power system's ability to recover from disturbances as mandated by the reliability standards. For example, the reliability standards require that entities plan and

deploy sufficient online reserves to enable the system to recover from the loss of a generator.

Specifically, this measure tracks the recovery of Area Control Error (ACE) – a measure of imbalance of generation and load in an area, and its restoration of reserves.

The change in frequency and elapsed time from the initial disturbance to the frequency minimum

This measure assesses the performance of the three U.S. interconnections in providing primary frequency response. Frequency response is a measure of an interconnection's ability to stabilize frequency immediately following the sudden loss of generation or load. It is a critical aspect of the reliable operation of the bulk-power system, particularly during disturbances and restoration. Maintaining the capability to provide primary frequency response was the purpose of Order No. 842 (Essential Reliability Services and the Evolving Bulk-Power System—Primary Frequency Response).⁴

This measure demonstrates the adequacy of Commission-approved reliability standards and other actions in stabilizing the bulk-power system following the sudden loss of generation and load as the resource mix changes. Additionally, the measure could inform the Commission's decisions as it pertains to the quality and sufficiency of reliability standards proposed by the ERO in ensuring the provision of essential reliability services.

⁴ *Essential Reliability Services and the Evolving Bulk-Power System – Primary Frequency Response*, Order No. 842, 83 Fed. Reg. 9,636 (Mar. 6, 2018), 162 FERC ¶ 61,128, *order on clarification and reh'g*, 164 FERC ¶ 61,135 (2018), available at <https://www.ferc.gov/media/news-releases/2018/2018-1/02-15-18-E-2.asp>.



The number of cyber events and the number and severity of reliability impacts (including outages) in a given year resulting from cyber events on bulk-power system assets subject to reliability standards

This measure assesses the degree to which cyber related events impact the reliability of the bulk-power system. By following, categorizing and tracking cyber events, FERC will better understand the root cause of cyber events. Additionally, measuring the reliability impact of cyber events is one indicator of how well the Critical Infrastructure Protection Reliability Standards are protecting reliability.

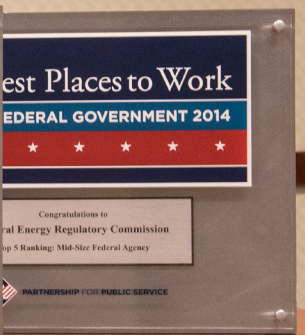
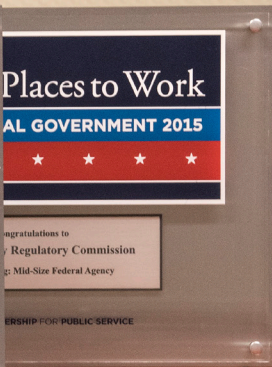
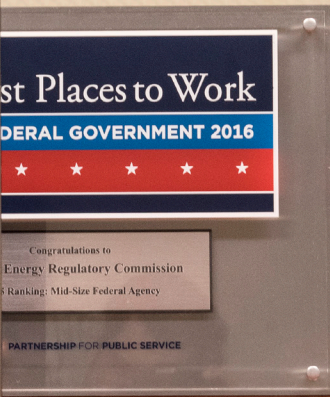
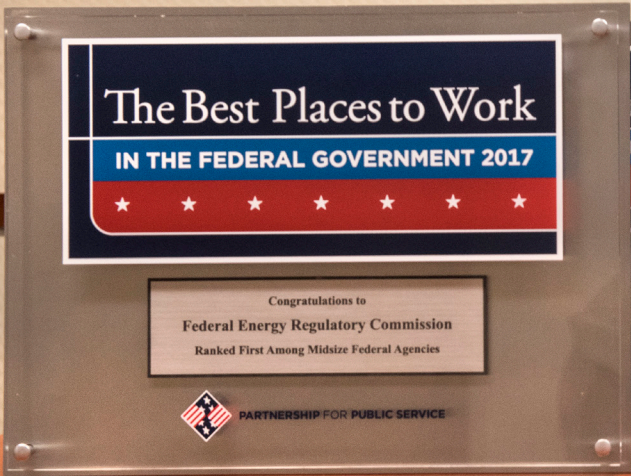
The information gathered will provide insight into any gaps and/or weakness that may exist in the Critical Infrastructure Protection Standards allowing FERC, the ERO, and industry to address these issues with a modification to a standard, a new proposed standard, or other approaches to ensure the reliability of the grid.

The extent to which other federal agencies are recognizing critical infrastructure interdependencies and adopting a holistic approach to infrastructure protection

With cyber and physical security at jurisdictional facilities at increasing risk from cyber and physical threats, a holistic approach to infrastructure security provides a beneficial framework for federal agencies. Through information sharing and participation in joint assessments, FERC is able to meet the increasing security needs of jurisdictional facilities by sharing best practices, assisting them with identifying vulnerabilities, and providing mitigation strategies to promote cyber and physical security at their facilities.

The performance measure may serve to inform decision making within the Commission and to provide external stakeholders an indication of FERC's efforts in collaboration, and common understanding regarding the security challenges of jurisdictional infrastructure.





3

Goal 3: Mission Support through Organizational Excellence

Achieve organizational excellence by using resources effectively, adequately equipping FERC employees for success, and executing responsive and transparent processes that strengthen public trust.

The public interest is best served when the Commission operates in an efficient, responsive, and transparent manner. The Commission pursues this goal by maintaining processes and providing services in accordance with governing statutes, authoritative guidance, and prevailing best practices. The Commission's staff, while serving in different component offices, must work collaboratively and execute processes that work in concert with each other to produce the high-quality results expected by the American people. In accomplishing this goal, the Commission will use its resources efficiently, empower its employees, and earn the public trust. These essential outcomes are indicative of a model regulatory agency.

Objective 3.1: Manage resources effectively through an engaged workforce.

As the Commission faces new and increasing challenges, the demands on Commission offices and employees continue to grow. It is essential for the organization to provide support that addresses internal needs and enables organizational excellence.

FERC achieves this objective by providing processes and services that help office leadership prioritize resource allocations, make prudent investments that yield returns that directly benefit the agency's mission, and use Commission resources in an efficient manner. These processes and services also help management meet federal statutes that require the Commission to recover its operating costs from the entities it regulates and do so in a manner that avoids unnecessarily increasing the cost of energy to consumers.

FERC also achieves this objective by providing services, tools, and resources that equip employees to drive success and accomplish the agency's mission. On an annual basis, the Commission allocates over two-thirds of its budget to directly cover the compensation costs of its employees. Given this significant investment, the Commission places extremely high value on its employees and is focused on ensuring that employees have a performance management system that clarifies expectations, removes barriers to performance and engagement, and provides useful feedback that supports employee effectiveness.

By providing processes and services that meet internal needs, FERC supports the effective use of resources, equips employees for success, and achieves organizational excellence.



Objective 3.1: Situational Assessment and Strategic Responses

Situational Assessment Item – *New Challenges and Opportunities for Mission-Related Information*

Availability of mission-related information is increasing, which presents new challenges and opportunities for FERC to leverage analytics to help identify and understand issues, assess implications of actions, and evaluate Commission effectiveness.

Strategic Response

- The Commission will implement a multi-step initiative that includes: 1) data assessment, including identifying what data are currently available, uses the data could serve, and limits on such uses; 2) data validation and standardization; 3) development of user friendly analytic tools; and 4) building the internal capability to support the initiative, including a recruitment strategy.

Situational Assessment Item – *Maintaining a Secure and Reliable IT Infrastructure*

FERC is challenged with maintaining a secure and reliable IT infrastructure to meet the needs of the Commission and provide innovative solutions to support employees.

Strategic Response

- Resource planning will include a focus on identifying and updating high priority systems and addressing system vulnerabilities.

Situational Assessment Item – *New and Emerging Knowledge/Skill Demands*

The challenges of new and emerging knowledge/skill demands and the loss of institutional knowledge will create increasing staffing vulnerabilities, employee development pressures, and a need for cross-functional collaboration.

Strategic Response

To address these workforce issues and enable the application of new skills and a greater depth and breadth of skills, the Commission will implement an integrated human capital initiative that includes the following actions:

- Identify knowledge and skill gaps/needs and staffing vulnerabilities across the Commission.
- Align and integrate three elements to efficiently address human capital gaps and staffing vulnerabilities: 1) competency-based training; 2) knowledge management tools; and 3) targeted hiring process to acquire new knowledge and skills in the workforce (e.g., electrical engineering expertise relevant to the bulk-power system, cyber security, data analytics, etc.).
- Enhance communication, collaboration, and knowledge sharing to promote cross-functional understanding and enable more efficient integration and coordination of efforts.

In addition to addressing the situational assessment item through the stated actions above, the Commission will continue to carry out its core functions as a regulatory agency, which are described on the next page.

Core Functions for Objective 3.1

Core Function 3.1.1: Maintain processes and provide compliant services that enable FERC offices to manage resources effectively and efficiently.

The Commission achieves its mission when the internal management of FERC is supported by processes and services that enable organizational performance and the efficient use of resources.

To support the mission, FERC plans resource needs, executes compliant and effective processes and services, and assesses results against established objectives. In the planning stages, FERC employs a collaborative management approach and establishes systems to identify organizational needs – identifying staffing and competency needs through human capital processes, information technology and infrastructure needs through capital planning and investment control processes, and financial needs through the budget formulation process. FERC then develops comprehensive plans to address those needs for achieving program results.

The Commission executes its resource plans to achieve effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations through mission-support services.

To ensure the effectiveness of resource planning and execution, FERC measures and evaluates how well established processes and services are meeting statutory requirements and addressing identified needs. FERC develops control programs and reporting requirements and implements data collection and analyses to inform decisions and actions to address performance deficiencies.

The rigorous and thoughtful application of the planning, execution, and evaluation cycle results in compliant processes and services that enable the acquisition and retention of a diverse and skilled workforce; procurement of value-added commodities and contractor assistance; delivery of a stable, resilient, and secure infrastructure; and the authorization of financial activities.

This cycle also ensures that the Commission is always cognizant of performance against strategic and operational plans and has the information to produce financial statements that accurately represent the Commission's financial condition as well as other federally mandated reports that maintain the Commission's accountability and provide stakeholders with performance information.

The ongoing delivery of effective internal processes and services is critical to enabling FERC to achieve operational excellence, use resources efficiently, and fully contribute to the agency's mission.

Core Function 3.1.2: Provide tools and services that enable FERC staff to effectively perform their jobs and drive Commission success.

The Commission achieves its mission when employees are equipped for success and empowered to take accountability for achieving the Commission's mission, goals, and objectives. FERC enables staff to perform effectively and drive success by deploying tools, services, and resources that meet employee needs.

Supervisors and staff jointly apply these tools, services, and resources to enhance individual performance. FERC's performance management system serves as a planning tool that communicates expectations and individual responsibilities and establishes accountability for expected results. Supervisors and staff also use the system to establish a line of sight between individual performance and the Commission's mission, goals, and objectives.

To enable the effective execution of performance expectations and responsibilities, FERC provides technology, employee development and training programs, health and wellness programs, and other



employee services and resources to meet employees' performance needs and remove obstacles to engagement. However, the effective deployment of these services and resources must be a joint responsibility for supervisors and staff.

Staff effectiveness and engagement is further supported by performance measurement processes that provide feedback to employees, supervisors and the organization. Regular performance appraisals indicate how well employees are performing against expectations and objectives, identify performance issues and obstacles, and provide useful feedback that enables performance improvement. In addition, organizational assessments such as the Federal Employee Viewpoint Survey (FEVS) allow employees to provide feedback about how effective the tools, services, and resources provided by the organization are in supporting performance and meeting employee needs.

Effective deployment of performance management tools, services, and resources serves to inform and focus employee effort, encourage engagement, and enable employees to drive success. Effective appraisals and organizational assessment produce useful feedback about performance and timely information about the collective work environment. An effective and engaged staff is critical to achieving the Commission's mission.

Objective 3.1: Performance Measures

Commission staff will use the following measures to assess performance in Objective 3.1. The results of these measures will be used in combination with other data and supplemental information to establish a more complete picture of performance on this objective.

The extent to which employees are engaged and equipped to perform their jobs to the best of their ability (People Measure)

This measure assesses the degree to which employees are engaged and equipped to perform their jobs to the best of their ability. Engagement is defined as employees' capacity to remain dedicated and committed to FERC and its mission as well as their sense of purpose at work. It plays a vital role in ensuring that employees fully contribute and perform at their best. This measure is comprised of 19 questions from the FEVS and will help FERC monitor the overall level of dedication, commitment, and satisfaction of its employees. The FEVS is an annual, anonymous survey offered to federal employees by the Partnership for Public Service, a nonprofit, nonpartisan organization that strives for a more effective government for the American people.

FERC management will use the survey results to identify and share best practices and continuously strive to maintain an engaged workforce. The results of the measure can also serve as an alert system for employee issues or unmet employee needs that may need to be addressed. FERC may respond to

a significant decrease in the results by obtaining additional qualitative feedback from employees to gain a better understanding of specific concerns, then modifying its internal operations and services, where possible.

The percent of dollars appropriated that have been obligated (Dollars Measure)

The measure captures FERC's efforts to utilize its resources effectively and efficiently. Congress determines appropriations based in part on FERC's annual budget request of its resource needs and projected spending levels. FERC obligates funds for its planned requirements and, when necessary, makes decisions to use unobligated funding for new or changed requirements. The more effective FERC is at forecasting its resource needs and executing its operating plans in an efficient manner, the more likely it is to meet its mission.

To assist the offices in effectively and efficiently utilizing FERC's resources, FERC provides support to the offices in formulating and executing their budgets. This support includes the development and administration of acquisition and budgeting

processes and procedures designed to promote more efficient and effective resource utilization. The measure results thus provide an assessment of how well FERC effectively and efficiently developed and executed its operating plans in carrying out its mission.

The degree to which internal services meet employee and organizational needs (Quality Measure)

This measure assesses FERC’s internal, organizational effectiveness in providing services to employees and offices. By delivering these services, FERC supports the effective use of resources, equips employees for success, and achieves organizational excellence. To calculate the results, the Commission administers

two internal customer satisfaction surveys. The first survey assesses customer satisfaction of services provided directly to employees, such as health and life programs, benefits counseling, and IT support. The second survey assesses customer satisfaction of services provided to support a Commission office, such as acquisition services, hiring processes, and systems development. As an aggregate of customers’ overall impression ratings for all services, the Quality Measure provides a high level indication of FERC’s responsiveness in providing quality services that meet the needs of its employees and offices.

The results will help FERC determine the extent to which a service needs improvement and to help identify courses of action to improve the service.





Objective 3.2: Facilitate public trust and understanding of Commission activities by promoting transparency, open communication, and a high standard of ethics.

Facilitating understanding of how the Commission carries out its responsibilities and maintaining public trust in the Commission are important components of the Commission's commitment to organizational excellence. Trust and understanding increase acceptance of FERC decisions and reduce the potential for the public to dispute FERC rules and regulations, thus enabling the creation and enforcement of policy.

The Commission achieves this objective by maintaining processes and public information services that promote transparency and open communication with respect to the conduct of the Commission's business. FERC's proactive communication, along with an online document repository and timely responses to inquiries, foster awareness and understanding of the Commission's activities.

The Commission also advances this objective by maintaining internal processes and services that ensure adherence to statutes, regulations, and self-imposed standards. In addition, FERC provides training and guidance to promote an ethically informed workforce. These activities further encourage public confidence in the Commission's activities and ability to fulfill its responsibilities.

Objective 3.2: Situational Assessment and Strategic Responses

Situational Assessment Item – *Greater Public Interest in Regulatory Issues*

Greater public interest in and concern about issues that are or may come before the Commission are creating the need for more dynamic engagement processes with the public.

Strategic Response

The Commission will take multiple actions to enhance communication and engagement with the public.

- Explore opportunities to engage more effectively with the public and enhance public participation in Commission proceedings through its online applications and website.
- Focus on deploying more flexible, multimodal mechanisms to enhance communication with the public and other stakeholders.
- Focus on understanding engagement/participation/messaging needs of the Commission and aligning FERC's efforts.

In addition to addressing the situational assessment item through the stated actions above, the Commission will continue to carry out its core functions as a regulatory agency, which are described below.

Core Functions for Objective 3.2

Core Function 3.2.1: Develop and maintain internal processes and services that promote high standards of ethics.

To ensure public trust in the exercise of FERC's regulatory authority, the Commission promotes and demonstrates a high standard of ethics.

The Commission develops and maintains processes and programs to ensure that the activities of its employees conform to statutes and regulations relating to the standards of ethics and conduct. The Commission utilizes innovative annual ethics training to promote an ethically informed workforce.

The Commission manages the financial disclosure processes, established by 5 U.S.C. §§ 101-111, through review of employees' financial disclosure reports to avoid, detect, or resolve conflicts and to promote compliance with relevant statutory and associated regulatory requirements.

The Commission's ethics program is supplemented by an established internal process that, among other facets, provides staff with resources to seek guidance regarding the executive branch ethics requirements and other relevant laws. The Commission also has processes to address alleged wrong-doing, unethical behavior, and allegations of unauthorized release of non-public information.

The training programs, guidance, and disclosure forms produced by these efforts provide on-going documentation and demonstration of FERC's high standards of ethics. They provide a concrete representation of FERC's commitment to integrity in the exercise of its regulatory authority and thus encourage a level of public trust and confidence that enables FERC to carry out its mission effectively and efficiently.

Core Function 3.2.2: Maintain processes and public information services in accordance with the principles of transparency and open communication.

Promoting transparency and open communication with respect to the conduct of the Commission's business facilitates both understanding of how the Commission carries out its responsibilities and public trust in the Commission. Indeed, transparency and open communication are the primary means by which the Commission ensures that regulated entities and other interested stakeholders have access in a timely manner to accurate information about the Commission's activities. The Commission demonstrates its commitment to transparency and open communication in many ways.

Commission decisions regarding orders and the Commission rulemaking process are supported through open communication and documented on eLibrary – FERC's online document repository. Highly trained Commission staff prepare notices that promptly announce incoming filings or proposed rules and establish a deadline for other interested stakeholders to submit comments or protests to those filings or rules. To further promote transparency, the evidentiary record that documents the basis for Commission decisions on orders and rules is inputted into eLibrary and made available online for public view. Moreover, the Commission announces open meetings in which the Commission votes on orders with notices that list matters that the Commission will discuss. Finally, FERC issues a bi-weekly public notice to make the public aware of any off-the-record communications to Commission staff that could influence the Commission's decision-making process.

Commission transparency is also supported by timely responses to information requests and proactive communication and relationship building with stakeholders. Commission staff frequently address questions from Congress and other government agencies, state agencies and regulators, the international community, as well as from the media and the public at large.

The Commission pursues proactive engagement and relationship building with regulated entities and other interested stakeholders. This includes educating the public and stakeholders about the agency's mission, role, direction, and policy. Experts in communications identify key messages and develop and execute communication strategy in collaboration with the Chairman. This includes identifying key messages and employing a range of media (email, podcasts, webinars, social media feeds, videos, presentations, press releases, reports, etc.) to deliver those messages. FERC staff also advise and work with the Chairman, Commissioners, and senior staff to prepare them to testify before Congress.



The Commission also responds to requests for Critical Energy/Electric Infrastructure Information (CEII) as well as inquiries for under the Freedom of Information Act (FOIA) with a focus on transparency and open communication. The Commission releases information to the greatest extent possible, while recognizing the need for certain information to be withheld from disclosure consistent with statutory exemptions. The extensive experience of Commission staff with respect to CEII, FOIA, and the Commission's processes enables prompt issuance of prudent determinations.

FERC's commitment to maintain a complete and accessible evidentiary record along with a variety of multimedia information services ensure transparency regarding Commission actions and decisions and promote trust and engagement with public and private stakeholders and the public. Transparency, open communications, and ongoing engagement by which stakeholders both have access to information and provide input and comment are the mechanisms that build trust and facilitate the exercise of FERC's regulatory authority.

Objective 3.2: Performance Measure

Commission staff will use the following measure to assess performance in Objective 3.2. The result of this measure will be used in combination with other data and supplemental information to establish a more complete picture of performance on this objective.

The percent of Commission filings and issuances that are disseminated to the public within established timeframes

This measure serves as an indicator of FERC's effectiveness in providing timely access to documentation associated with a proceeding, an application, other FERC action, or filer request. As such, the measure reinforces FERC's commitment to transparency, by making documents readily and quickly available to all interested parties. By providing timely access to documents, FERC builds public trust and reinforces its ethical stance.

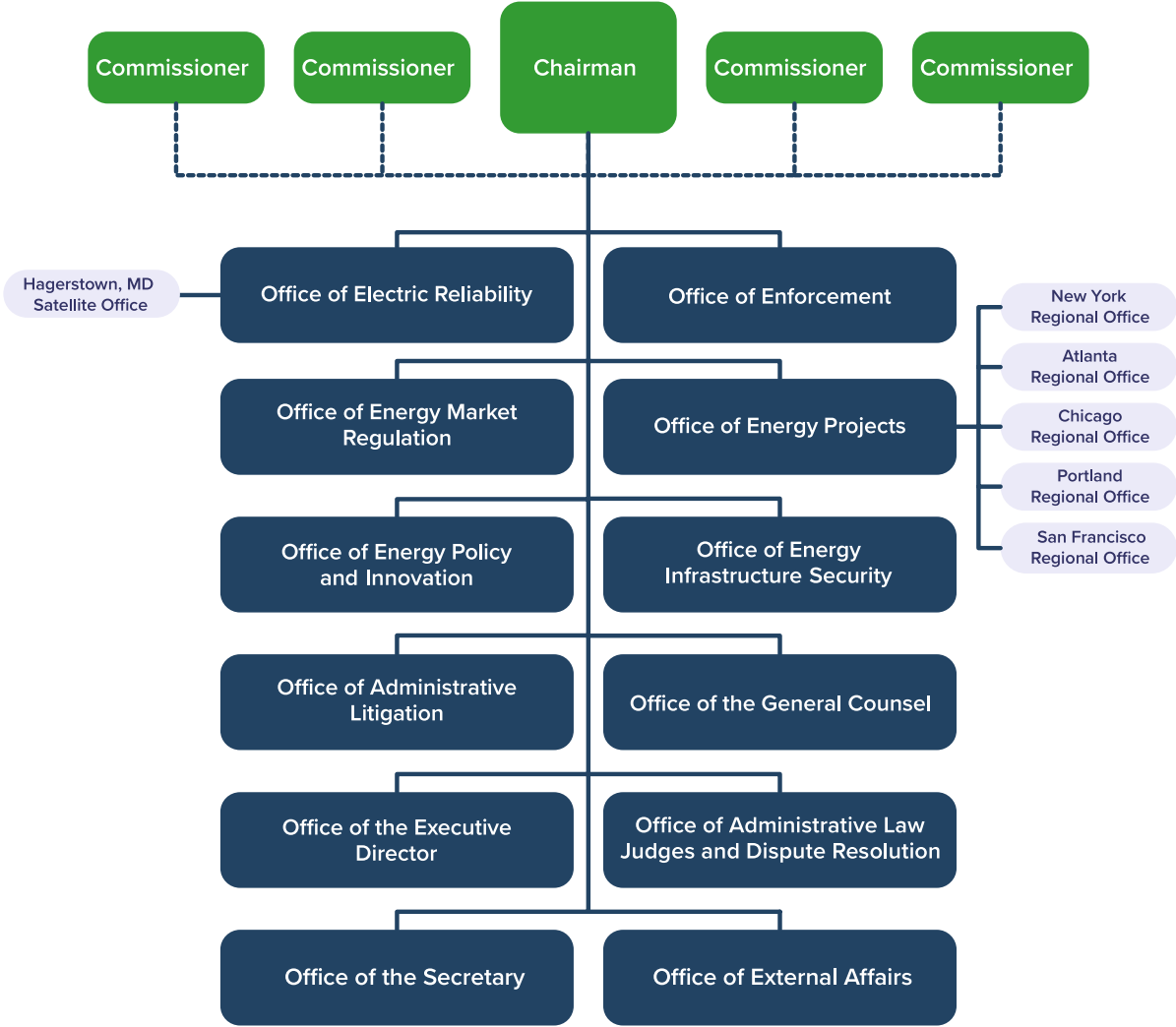
The measure demonstrates FERC's commitment to open communications. Just as FERC mandates that applicants, intervenors, and other filing parties

adhere to published timeframes, by this performance measure FERC shows that the Commission holds itself accountable to like standards.

The results will help FERC determine if software applications, business procedures, and staff/contractor capabilities adequately support the performance goal. Where a performance trend indicates less than optimal results, FERC will initiate a business analysis to identify points of weakness. Those points will be strengthened through training, application upgrades, or revision in operational procedures.

A

Appendix A: Organization Chart⁵



⁵ FERC Offices. ferc.gov/about/offices.asp



B

Appendix B: Acronyms

ACE	Area Control Error
CAP	Cross-Agency Priority
CEII	Critical Energy/Electric Infrastructure Information
ERO	Electric Reliability Organization
FERC	Federal Energy Regulatory Commission
FEVS	Federal Employee Viewpoint Survey
FOIA	Freedom of Information Act
FY	fiscal year
GPRA	Government Performance Results Act of 1993
ISO	Independent System Operator
LNG	liquefied natural gas
NEPA	National Environmental Policy Act
PURPA	Public Utility Regulatory Policies Act of 1978
RTO	Regional Transmission Organization



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