

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

<b>Joint Staff White Paper on Notices of</b>	<b>)</b>	
<b>Penalty Pertaining to Violations of Critical</b>	<b>)</b>	<b>Docket No. AD19-18-000</b>
<b>Infrastructure Protection Reliability Standards</b>	<b>)</b>	

**Comments on the role of transparency in preventing regulatory failures**

Submitted to FERC on October 25, 2019

## Introduction

I am a private citizen who conducts public interest research on the security of the electric grid because I recognize the absolutely vital role of this infrastructure in powering every one of the nation's 16 critical infrastructures and in undergirding not just the well-being but the very survival of our modern society.

On September 3, 2019 I submitted comments and an alternate proposal to this docket, proposing specific information which should be released to the public by default in CIP Notices of Penalty (NOPs), Spreadsheet Notices of Penalty (SNOPs), "Find, Fix, Track" cases (FFT) and Compliance Exemption (CE) cases. Increased transparency (i.e., the release of the names of CIP standard violators) has been supported in this docket by a wide variety of cybersecurity experts, critical infrastructure protection experts, the press, private citizens and both elected and appointed public officials.

The purpose of this second filing is to provide for the record additional information—all related to transparency—which I believe is critical to this discussion. I have conducted several recent studies which raise significant regulatory red flags about the enforcement of Critical Infrastructure Protection (CIP) standards. I am gravely concerned that the public, investors, Congress and other regulators are receiving inadequate and misleading information about physical security and cybersecurity threats to the electric grid. I am also concerned that the nearly impossible complexity of the regulatory structure puts us at risk.

It is my hope that this docket will inform the public, Congress and other stakeholders as well as ensure that The Federal Energy Regulatory Commission (FERC), the North American Electric Reliability Corporation (NERC) and the Department of Energy (DOE) are providing accurate public information on the threats to the electric grid—and what is being done about them. I also hope that this docket sheds light on the complexity, limitations and failings of the current regulatory regime.

If we are to defend the critical energy infrastructure against natural and man-made threats, we must fix this hopelessly complex and bureaucratic "Rube Goldberg" of a regulatory system.

Not surprisingly, the release of the names of CIP violators is vehemently opposed by the industry. The industry is desperately clutching at straws with the vague argument that the release of the names of the violators would somehow help the bad actors attack utilities. This is notwithstanding the fact that the names of all NERC regulated entities are published on its website,<sup>1</sup> so the bad guys already have a target list. Thus, the industry's argument is in essence that we need to protect the names of companies that violate CIP standards—rather than correct the underlying corporate misbehavior (i.e., “security by obscurity” which is a largely discredited security method).

However, the fact is that the public—and the national security of the U.S.—is already in grave danger under the present regulatory regime. The industry's longstanding cover-up of the names of the CIP violators has not made us safer. We need transparency and accountability if the longstanding vulnerabilities of our electric grid are to be adequately addressed.

Finally, the regulatory structure of the “electric grid” is mind-numbingly complex: there are more than 60 state and federal government regulators plus the nonprofit NERC and its seven Regional Entities. The FERC view of what constitutes the “electric grid” is likely limited to the “Bulk Power System” (BPS), however the public and the national security view includes all aspects of generation, transmission and distribution of electric power. Entities often overlap into generation, transmission and distribution; thus, many entities have multiple regulators at the state and federal level. The security needs of the *entire system* must be the focus, which underscores the mandate for transparency surrounding security violators anywhere in that system.

## Regulatory Red Flags

As detailed below, my research has uncovered the following four areas of concern. All four are all related to the lack of transparency in the current regulatory regime and should be of great interest to the public, investors, state regulators and Congress:

### **1. *Vast Disparities Exist in Electric Grid Incident Reporting Among Official Sources.***

- *Physical Attacks:* There were 578 physical attacks against the grid reported to the Department of Energy from January 1, 2010 through May 31, 2019. Yet according the NERC annual reliability reports, there was only one during the same period.
- *Cyber Attacks:* There were 29 cyberattacks against the grid reported to the Department of Energy (DOE) from January 1, 2010 through May 31, 2019. The Department of Homeland Security (DHS) reports substantially higher numbers of attacks per year than DOE. Yet according the NERC annual reliability reports, there were no cybersecurity incidents during the same period.

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<sup>1</sup> See “NCR Active Entities List” <https://www.nerc.com/pa/comp/Pages/Registration.aspx> (accessed October 19, 2019).

**3. *Physical security requirements for the electric grid—and their enforcement—are largely non-existent 6 years after the Metcalf attack.***

- *The physical security standard itself—CIP-014-2 (Physical Security)—is inadequate.* There is no requirement that an entity's risk assessment or physical security plan be reviewed by anyone other than a peer utility. There is no regulator determination whatsoever as to the effectiveness of any entity's physical security plan.
- Enforcement of CIP-014-2 (Physical Security) seems nonexistent: In the six years since the Metcalf California substation attack, there have been only four citations issued for violations of the physical security standards. And these four citations were for administrative violations.

**4. *Cybersecurity Standards Remain Inadequate:***

- Despite the fact that the malware is what took down the electric grid in the Ukraine in 2015 and 2016, there remains no requirement that malware in the North American electric grid be detected, mitigated and removed.
- The electric utility industry, including industry lobbyist Edison Electric Institute—whose members include the government of the People's Republic of China<sup>2</sup>—continue to push back against additional cybersecurity measures, claiming that additional cybersecurity protections would be “unduly burdensome” and “unnecessary.” And in its rulemaking, the Federal Energy Regulatory Commission bought this argument.
- Congress and the Government Accountability Office (GAO) pointed out deficiencies in cybersecurity in 2008. Congress and the Government Accountability Office (GAO) pointed out *almost identical deficiencies in cybersecurity in 2019*. In other words, we have gone literally nowhere in 11 years.

**5. *Systematic and Permanent Coverup of Identities of Regulatory Violators:***

- Since July of 2010, the identity of every violator of Critical Infrastructure Protection (CIP) standards has been withheld from the public, investors, state regulators and Congress. As of this writing, there have been a total of 256 FERC dockets involving almost 1,500 regulatory violators covered up. FOIA requests have succeeded in uncovering the identity of less than 10 violators.
- The industry, enabled by NERC, has attempted to permanently withhold these names of the violators despite the fact that the violations in most cases have been mitigated long ago.

These four interrelated areas of concern point to systematic, pervasive flaws in the regulation and protection of the electric grid. Critical information is being withheld from the public and conflicting (and misleading) information is being disseminated by the government and industry—lulling citizens, investors, state regulators and Congress into a false sense of security.

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<sup>2</sup> See report: “Is Edison Electric Institute Helping China Lobby For Less Grid Security?” <https://michaelmabee.info/edison-electric-institute-china/> (accessed October 19, 2019).

The above summary statements are based on my analysis of the publicly available information, detailed below. To the extent that the Commission or NERC believes that any of the information in the above summary is inaccurate or mischaracterized—perhaps this shows the need for this docket. More transparency would inform the public, investors, Congress and other regulators that all is well—or not.

## 1. Vast Disparities Exist in Electric Grid Incident Reporting Among Official Sources.

Utility companies and grid operators are required to submit reports on electric disturbance events to the Department of Energy (DOE) on a Form OE-417 (“Electric Emergency Incident and Disturbance Report”).

I did an analysis of all the publicly available OE-417 data from 2010 through May of 2019. (I started in 2010 because that is when the NERC CIP Coverup began.<sup>3</sup>) First of all, there were 166 different “event types” reported many of which were either duplicates or related. For example, there were at least 24 different “event types” that denoted a physical attack. There were at least 50 “event types” that denoted a disturbance caused by weather. I grouped these 166 “event types” into 15 categories (actually “causes”) so that we could get a sense of what has actually threatened the electric grid in the past 8 1/2 years.

There have been a total of 1,766 electric disturbance events filed during the period of January 1, 2010 through May 31, 2019.

Unfortunately, the public OE-417 data is so bad that there were 251 electric disturbance events where I was unable to identify a cause (14% of the reports). These are highlighted in yellow in the chart. Also, there were 68 generation, transmission and distribution interruptions I was not able to distill down further into what caused the “interruptions.” Therefore, there were a total of 319 electric disturbance events (18%) where I couldn’t identify the cause. I was able to identify a cause in 1447 electric disturbance events, or 82% of the OE-417 reports filed. (I used this 1447 known population for the study below.)

The results are disturbing to say the least.

**Weather:** As one might suspect, weather was the cause of the majority of the disturbances, 749 events, or 52%. If one believes that weather is getting worse in recent years, then this number should be of great concern.

**Physical Attacks:** Shockingly, there were 578 physical attacks on the grid, or 40% of the incidents. As I will cover in more detail below, the “physical security standards” for our electric grid are weak to begin with and enforcement is almost non-existent.<sup>4</sup>

Event	#
Weather	749
Cyber Attack	29
Physical Attack	578
Fuel Supply Deficiency	61
Equipment	15
Natural Disaster	10
Wildfire	5
Generation Interruption	16
Transmission Interruption	46
Distribution Interruption	6
Operations	80
Islanding	67
Load Shed	30
Public Appeal	64
?	10
<b>Total Reports</b>	<b>1766</b>
<b>Cause Known from OE-417</b>	<b>1447</b>

<sup>3</sup> See Section 4 of this filing below. Full report available at <https://michaelmabee.info/nerc-coverup-investigation-report/> (accessed October 25, 2019).

<sup>4</sup> See Section 2 of this filing below. Full report available at <https://michaelmabee.info/physical-security-dirty-little-secret/> (accessed October 21, 2019).

**Fuel Supply Deficiency:** There were 61 events, or 4% of the events. related to fuel supply deficiency. With the retirement of coal and nuclear plants, there is great potential for this problem to get worse.

**Cyber Attacks:** I was also surprised to learn that there have been 29 cyber attacks reported during this period (2% of the reports). What is most disturbing is that during the same period, the North American Electric Reliability Corporation (NERC) annual reliability reports seem to paint a completely different picture.<sup>5</sup>

#### *OE-417 vs. NERC Reliability Reports*

Here is what NERC reported in their annual reports<sup>6</sup> during this same period (note that the report each year is on the previous year, e.g., the 2019 report is for the events of the year 2018):

- **2019 Report** (page ix): “In 2018, there were no reported cyber or physical security incidents that resulted in an unauthorized control action or loss of load.”
- **2018 Report** (page viii): “In 2017, there were no reported cyber or physical security incidents that resulted in a loss of load.”
- **2017 Report** (page 3): “In 2016, there were no reported cyber or physical security incidents that resulted in a loss of load.”
- **2016 Report** (page v): “In 2015, there were no reported cybersecurity incidents that resulted in loss of load. There was one physical security incident that resulted in a loss of approximately 20 MW of load.”
- **2015 Report** (page 7): “[N]o Reportable Cyber Security Incidents or physical security reportable events resulted in loss of load on the BPS in 2014.” (Misleading, since the Nogales Station in Arizona was attacked by an IED in 2014.<sup>7</sup>)
- **2014 Report:** No mention of cyber or physical attacks. (Misleading, since the Metcalf Transformer attack took place in 2013.<sup>8</sup>)
- **2013 Report:** No mention of cyber or physical attacks.
- **2012 Report:** No mention of cyber or physical attacks.
- **2011 Report:** No mention of cyber or physical attacks.

There is clearly a huge disconnect between what the industry defines as a cybersecurity or physical security incident and what is reported on the OE-417s. The below chart reproduces the public OE-417 entries for the Metcalf attack (2013), the Nogales attack (2014) and the Buckskin attack (2016):

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<sup>5</sup> See Section 3 of this filing below.

<sup>6</sup> Available at <https://www.nerc.com/pa/RAPA/PA/Pages/default.aspx> (accessed October 21, 2019).

<sup>7</sup> Holstege, Sean and Randazzo, Ryan, The Republic. “Sabotage at Nogales station puts focus on threats to grid.” June 13, 2014. <https://www.azcentral.com/story/news/arizona/2014/06/12/sabotage-nogales-station-puts-focus-threats-grid/10408053/> (accessed October 24, 2019).

<sup>8</sup> Smith, Rebecca. The Wall Street Journal. “Assault on California Power Station Raises Alarm on Potential for Terrorism.” February 5, 2014. <https://www.wsj.com/articles/assault-on-california-power-station-raises-alarm-on-potential-for-terrorism-1391570879> (accessed October 24, 2019).

Date Event Began	Time Event Began	Date of Restoration	Time of Restoration	Area Affected	NERC Region	Alert Criteria	Event Type	Demand Loss (MW)	Number of Customers Affected
4/16/2013	1:47 AM	4/18/2013	3:25 PM	California	WECC		Loss of Part of a High Voltage Substation, Physical Attack	N/A	0
6/11/2014	9:30 AM	6/11/2014	9:31 AM	Nogales, Arizona	WECC		Suspected Physical Attack	N/A	N/A
9/25/2016	12:49 PM	9/25/2016	6:20 PM	Utah: Kane County, Garfield County; Arizona: Coconino County, Mohave County	WECC	Physical attack that could potentially impact electric power system adequacy or reliability; or vandalism which targets components of any security systems	Vandalism	20	10000

While this minimal information was reported on the OE-417, NERC did not find any of it noteworthy enough for their annual reports. These three events were significant physical attacks against the grid which NERC chose not to disclose to the public.

The discrepancies in physical security and cybersecurity reporting can be summarized as follows:

- There were 578 physical attacks against the grid reported on the OE-417's between January 1, 2010 through May 31, 2019, yet according the NERC there was only one during the same period.
- There were 29 cyberattacks against the grid reported on the OE-417's between January 1, 2010 through May 31, 2019, yet according the NERC there were none during the same period.

Meanwhile, federal government reports on cyberattacks against the energy sector during the same periods paint a completely different picture. For example, here's what the United States Government Accountability Office (GAO) had to say in Congressional testimony on October 21, 2015 on cyberattacks:

"Cyber incidents continue to affect the electric industry. For example, the Department of Homeland Security's Industrial Control Systems Cyber Emergency Response Team noted that the number of reported cyber incidents affecting control systems of companies in the electricity subsector increased from 3 in 2009 to 25 in 2011. The response team reported that the energy sector, which includes the electricity subsector, led all others in fiscal year 2014 with 79 reported incidents. Reported incidents affecting the electricity subsector have had a variety of impacts, including hacks into smart meters to steal power, failure in control systems devices requiring power plants to be shut down, and malicious software disabling safety monitoring systems."

And the U.S. Department of Homeland Security reported 59 cyberattacks on the energy sector in FY 2016<sup>9</sup> and 46 cyberattacks in FY 2015.<sup>10</sup>

Yet NERC reported no cybersecurity incidents in their annual reliability reports for the same periods.

<sup>9</sup> National Cybersecurity and Communications Integration Center. "FY 2016 Incidents by Sector." [https://www.us-cert.gov/sites/default/files/Annual Reports/Year in Review FY2016 IR Pie Chart S508C.pdf](https://www.us-cert.gov/sites/default/files/Annual%20Reports/Year%20in%20Review%20FY2016%20IR%20Pie%20Chart%20S508C.pdf) (accessed October 20, 2019).

<sup>10</sup> Idaho National Laboratory. "Cyber Threat and Vulnerability Analysis of the U.S. Electric Sector." August 2016. <https://www.energy.gov/sites/prod/files/2017/01/f34/Cyber%20Threat%20and%20Vulnerability%20Analysis%20of%20the%20U.S.%20Electric%20Sector.pdf> (accessed October 20, 2019).

NERC's definitions apparently don't consider most cyberattacks to be "reportable cyberattacks", the public is confused when the U.S. government reports a substantial number of cyberattacks against the energy subsector and NERC reports no cyberattacks.

While the industry may argue that there are different populations of regulated entities covered by the various reports, clearly, more transparency is needed for the public, investors, Congress and other regulators to understand these discrepancies and make sense of this conflicting information. Regulatory complexity requires even better public information. More on that later.

## 2. Physical security requirements for the electric grid—and their enforcement—are largely non-existent 6 years after the Metcalf attack.

At approximately 1:00 a.m. on April 16, 2013, a major PG&E transformer substation in Metcalf California was attacked. The attack was well-planned and sophisticated.<sup>11</sup> One year later, the Metcalf station was struck again when the fence was cut open and, the facility entered and tools were stolen.<sup>12</sup>

Obviously, the physical security situation had not improved much in the intervening year. In fact, PG&E's credibility was shot when its public statements about its physical security improvements were contradicted by a leaked internal memo.<sup>13</sup>

The April 2013 Metcalf attack was not the only physical attack on critical components of the North American electric grid. As previously noted, according the Department of Energy OE-417 reports, there were 578 physical attacks against the grid reported from January 1, 2010 through May 31, 2019.

However, the attack on the Metcalf substation—and the other attacks—shouldn't have been a surprise. A year before the Metcalf attack, the National Academies published a report titled: *Terrorism and the Electric Power Delivery System*.<sup>14</sup> The report discussed physical security of high-voltage transformers noting:

"High-voltage transformers are of particular concern because they are vulnerable to attack, both from within and from outside the substation where they are located. These transformers are very large, difficult to move, custom-built, and difficult to replace. Most are no longer made in the United States, and the delivery time for new ones can run to months or years."

Then, one year after the Metcalf attack, the Wall Street Journal ran two alarming stories:

<sup>11</sup> Smith, Rebecca. The Wall Street Journal. "Assault on California Power Station Raises Alarm on Potential for Terrorism." February 5, 2014. <https://www.wsj.com/articles/assault-on-california-power-station-raises-alarm-on-potential-for-terrorism-1391570879> (accessed August 9, 2019).

<sup>12</sup> Wald, Matthew L. The New York Times "California Power Substation Attacked in 2013 Is Struck Again." August 28, 2014. <https://www.nytimes.com/2014/08/29/us/california-power-substation-attacked-in-2013-is-hit-again.html> (accessed October 25, 2019).

<sup>13</sup> NBC Bay Area "Internal Memo Reveals PG&E Years Away from Substation Security." April 5, 2016 <https://www.nbcbayarea.com/investigations/Internal-Memo-Reveals-PGE-Years-Away-from-Substation-Security-303833811.html> (accessed October 25, 2019).

<sup>14</sup> Available at: <https://www.nap.edu/catalog/12050/terrorism-and-the-electric-power-delivery-system> (accessed October 25, 2019).



- Assault on California Power Station Raises Alarm on Potential for Terrorism. *April Sniper Attack Knocked Out Substation, Raises Concern for Country's Power Grid.*<sup>15</sup>
- U.S. Risks National Blackout From Small-Scale Attack. *Federal Analysis Says Sabotage of Nine Key Substations Is Sufficient for Broad Outage.*<sup>16</sup>

### What was done?

After the February 5, 2014 Wall Street Journal article, the Senate sent a letter on February 7, 2014 to the Federal Energy Regulatory Commission (FERC), to ask them what they were doing to protect the grid.<sup>17</sup> And FERC Responded on February 11, 2014 telling the Senate that:

“Since the attack on the Metcalf facility in April 2013, the Commission’s staff has taken responsive action together with NERC, other federal and state agencies, and transmission and generation asset owners and operators.”<sup>18</sup>

Notwithstanding FERC’s assurances to the senate in 2014, the physical security of our critical transformers and facilities remains a complete mess in 2019.

### Problem #1: The standard—CIP-014-2 (Physical Security)—is a hollow standard.

As a result of Metcalf, FERC ordered NERC to develop a physical security standard. NERC submitted their proposed standard (known as CIP-014-1<sup>19</sup>) on May 23, 2014.

FERC issued an order on November 20, 2014<sup>20</sup> literally ordering NERC to change one word. (The word was: “widespread” and was used 30 times in the proposed standard. This word—a slight of pen by NERC’s attorneys—would have excluded many facilities from falling under the standard.)

On October 2, 2015, FERC approved the “Physical Security” standard, known as CIP-014-2.<sup>21</sup> Unfortunately, the physical security standard requires very little:

1. Requirement 1: Each Transmission Owner shall perform a risk assessment of its Transmission stations and Transmission substations.
2. Requirement 2: Each Transmission Owner shall have an unaffiliated third party verify the risk assessment [e.g., a peer grid company would meet the requirement—“Hey, if you verify mine, I’ll verify yours”].

<sup>15</sup> Smith, Rebecca. Wall Street Journal. February 5, 2014. Available at: <https://www.wsj.com/articles/assault-on-california-power-station-raises-alarm-on-potential-for-terrorism-1391570879> (accessed October 25, 2019).

<sup>16</sup> Smith, Rebecca. Wall Street Journal. March 12, 2014. Available at: <https://www.wsj.com/articles/u-s-risks-national-blackout-from-small-scale-attack-1394664965> (accessed October 25, 2019).

<sup>17</sup> Available at: <https://www.ferc.gov/industries/electric/indus-act/reliability/chairman-letter-incoming.pdf> (accessed October 25, 2019).

<sup>18</sup> Available at: <https://www.ferc.gov/industries/electric/indus-act/reliability/chairman-letter-feinstein.pdf> (accessed October 25, 2019).

<sup>19</sup> Available at: <https://www.nerc.com/pa/Stand/ReliabilityStandards/CIP-014-1.pdf> (accessed October 25, 2019).

<sup>20</sup> Available at: <https://www.ferc.gov/whats-new/comm-meet/2014/112014/E-4.pdf> (accessed October 25, 2019).

<sup>21</sup> Available at: <https://www.nerc.com/pa/Stand/ReliabilityStandards/CIP-014-2.pdf> (accessed October 25, 2019).



3. Requirement 3: If a Transmission Owner operationally controls an identified Transmission station or Transmission substation, it must notify the Transmission Operator that has operational control of the primary control center.
4. Requirement 4: Each Transmission Owner shall conduct an evaluation of the potential threats and vulnerabilities of a physical attack to each of their respective Transmission station(s), Transmission substation(s), and primary control center(s).
5. Requirement 5: Each Transmission Owner shall develop and implement a documented physical security plan(s) that covers their respective Transmission station(s), Transmission substation(s), and primary control center(s).
6. Requirement 6: Each Transmission Owner shall have an unaffiliated third party review the evaluation performed under Requirement R4 and the security plan(s) under Requirement R5 *[again, a peer grid company would meet the requirement]*.

That's it. All the infrastructure owner must do is to have a binder with a bunch of papers labeled "Physical Security Plan" and have any peer utility they choose review the "risk assessment," "evaluation" and "security plan(s)". No need for it to be anybody who knows anything significant about physical security.

And there is no requirement as to what the "Physical Security Plan" must include—or even that it be effective. Nobody with regulatory authority even has to even approve it—All you need is somebody to "review" it. What if the "reviewer" happens to say "this plan sucks?" It doesn't matter. The only requirement is that the three-ring binder be "reviewed." (I guess most any papers in a three-ring binder will do.)

That unapproved three-ring binder of papers is what is standing between the United States and a catastrophic widespread power outage caused by a terrorist attack. (Also, it is worthy of note that generation plants are not included in NERC's physical security standard!)

## **Problem #2: Enforcement of CIP-014-2 seems nonexistent**

One would think that after the public and Congressional interest in the Metcalf attack, FERC and NERC would take a special interest in the enforcement of the physical security standards. Unfortunately, one would be wrong. How many times since Metcalf have utilities been cited for violations of standard CIP-014-2?

Four.

We have had 578 physical attacks to the grid (that have been publicly disclosed) yet, utilities have been cited for violations of the standard only four (4) times in the six (6) plus years since the Metcalf attack. It would appear that this standard and regulatory scheme are not working. Here are the facts.

- There are 1,500 entities regulated by NERC.
- There are over 2000 EHV LPTs<sup>22</sup> (Extra High Voltage Large Power Transformers) in the United States and tens of thousands of LPTs.

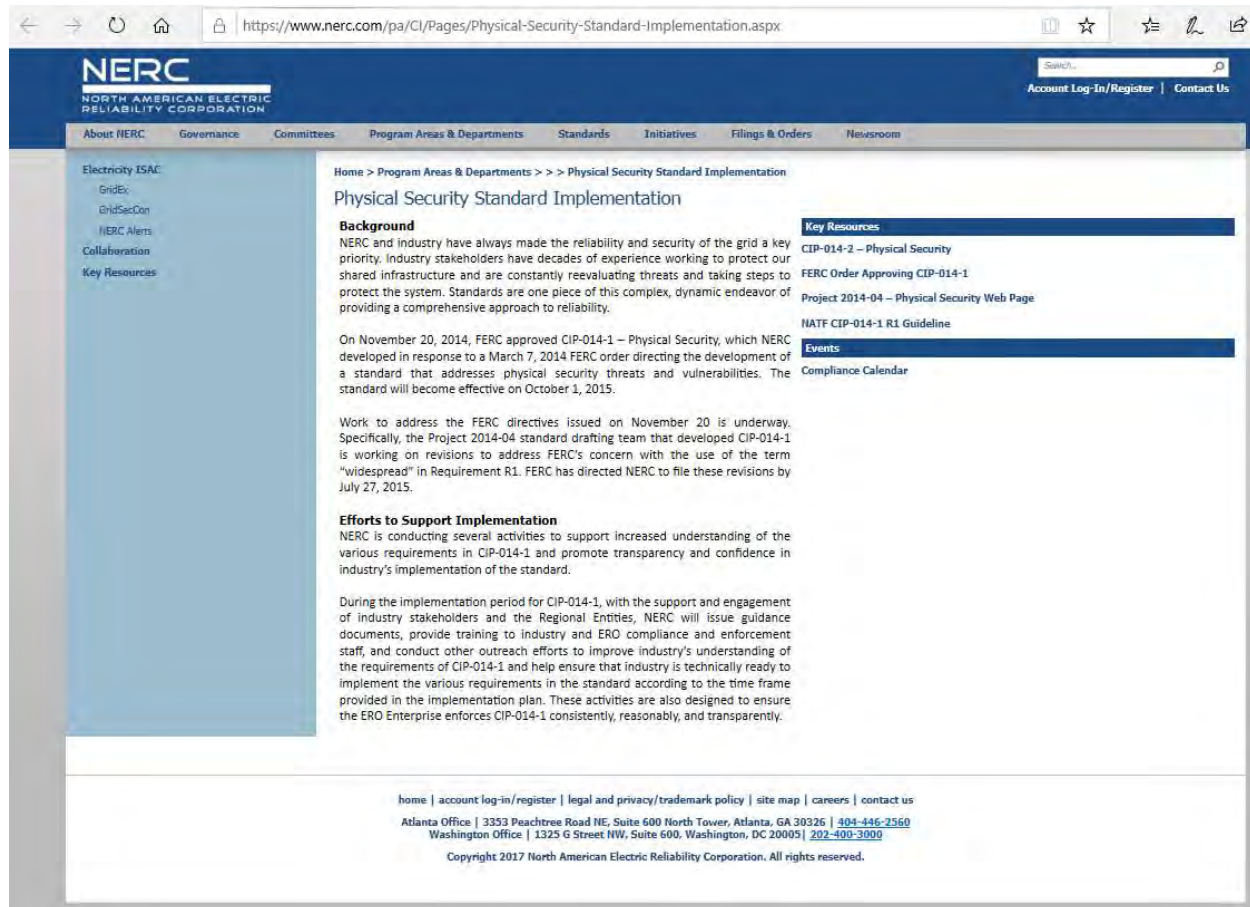
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<sup>22</sup> U.S. Department of Energy "Large Power Transformers and the U.S. Electric Grid." June 2012. [https://www.energy.gov/sites/prod/files/Large\\_Power\\_Transformer\\_Study\\_-\\_June\\_2012\\_0.pdf](https://www.energy.gov/sites/prod/files/Large_Power_Transformer_Study_-_June_2012_0.pdf) (accessed October 25, 2019).

- There have been four (4) citations for non-compliance with the physical security “standards” since Metcalf.

The American people are not stupid. We see these transformers unguarded behind chain-link fences as we drive up the road or walk our dogs.

So how seriously does NERC take physical security? Not very seriously judging by their lack of effort to update their website. Here is a screenshot of NERC’s website<sup>23</sup> on “Physical Security” taken on October 18, 2019. The webpage is talking about CIP-014-1. This standard has been superseded since October 2, 2015.



Oh, and that one link you see to “CIP-014-2 – Physical Security” on the right? It leads to an older version of the standard that notes on the last page: “This standard has not yet been approved by the applicable regulatory authority.”<sup>24</sup>

<sup>23</sup> Screenshot taken on October 18, 2019 of URL: <https://www.nerc.com/pa/CI/Pages/Physical-Security-Standard-Implementation.aspx>.

<sup>24</sup> I downloaded a copy of this document on October 24, 2019 and it is preserved here: <https://michaeltabee.info/wp-content/uploads/2019/10/Older-CIP-014-2-standard-downloaded-on-2019-10-24.pdf>

NERC's physical security webpage does not look as if it has been updated in almost 4 years. What does that tell us about NERC management? (When I wrote an article about this issue exactly six months ago, I had hoped that perhaps NERC would take notice and update their webpage. I should not be surprised that it remains now just as I found it back then.)

So, let's take a look at the four times NERC found CIP-014-2 violations:

- In FERC Docket No. NP19-4-000<sup>25</sup> (one Violation—which everybody knows is Duke Energy Corp.<sup>26</sup>), Duke apparently excluded one substation from its risk assessment because they didn't think it met the criteria for inclusion.
- In FERC Docket No. NP18-14-000<sup>27</sup> (one violation), the "Unidentified Registered Entity" failed to do a risk assessment on one substation due to a "management oopsy."
- And in FERC Docket No. NP17-29-000<sup>28</sup> (two violations), the "Unidentified Registered Entity" failed to include one control center in its 1) risk assessment and 2) security plan (two violations) because an employee who knew what they were doing left the company, leaving nobody else at the company who knew what they were doing.

One will notice that all four of these "violations" are administrative in nature and have nothing to do with whether there is actually meaningful physical security in place.

### History of the "Physical Security" standards

CIP-001-1 (Sabotage Reporting)<sup>29</sup> became effective on June 4, 2007. Utilities were cited for its violation 404 times between 6/4/2008 and 5/26/2011. It then morphed into CIP-001-1a (February 2, 2011)<sup>30</sup> and CIP-001-2a (August 2, 2011)<sup>31</sup>—neither of which were EVER cited.

Meanwhile, EOP-004-1 (Disturbance Reporting)<sup>32</sup>, which covered "equipment damage" among other things, had violations 16 times between 2009 and 2013.

NERC began to look at merging CIP-001 and EOP-004 "to eliminate redundancies" and on June 20, 2013, FERC approved<sup>33</sup> merging CIP-001-2a (Sabotage Reporting) and EOP-004-1 (Disturbance Reporting) into EOP-004-2 (Event Reporting)<sup>34</sup>. (CIP-001-2a Sabotage Reporting and EOP-004-1 Disturbance Reporting were then "Retired.") EOP-004-2 covers reporting "damage or destruction of a facility." EOP-004-2 and its successors have never been found to be violated.

Here is the enforcement history of these various standards:

<sup>25</sup> Available at: [https://elibrary.ferc.gov/idmws/file\\_list.asp?document\\_id=14739324](https://elibrary.ferc.gov/idmws/file_list.asp?document_id=14739324) (accessed October 25, 2019).

<sup>26</sup> Sobczak, Blake and Behr, Peter. E&E News. "Duke agreed to pay record fine for lax security — sources." February 1, 2019. <https://www.eenews.net/stories/1060119265> (accessed October 25, 2019).

<sup>27</sup> Available at: [https://elibrary.ferc.gov/idmws/file\\_list.asp?document\\_id=14675460](https://elibrary.ferc.gov/idmws/file_list.asp?document_id=14675460) (accessed October 25, 2019).

<sup>28</sup> Available at: [https://elibrary.ferc.gov/idmws/file\\_list.asp?document\\_id=14605551](https://elibrary.ferc.gov/idmws/file_list.asp?document_id=14605551) (accessed October 25, 2019).

<sup>29</sup> Available at: <https://www.nerc.com/files/CIP-001-1.pdf> (accessed October 25, 2019).

<sup>30</sup> Available at: <https://www.nerc.com/files/CIP-001-1a.pdf> (accessed October 25, 2019).

<sup>31</sup> Available at: <https://www.nerc.com/files/CIP-001-2a.pdf> (accessed October 25, 2019).

<sup>32</sup> Available at: <https://www.nerc.com/files/EOP-004-1.pdf> (accessed October 25, 2019).

<sup>33</sup> FERC Order Approving Reliability Standard. 143 FERC ¶ 61,252. <https://www.ferc.gov/whats-new/comm-meet/2013/062013/E-8.pdf> (accessed October 25, 2019).

<sup>34</sup> Available at: <https://www.nerc.com/files/EOP-004-2.pdf> (accessed October 25, 2019).

- 404 Citations issued for CIP-001-1 (Sabotage Reporting) between 2008 and 2011
- 16 Citations were issued for EOP-004-1 (Disturbance Reporting) between 2009 and 2013—not all related to damage.

Metcalf happened on April 16, 2013, but then...

- No citations have been issued for EOP-004-2 (effective June 20, 2013)
- No citations have been issued for EOP-004-3 (effective November 19, 2015)
- No citations have been issued for EOP-004-4 (effective January 18, 2018)

And adding in the CIP-014 physical security Standard:

- No violation citations have been issued for CIP-014-1
- Four violation citations have been issued for CIP-014-2
  - NP19-4-000 (one violation)
  - NP18-14-000 (one violation)
  - NP17-29-000 (two violations)

I emphasize: There have been only four (4) NERC Physical Security standard violations cited since the Metcalf attack.

### 3. Cybersecurity Standards Remain Inadequate:

We know from open sources that state actors such as Russia and China have penetrated the U.S. electric grid for over a decade.

Ten years ago, on April 8, 2009 the *Wall Street Journal* published an article entitled “Electricity Grid in U.S. Penetrated By Spies” in which it was reported:<sup>35</sup>

Cyberspies have penetrated the U.S. electrical grid and left behind software programs that could be used to disrupt the system, according to current and former national-security officials.

The spies came from China, Russia and other countries, these officials said, and were believed to be on a mission to navigate the U.S. electrical system and its controls. The intruders haven’t sought to damage the power grid or other key infrastructure, but officials warned they could try during a crisis or war.

“The Chinese have attempted to map our infrastructure, such as the electrical grid,” said a senior intelligence official. “So have the Russians.”

On January 10, 2019—10 years later—the *Wall Street Journal* published an article entitled “America’s Electric Grid Has a Vulnerable Back Door—and Russia Walked Through It.” The article reports:<sup>36</sup>

<sup>35</sup> Available at: <https://www.wsj.com/articles/SB123914805204099085> (accessed October 19, 2019).

<sup>36</sup> Available at: <https://www.wsj.com/articles/americas-electric-grid-has-a-vulnerable-back-doorand-russia-walked-through-it-11547137112> (accessed October 19, 2019).

A reconstruction of the hack reveals a glaring vulnerability at the heart of the country's electric system. Rather than strike the utilities head on, the hackers went after the system's unprotected underbelly—hundreds of contractors and subcontractors like All-Ways who had no reason to be on high alert against foreign agents. From these tiny footholds, the hackers worked their way up the supply chain. Some experts believe two dozen or more utilities ultimately were breached.

Despite the fact that Russia and China have been probing the grid and likely planting malware for over a decade, presently, there is no requirement for malware detection, mitigation and removal. In fact, FERC declined to direct NERC to develop such a standard on December 28, 2017:<sup>37</sup>

"The Foundation for Resilient Societies filed a petition asking the Commission to require additional measures for malware detection, mitigation, removal and reporting. **We decline to propose additional Reliability Standard measures at this time for malware detection, mitigation and removal, based on the scope of existing Reliability Standards, Commission- directed improvements already being developed and other ongoing efforts.** However, we propose to direct broader reporting requirements. Currently, incidents must be reported only if they have 'compromised or disrupted one or more reliability tasks,' and we propose to require reporting of certain incidents even before they have caused such harm or if they did not themselves cause any harm." [Emphasis added.]

Russian malware is what took down the electric grid in the Ukraine in 2015<sup>38</sup> and 2016<sup>39</sup>. And yet, there is no requirement for malware detection, mitigation and removal in the U.S. electric grid? This doesn't even make sense.

So, on December 28, 2017 the Commission declined "to propose additional Reliability Standard measures at this time for malware detection, mitigation and removal, based on the scope of existing Reliability Standards, Commission- directed improvements already being developed and other ongoing efforts."

It sounds from this statement like there could be some non-public things going on to protect us. Therefore, the public should "move along—nothing to see here."

Fast forward to the February 14, 2019 Senate Committee on Energy and Natural Resources hearing entitled: "Hearing to Consider the Status and Outlook for Cybersecurity Efforts in the Energy Industry."<sup>40</sup>

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<sup>37</sup> Proposed Rule "Cyber Security Incident Reporting Reliability Standards." [Docket Nos. RM18–2–000 and AD17–9–000]. Available at: <https://www.govinfo.gov/content/pkg/FR-2017-12-28/pdf/2017-28083.pdf> (accessed October 19, 2019).

<sup>38</sup> ICS Alert (IR-ALERT-H-16-056-01) Cyber-Attack Against Ukrainian Critical Infrastructure. February 25, 2016. <https://ics-cert.us-cert.gov/alerts/IR-ALERT-H-16-056-01> (accessed October 18, 2019).

<sup>39</sup> Greenberg, Andy. Wired. 'Crash Override': The Malware That Took Down a Power Grid. June 12, 2017. <https://www.wired.com/story/crash-override-malware/> (accessed October 18, 2019).

<sup>40</sup> Available at: <https://www.energy.senate.gov/public/index.cfm/hearings-and-business-meetings?ID=FE0534E7-2FC7-4DB0-BEA6-2634D3821ADD#> (accessed October 19, 2019).

Over a year after FERC declined to propose Reliability Standard measures for malware detection, mitigation and removal, Senator Angus King questioned NERC CEO James B. Robb on the issue:

**Sen. King:** “Okay let me ask another question. Do any of our utilities have Kaspersky, Huawei, or ZTE equipment in their system?”

**Mr. Robb:** “We issued a NERC alert...”

**Sen. King:** “I didn’t ask you if you issued an alert. I asking you do any of our utilities have ZTE, Huawei, or Kaspersky equipment or software in their system?”

**Mr. Robb:** “Not to my knowledge.”

**Sen. King:** “Not to your knowledge. Have you surveyed any of the utilities to determine that?”

**Mr. Robb:** “Uhhh, I don’t believe we have.”

**Sen. King:** “I think that would be a good idea don’t you?”

**Mr. Robb:** “I’ll take that on.”

In other words, a year later, the regulators hadn’t even checked to see if there is Russian or Chinese equipment or software installed on the electric grid.

Meanwhile, the U.S. Government is issuing alerts that the U.S. electric grid is under attack by state actors:

- October 20, 2017 “Advanced Persistent Threat Activity Targeting Energy and Other Critical Infrastructure Sectors”<sup>41</sup>
- March 15, 2018 “Russian Government Cyber Activity Targeting Energy and Other Critical Infrastructure Sectors”<sup>42</sup>
- December 20, 2018 “Intrusions Affecting Multiple Victims Across Multiple Sectors”<sup>43</sup>

On January 21, 2021—Four years after the Foundation for Resilient Societies submitted a petition for rulemaking to, among other things, address the lack of a standard to detect, mitigate or remove malware—the modified reliability standard CIP-008-6 (Cyber Security—Incident Reporting and Response Planning) will become effective. The only real improvement will be to incident reporting.

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<sup>41</sup> US-CERT Alert (TA17-293A) “Advanced Persistent Threat Activity Targeting Energy and Other Critical Infrastructure Sectors” October 20, 2017. <https://www.us-cert.gov/ncas/alerts/TA17-293A> (accessed October 20, 2019).

<sup>42</sup> US-CERT Alert (TA18-074A) “Russian Government Cyber Activity Targeting Energy and Other Critical Infrastructure Sectors.” March 15, 2018. <https://www.us-cert.gov/ncas/alerts/TA18-074A> (accessed October 20, 2019).

<sup>43</sup> US-CERT Alert (TA17-117A) “Intrusions Affecting Multiple Victims Across Multiple Sectors” December 20, 2018. <https://www.us-cert.gov/ncas/alerts/TA17-117A> (accessed October 20, 2019).



So, there is still no requirement to detect, mitigate or remove malware. But if a utility bumbles across it, they are at least required to report it—**After January 21, 2021!**

Another disgraceful example of the lack of action on cybersecurity is the Aurora vulnerability—the continuing implications of which are very instructive today. In 2007 the Department of Homeland Security and the Idaho National Laboratory informed the industry<sup>44</sup> about the risk of a cyber-induced “Aurora Vulnerability” which could cause physical damage to grid infrastructure.<sup>45</sup>

Leading cybersecurity experts have been warning about Aurora since 2008<sup>46</sup> and that these experts also consider the cyberattacks in Ukraine as merely a warning<sup>47</sup> due to the fact that the Russian’s could have, but chose NOT to exploit the Aurora vulnerability. The Department of Defense spent American taxpayer dollars to help create hardware to mitigate the Aurora vulnerability and offered these Cooper Power Systems iGR-933 Rotating Equipment Isolation Devices (REIDs) *free of charge* to utilities, and despite the fact that NERC ES-ISAC issued an initial Advisory Alert on Aurora in 2007 and another on Oct. 13, 2010, to date, it appears that only *two utilities* have decided to install these mitigation devices while the rest of the devices, which were paid for by U.S. taxpayers, likely collect dust in a warehouse somewhere (hopefully) in the United States.<sup>48</sup>

On May 21, 2008 Representative James R. Langevin, chairman of the House Subcommittee on Emerging Threats, Cybersecurity, and Science and Technology, in his opening statement to a hearing on cybersecurity<sup>49</sup> noted:

*First, we will receive an update from the Federal Energy Regulatory Commission, FERC, and the North American Electric Reliability Corporation, NERC, about electric industry efforts to mitigate a cyber vulnerability known as Aurora. I think we could search far and wide and not find a more disorganized, ineffective response to an issue of national security of this import. Everything about the way this vulnerability was handled, from press leaks, to DHS’s failure to provide more technical details to support the results of its test, to NERC’s dismissive attitude to the industry’s halfhearted approach toward mitigation, leaves me with little confidence that we are ready or willing to deal with the cybersecurity threat.*

<sup>44</sup> See NERC Press Release: “NERC Issues AURORA Alert to Industry.” October 14, 2010. [https://michaelsabee.info/wp-content/uploads/2019/10/PR\\_AURORA\\_14\\_Oct\\_10.pdf](https://michaelsabee.info/wp-content/uploads/2019/10/PR_AURORA_14_Oct_10.pdf) (accessed October 24, 2019)

<sup>45</sup> Meserve, Jeanne. CNN. “Mouse click could plunge city into darkness, experts say.” September 27, 2007. <http://edition.cnn.com/2007/US/09/26/power.at.risk/index.html> (accessed October 24, 2019)

<sup>46</sup> See Unfettered Blog: “One reason why we need regulation”

<https://www.controlglobal.com/blogs/unfettered/one-reason-why-we-need-regulation/>

<sup>47</sup> See Unfettered Blog: “Waterfall Security podcast on Aurora and the need for engineers”

<https://www.controlglobal.com/blogs/unfettered/waterfall-security-podcast-on-aurora-and-the-need-for-engineers/> or <https://waterfall-security.com/podcasts/joe-weiss> (accessed October 24, 2019).

<sup>48</sup> See “What You Need to Know (and Don’t) About the AURORA Vulnerability” <https://www.powermag.com/what-you-need-to-know-and-dont-about-the-aurora-vulnerability/?printmode=1>

<sup>49</sup> “Implications of Cyber Vulnerabilities on the Resilience and Security of the Electric Grid.” Before the Committee on Homeland Security, Subcommittee on Emerging Threats, Cybersecurity, and Science and Technology. (110th Congress) May 21, 2008. <https://www.gpo.gov/fdsys/pkg/CHRG-110hhrg43177/pdf/CHRG-110hhrg43177.pdf> (accessed October 24, 2019). Hearing video available at: <https://www.c-span.org/video/?205553-1/security-electric-grid> (accessed October 24, 2019).



*As time passes, I grow particularly concerned by NERC, the self-regulating organization responsible for ensuring the reliability of the bulk power system. Not only do they propose cybersecurity standards that, according to the GAO and NIST, are inadequate for protecting critical national infrastructure, but throughout the committee's investigation they continued to provide misleading statements about their oversight of industry efforts to mitigate the Aurora vulnerability.*

*If NERC doesn't start getting serious about national security, it may be time to find a new electric reliability organization. NERC can begin demonstrating its commitment by incorporating more of the NIST security controls in the next iteration of its reliability standards.*

Also, of note, U.S. House Representative Bill Pascrell accused NERC of lying about their cybersecurity follow-up and requested that NERC be held in contempt of Congress.<sup>50</sup>

That hearing was in 2008. So, what is the public to make of the fact that the Government Accountability Office (GAO) issued a report in September of 2019<sup>51</sup> finding:

*The Federal Energy Regulatory Commission (FERC)—the regulator for the interstate transmission of electricity—has approved mandatory grid cybersecurity standards. However, it has not ensured that those standards fully address leading federal guidance for critical infrastructure cybersecurity—specifically, the National Institute of Standards and Technology (NIST) Cybersecurity Framework.*

Eleven years have elapsed and we are in exactly the same place on cybersecurity as we were in 2008?

Please excuse the public if we are skeptical that “Commission- directed improvements already being developed and other ongoing efforts” are keeping us safe. It does not appear by the testimony in the Congressional Hearings between 2008 and 2019 and the other evidence above (not the least of which is that NERC was caught lying to Congress about cybersecurity already) that FERC and NERC have done enough to protect the grid.

The public needs transparency and accountability to see whether FERC and NERC are up to the task of securing the electric grid from cybersecurity threats. The publicly available evidence indicates they are not.

#### 4. Systematic and Permanent Coverup of Identities of Regulatory Violators:

Since July of 2010, the identity of every violator of Critical Infrastructure Protection (CIP) standards has been withheld from the public, investors, state Public Utility Commissions (PUCs) and Congress. Prior to

<sup>50</sup> See Hearing video and record: <https://michaelmabee.info/cyber-vulnerabilities-hearing/> (accessed October 24, 2019).

<sup>51</sup> U.S. Government Accountability Office. “Critical Infrastructure Protection: Actions Needed to Address Significant Cybersecurity Risks Facing the Electric Grid.” GAO-19-332: Published: Aug 26, 2019. Publicly Released: Sep 25, 2019.

<https://www.gao.gov/products/GAO-19-332> (accessed October 22, 2019).

this “white paper” docket, NERC and FERC were attempting to permanently withhold the names of the violators despite the fact that the violations in most cases have been long ago mitigated.

I have been conducting an investigation since March of 2018 into NERC’s practice of withholding the identities of CIP violators from the public. This investigation has revealed that from July of 2010 through September of 2019 there had been 256 FERC dockets involving almost 1,500 “Unidentified Registered Entities.”<sup>52</sup> In each of these instances, the identity of the regulatory violator was withheld from the public.<sup>53</sup> As part of the investigations, I have filed six Freedom of Information Act Requests, three of which are still pending, covering 253 FERC dockets.<sup>54</sup>

We know for a fact from open sources that the Russians and the Chinese have been in our electric grid for over a decade:

- April 8, 2009 Wall Street Journal: “Electricity Grid in U.S. Penetrated By Spies”<sup>55</sup>
- January 10, 2019 Wall Street Journal: “America’s Electric Grid Has a Vulnerable Back Door—and Russia Walked Through It.”<sup>56</sup>

So, if keeping the names of the CIP violators from the public was going to make us safer, wouldn’t it have worked by now? I have concluded that “secret regulation” of CIP standards has not worked. It appears from the available evidence that the real reason for the “protection” of the names of the regulatory violators is because the industry does not want to be held accountable for doing more than the minimum on physical and cyber security. There appears to be no legitimate security reason to withhold the names of regulatory violators in perpetuity as is currently the practice.

Notably the electric utility industry has threatened to stop “self-reporting” violations if FERC begins to release the names of CIP violators. The Trade Associations’ Motions to Intervene in FERC Docket No. NP19-4-000<sup>57</sup> contains a not so thinly veiled threat:

“If the Commission begins releasing entity names in addition to the information already made public in the posted Notices of Penalty, then Registered Entities may re-evaluate whether they will continue to self-report security information knowing that providing such information to their regulators may be disclosed to the public, including to people seeking to attack their systems. In addition, Registered Entities also may re-evaluate what information is included in their mitigation plans.”

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<sup>52</sup> Note: “Unidentified Registered Entity” or “URE” is the industry euphemism for CIP standard violators whose names are being withheld by NERC. As of 2019 NERC began hiding the number of UREs covered in spreadsheet NOPs, so we can no longer accurately determine the number of URE’s involved and are making low-end estimates of the number of entities.

<sup>53</sup> A detailed report of the investigation is available here: <https://michaelmabee.info/nerc-coverup-investigation-report/> (accessed October 25, 2019). Also see: <https://michaelmabee.info/grid-coverup-continues/> (accessed October 25, 2019).

<sup>54</sup> Details, updates and copies of my FOIA requests and responses are available here: <https://michaelmabee.info/cip-violation-database/> (accessed October 25, 2019).

<sup>55</sup> Available at: <https://www.wsj.com/articles/SB123914805204099085> (accessed October 25, 2019).

<sup>56</sup> Available at: <https://www.wsj.com/articles/americas-electric-grid-has-a-vulnerable-back-doorand-russia-walked-through-it-11547137112> (accessed October 25, 2019).

<sup>57</sup> Available at: [https://elibrary.ferc.gov/idmws/file\\_list.asp?document\\_id=14756159](https://elibrary.ferc.gov/idmws/file_list.asp?document_id=14756159) (accessed October 25, 2019).

This is an extraordinary threat that the entire industry represented by the Trade Associations, and who are subject to mandatory reliability standards under federal law,<sup>58</sup> will essentially engage in a regulatory mutiny if the Commission decides to release the names of regulatory violators to the public, as its past orders and regulations require.

The industry is essentially arguing that the names of the regulatory violators constitutes “Critical Electric Infrastructure Information” (CEII) and should be withheld from the public permanently (even after the violations are mitigated). This argument is unsupported by FERC regulations and past FERC orders.<sup>59</sup>

There is a public interest in disclosing the names of regulatory violators because:

- Disclosing the names of the violators might lead the public and Congress to assess how well the regulatory system is working.
- This information would inform the public, investors, PUCs and Congress as to whether the current regulatory system has adequately thwarted threats to the grid.
- This information could lead the public, investors, PUCs and Congress to conclude that better investment in the critical infrastructures is necessary.

These are public policy questions, not CEII.

In sum, CIP regulations should protect the U.S. electric grid by holding the electric utility companies and grid operators accountable to protect the portion of the U.S. critical infrastructure that they own or operate. Instead, the electric utility industry has twisted this regulatory scheme into a sham where companies have no incentive to do more than the minimum. If caught violating a CIP standard, NERC and the Regional Entities will settle the matter privately with the “unidentified registered entities” negotiating a “penalty” that the “unidentified registered entities” are willing to pay and will keep the matter from public view. It looks like a system of back-room settlements and handshake penalties. A great deal for the “unidentified registered entities”—not so much for the American people.

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<sup>58</sup> 16 U.S. Code § 824o(b)(1) (Electric reliability) provides that: “The Commission shall have jurisdiction, within the United States, over the ERO certified by the Commission under subsection (c), any regional entities, and all users, owners and operators of the bulk-power system, including but not limited to the entities described in section 824(f) of this title, for purposes of approving reliability standards established under this section and enforcing compliance with this section. *All users, owners and operators of the bulk-power system shall comply with reliability standards that take effect under this section.*” [Emphasis added.]

<sup>59</sup> For further details, see my Motion to Intervene in FERC Docket NP19-4-000 available at: <https://michaelmabee.info/wp-content/uploads/2019/02/FERC-Docket-NP19-4-Motion-to-Intervene-Mabee.pdf> (accessed August 12, 2019); Reply Comments in FERC Docket NP19-4-000 available at: <https://michaelmabee.info/wp-content/uploads/2019/05/Reply-Comments-of-Michael-Mabee-in-NP19-4-000.pdf> (accessed August 12, 2019); Petition for Rulemaking available at: <https://michaelmabee.info/wp-content/uploads/2019/02/Petition-for-Rulemaking-Mabee-with-exhibits-1.pdf> (accessed August 12, 2019).

The mind-numbing complexity of the regulatory scheme requires transparency (and, likely, reform).

Who regulates the grid? (Spoiler alert: no one)

The North American electric grid is an amazing human accomplishment. It is the largest machine in the history of the world, built piece by piece over many generations. Unfortunately, the regulatory system has also been built piece by piece over the years and today is as overly complex and unwieldy as a Rube Goldberg cartoon. The Federal Energy Regulatory Commission (FERC) has authority only over the “bulk power system” which is largely the interstate transmission system. However, FERC’s authority is complicated and indirect: largely the grid is self-regulated through a private corporation—the North American Electric Reliability Corporation (NERC). Again, this is largely just the “bulk power system.”

In fact, our electric grid today is regulated by over 60 regulators at the federal and state level as well as a mix of non-governmental non-profit regulators. To further complicate matters, on the federal level alone we have numerous agencies with some degree of interest in protecting the electric grid: FERC, DOE, DHS, NRC and DOD to name a few obvious ones. However, only FERC has any authority over “the electric grid” and FERC’s limited authority is only over the Bulk Power System—that portion at 100kV and above.

Each state has its own Public Utility Commission (PUC) which regulates distribution and, in some cases, generation plants. Some generation plants are regulated by other agencies, such as the Nuclear Regulatory Commission (NRC).

So, in the end, no one body regulates “the grid” (i.e., generation, transmission and distribution). Our most critical infrastructure consists of “patchwork” regulation, dependent of scores of agencies, with scores of often conflicting agendas, varying ability (or willingness) to communicate. And most of all, it depends on thousands of companies to do the right thing when there is no strong requirement or incentive for them to do so.

In sum, the present regulatory system is a disaster waiting to happen.

Moreover, many companies transcend regulatory lines. Many companies fall under both FERC/NERC and PUC jurisdiction (and possibly other agencies, such as the NRC).

- State PUC’s need to know the identities of the CIP violators because, among other things, state PUC’s often control the funding for mitigation.
- Some of these companies may supply critical DOD and DHS facilities. DOD and DHS need to know if companies they are dependent upon to power facilities critical to national security are violating CIP standards.
- Some of these companies may operate nuclear generation plants and fall under the jurisdiction of the NRC as well as FERC/NERC and a PUC (or more than one PUC). These regulators all need to know if the companies they regulate are in violation of CIP standards.

- Some of these companies are also regulated by the Securities Exchange Commission and have reporting requirements for material events. Since the names of CIP violators are being covered up, investors are unaware of the cybersecurity risks that these publicly traded companies face—and whether the “C Suite” is taking appropriate actions to mitigate (*or at least disclose*) investor risk.

It is hard to imagine how such a Balkanized system would function in any context, and clearly it is not functioning efficiently in terms of the CIP red flags previously discussed. And we are talking here about protecting our most critical infrastructure—one in which the lives of 327 million Americans and our very national security depends.

Until the regulatory system is reformed by Congress, disclosure and transparency are critical to our national security. There is no possible way for there to be accountability for the thousands of companies involved in the generation, transmission and distribution of electric power in the U.S. (the whole grid—not just the BPS) except for transparency by FERC and NERC.

### Who pays the CIP fines and who pays for mitigation?

If the possibility of hundreds of thousands, if not millions of deaths in a long-term blackout isn’t disturbing enough, consider this:

- Who is paying for the CIP violation fines—the ratepayers or the shareholders?
- Who is paying for any mitigation ordered or agreed upon—the ratepayers or the shareholders?
- Most importantly, *who decides who pays?*

The last question is easy: Absent transparency, the regulatory violator decides who pays. This is why it is critical that the Commission release the names of the regulatory violators along with sufficient information so that the public (“ratepayers”), investors (“shareholders”), the PUCs (the ones who should be making these decisions) and Congress (the oversight) can see what is happening.

Last year, PG&E Corp was fined 2.7 million dollars for a cyber breach (which was exposed by one of my Freedom of Information Act requests).<sup>60</sup> PG&E presumably also had to spend an unknown amount (but likely a substantial amount) of money on mitigation. Somebody had to pay for all of this. Because I could find no disclosure of the event or its costs in PG&E’s filings with the Securities and Exchange Commission, it is impossible for the public to know whether the shareholders or the ratepayers ate these costs—I am sure both groups would like to know.

Does it make a difference in who should pay if a company is a repeat CIP violator? Does it make a difference in who should pay if the company is negligent?

The *last* one who should be deciding who pays *is the regulatory violator*. This decision should be made by the appropriate regulator (the PUC) with full transparency to the two possible victims: the ratepayers and the shareholders.

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<sup>60</sup> See report: <https://michaelmabee.info/pge-endangered-the-grid/> (accessed October 22, 2019).

Ratepayers and investors deserve transparency and accountability. PUCs and Congress deserve sufficient information to effectively regulate and govern. Regulatory violators do not deserve reputational protection by the regulators at the expense of the public interest.

## Conclusion

The electric grid—including generation, transmission and distribution—is *the most* critical infrastructure as all other critical infrastructures depend on it.

The American people, investors, Congress and other regulators are not getting enough information to evaluate the threats to the electric grid (generation, transmission and distribution), whether there are repeat violators and whether the regulatory regime is effective. There is ample evidence of regulatory red flags and, from the regulators, only a confusing lack of information. We need action by both FERC and Congress:

FERC is the *only agency* in a position to act immediately to address the vulnerabilities to a critical portion of the electric grid (generation and high voltage transmission) that have been created by the industry's desire to keep the names of the CIP violators secret. FERC must decide in the public interest and make increased transparency its policy.

Congress must also act to streamline or revise this overly complex regulatory system and set a federal minimum for critical infrastructure protection for the entire electric grid, including generation, transmission and distribution. We can no longer leave America's Achilles' heel in this inefficient regulatory morass.

Moreover, we can no longer tolerate the fact that keeping our lights on is dependent upon the discretion of Russia and China.

## Recommendations:

1. The Commission should adopt my alternate proposal submitted to this docket on September 3, 2019 as the default disclosure for future Notices of Penalty (NOPs), Spreadsheet Notices of Penalty (SNOPs), "Find, Fix Track" cases (FFT) and Compliance Exemptions (CEs). This alternate proposal would provide sufficient information to the public, investors, Congress and other regulators and would not provide adversaries with actionable information. The alternate proposal has been supported by numerous other commenters on this docket, including internationally renowned security experts.
2. The Department of Energy must enhance the publicly available OE-417 information so that the cause of each reported disturbance and the number of customers affected can be easily discerned.
3. The OE-417s and the NERC annual reliability reports do not tell the American people the same story. NERC's annual reliability reports must address the OE-417 data in order to eliminate this apparent discrepancy. If necessary, The Commission should direct NERC to do this. PUCs will need to be involved, so FERC should suggest that NARUC put this topic on their agenda for immediate action.

4. The Department of Energy Office of the Inspector General should investigate and report on the massive red flags in the enforcement of the physical security standard. Public information indicates that there has been a lack of regulatory action on physical security standards despite the fact that there have been 578 physical attacks against the grid reported from January 1, 2010 through May 31, 2019 according to the Department of Energy OE-417 reports. Most disturbingly, NERC has reported only one physical attack in its annual reliability reports over the same period and the violations of the physical security standard have been cited only four times since the Metcalf attack in 2013.
5. The Commission (possibly in collaboration with DOE, DHS, DOD and the National Guard) should “Red Team” utilities in order to evaluate weaknesses and determine whether their cybersecurity and physical security programs are effective. FERC should work with the National Association of Regulatory Utility Commissioners (NARUC) to ensure like actions at the state-level.
6. The Commission should grant the Foundation for Resilient Societies “Motion for the Commission to Hold a Public Hearing” submitted to FERC on October 23, 2019.<sup>61</sup>
7. Congress should set a minimum federal floor for CIP standards for the entire electric infrastructure—not just the “bulk power system.”
8. Congress should establish federal regulatory authority for protection of the entire U.S. electric grid—including generation, transmission and distribution.

Respectfully submitted,



Michael Mabee

CC: U.S. Department of Energy—Office of the Inspector General  
 U.S. Government Accountability Office  
 U.S. Congresswoman Anne Kuster (NH)  
 U.S. Senate Committee on Energy and Natural Resources  
 U.S. House Committee on Energy and Commerce  
 National Association of Regulatory Utility Commissioners

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<sup>61</sup> FERC Accession Number: 20191023-5103 Available at <https://elibrary.ferc.gov/idmws/common/OpenNat.asp?fileID=15388774> (accessed October 24, 2019).