The "New" Compliance Vision -

Cutting Edge or Bleeding Edge?

February 24, 2014

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energizing *life*

Agenda

- Program Maturity – Identify opportunities

- Everything's a Priority – Alarm, Alarm, Alarm

- The art and science of communications

- Question and Answer

"In theory, there is no difference between
theory and practice. But in practice, there is."
- Yogi Berra

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About KCP&L

"If you genuinely want something, don't wait for it –
teach yourself to be impatient."
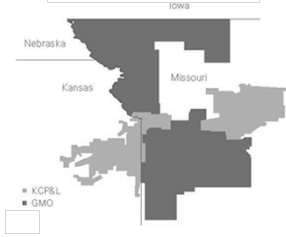*– Gurbaksh Chahal*

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Overview
More than 825,000 retail customers

Service Territory

Great Plains Energy (NYSE: GXP)

Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company

Transource Energy

KCP&L Solar, Inc.

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- 2008 – July Acquisition / Merger Closes / Department Established

- 2009 – NERC 693 Audit, NERC CIP Spot Check and an event

- 2009 – 2010 Limbo – changes in VP, director-level leadership

- 2010 – Chief Compliance Officer / Compliance Services Department

- 2010-2011 – FERC Audit (Section 204, Issuance of Short-Term; compliance program questions)

- 2011 – NERC CIP Audit
        Communications / Department Awareness

- 2012 – NERC 693 Audit

- 2014 – CIP Audit

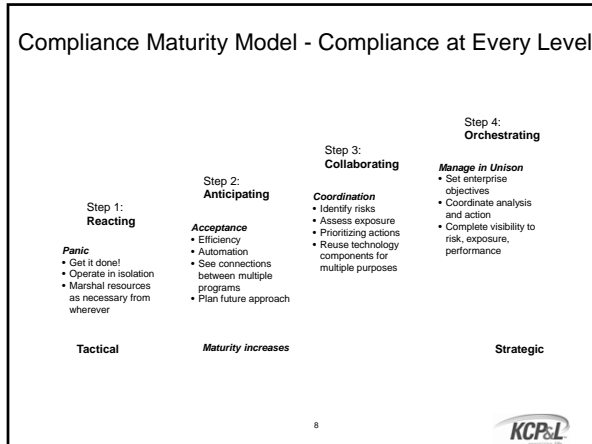*"I have not failed. I've just found 10,000 ways that won't work."*
– Thomas Edison

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Program Maturity

"There are no facts, only interpretations."
– Friedrich Nietzsche

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Compliance Maturity Model - Compliance at Every Level

Step 1:
Reacting

Panic
• Get it done!
• Operate in isolation
• Marshal resources as necessary from wherever

Step 2:
Anticipating

Acceptance
• Efficiency
• Automation
• See connections between multiple programs
• Plan future approach

Step 3:
Collaborating

Coordination
• Identify risks
• Assess exposure
• Prioritizing actions
• Reuse technology components for multiple purposes

Step 4:
Orchestrating

Manage in Unison
• Set enterprise objectives
• Coordinate analysis and action
• Complete visibility to risk, exposure, performance

Tactical   *Maturity increases*   **Strategic**

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FERC's Effective Compliance Program

1. Internal standards and procedures to prevent and detect violations;

2. High-level management knowledge and oversight of internal compliance programs;

3. Reasonable (due diligence) efforts to screen out "poor performers";

4. Reasonable internal communications and training efforts;

5. Reasonable steps to evaluate program effectiveness, including confidential reporting options for employees;

6. Creating and enforcing compliance incentives and noncompliance sanctions;

7. After detection of a violation, companies shall take reasonable, responsive steps.

Note: Appendix to September 17, 2010 FERC order on revised Civil Penalty Guidelines

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## NERC's Internal Compliance Program

Four Hallmarks of effective compliance programs:

1. Senior management / leadership
   • Compliance Program established
   • Compliance Program is formally documented and widely disseminated
   • Compliance Program supervised by high ranking company employee
   • Supervisor has access to President / CEO and Board
   • Compliance Program is designed and managed with independence
   • Sufficient resources to implement compliance program
   • Full support of leadership
2. Preventive measures in place
   • Frequency of review of compliance program
   • Frequency of training of employees on compliance program
   • Sufficiency of training of employees on compliance program
3. Prompt detection, cessation, and self-reporting
   • Sustainable process to internally assess compliance with regulations
   • Sufficient response to identification of wrong-doing or misconduct
4. Effective remediation
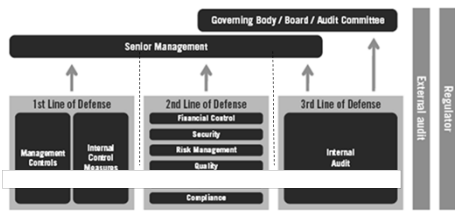   • Effective internal controls and procedures to prevent recurrence of misconduct

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Aligning Internal Control and Compliance Program Frameworks

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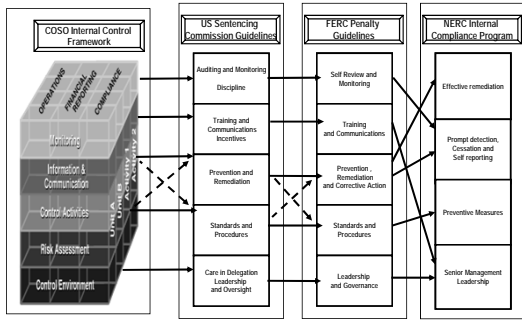
The Three Lines of Defense Model

Adapted from ECIIA/FERMA *Guidance on the 8th EU Company Law Directive, article 41*

Steps taken to strengthen controls and governance of Compliance

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Everything's a Priority

"It is our choices that show what we truly are, far more than our abilities." – J.K. Rowling

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Handling Alarms

Are you suffering from alarm fatigue?
Are your subject matter experts suffering from it?
How do you juggle priorities when everything is a priority?

"Alarm fatigue is when there are so many noises on the unit that it actually desensitizes."

NPR Story:
Silencing Many Hospital Alarms Leads To Better Health Care
by Richard Knox

http://www.npr.org/blogs/health/2014/01/24/265702152/silencing-many-hospital-alarms-leads-to-better-health-care

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Handling Alarms

- So many alarms couldn't keep track to determine immediate action

- 12,000 alarms a day, on average, in one unit alone –
        90,000 alarms a week

- No deaths because of alarm failure at Boston Medical Center

- More than 200 deaths nationally

- Out-of-control technology

- Change settings to account for patient differences

- "More and more data, more and more alarms, more and more technology – (it's) bad data in, bad decisions made."

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Handling Alarms

Prioritizing – what kind of action must be taken and by when?
- Crisis Alarm
- Warning Alarm
- Reminder Alarm

Prioritizing items as they fit into your compliance program and maturity level

Managing technology to add value to the process or to ensure efficiency

Process improvements on how to best utilize communications (including e-mail) and face-to-face meetings

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Communications

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Input – Process - Output

Identified all sources of information
- Orders
- Drafting Team submissions
- Compliance notices and guidelines
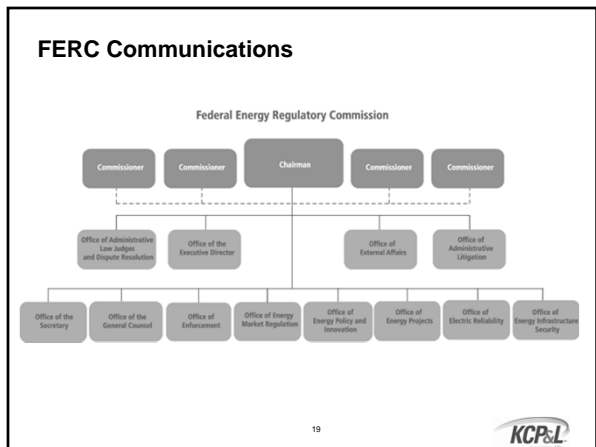
Clarification of process to address each input
- Service Level Agreements
- Planning Calendar
- SharePoint sites with documents
- Conference calls bi-monthly

Define outputs for success and prioritization of work
- Comments and voting to influence policy
- Compliance reporting and submissions

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FERC Communications

Federal Energy Regulatory Commission

Commissioner Commissioner Chairman Commissioner Commissioner

Office of Administrative Law Judges and Dispute Resolution | Office of the Executive Director | Office of External Affairs | Office of Administrative Litigation

Office of the Secretary | Office of the General Counsel | Office of Enforcement | Office of Energy Market Regulation | Office of Energy Policy and Innovation | Office of Energy Projects | Office of Electric Reliability | Office of Energy Infrastructure Security

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Making Information Meaningful

Identify Sources of Communications: External, Internal, Regulators

Determine ownership: Who is the key contact?

Define next steps: Who is tasked to take action?

Clearly include in process what are the actions expected:
Disseminate, Complete, File, Provide Input, Implement

Responsible	Accountable	Consulted	Informed

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Communications cont.

FERC Office	FERC Division	Activity	Responsible	Accountable	Consulted	Informed
Administrative Law Judges & Dispute Resolution		Resolves contested cases. Assists interested parties engaged in disputes to promote mediation, negotiation, administration dispute resolution.				
Administrative Litigation		Litigates/resolves cases set for hearing.				
Electric Reliability	Reliability Standards and Security	Monitors and participates in the standards development process (continent-wide or RE specific) to help improve the quality of reliability standards proposed to FERC.				
		Reviews filed standards to make recommendations regarding to approve or remand standards or whether FERC should direct for the ERO to create a new standard or revise an existing standard.				
		Participates in the interpretation process. Provides input to the process to help improve the quality of the interpretations before they are submitted to FERC for approval.				
		Works with the Division of Compliance to perform periodic review of approved reliability standards.				
Electric Reliability	Reliability Standards and Security	Oversees the efforts of the ERO and REs to monitor compliance with Critical Infrastructure Protection (CIP) standards.				
		Tracks and reviews all CIP alleged violations, mitigation plans, and Notices of Penalty in conjunction with the Office				

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Questions

"Forgive your enemies, but never forget their names." –
John F. Kennedy

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