Penalty Inflation Adjustment Notice

December 2025

Why is the ERO Enterprise making this change?

As discussed during the open session of May 2025 NERC Board of Trustees Regulatory Oversight Committee, starting in 2026, the ERO Enterprise will begin adjusting penalty amounts for inflation. While the maximum penalty the ERO Enterprise can impose has historically been inflation-adjusted annually, the other penalty amounts referenced in the Sanction Guidelines, specifically the starting amounts determined using the Violation Risk Factor and Violation Severity Level Table (VRF-VSL Table) below, have never been adjusted for inflation. Consistent with the principles laid out in the Sanction Guidelines, this inflation adjustment is intended to ensure that penalties do not become inconsequential to the registered entity and continue to bear a reasonable relationship to the seriousness of the violation(s).

Initial adjustments to these starting penalty amounts will be phased in over four years to catch up on a percentage-basis with the inflation adjustments already made to the maximum penalty amount, with annual adjustments thereafter to keep up with inflation going forward.

As shown in the tables below, the ERO Enterprise will increase the existing penalty amounts not previously adjusted by 15% over the prior year amounts each year in 2026, 2027, and 2028. For illustration purposes, the ERO Enterprise is assuming a continued 2.6% inflation adjustment by the Federal Energy Regulatory Commission (FERC) each of those years. The inflation adjustment to the penalty amounts in 2029 may be less than or greater than 15% to catch up on a percentage-basis with the inflation-adjusted maximum penalty amount and will depend on the actual inflation adjustments by FERC over 2026-2029. After 2029, the ERO Enterprise will annually adjust all the penalty amounts in the VRF-VSL Table for inflation.

2025: No inflation adjustment outside of maximum amount*

* Maximum is the "High" value at the intersection of High VRF and Severe VSL in the table below

Violation Risk Factor	Violation Severity Level							
	Lower		Moderate		High		Severe	
	Low	High	Low	High	Low	High	Low	High
Lower	$1,000	$3,000	$2,000	$7,500	$3,000	$15,000	$5,000	$25,000
Medium	$2,000	$30,000	$4,000	$100,000	$6,000	$200,000	$10,000	$335,000
High	$4,000	$125,000	$8,000	$300,000	$12,000	$625,000	$20,000	$1,584,648[1]

Maximum civil monetary penalty in 2025:

$1,584,648[2]

[1] This is the maximum 2025 amount and will need to be adjusted pursuant to FERC's 2026 order on civil monetary penalty inflation adjustments.
[2] See 18 CFR § 385.1602(d), see also Civil Monetary Penalty Inflation Adjustments, Order 906, 190 FERC ¶ 61,006 (Jan. 6, 2025) for latest FERC inflation adjustment order, with a 2.598% adjustment.

2026: 15% increase over existing Low and High amounts (except for maximum amount*)

* Maximum is the "High" value at the intersection of High VRF and Severe VSL in the table below

Violation Risk Factor	Violation Severity Level							
	Lower		Moderate		High		Severe	
	Low	High	Low	High	Low	High	Low	High
Lower	$1,150	$3,450	$2,300	$8,625	$3,450	$17,250	$5,750	$28,750
Medium	$2,300	$34,500	$4,600	$115,000	$6,900	$230,000	$11,500	$385,250
High	$4,600	$143,750	$9,200	$345,000	$13,800	$718,750	$23,000	$1,625,849[3]

Maximum civil monetary penalty in 2026:

$1,625,849 (assuming 2.6% inflation adjustment for 2026)

2027: 15% increase over 2026 Low and High amounts (except for maximum amount*)

* Maximum is the "High" value at the intersection of High VRF and Severe VSL in the table below

Violation Risk Factor	Violation Severity Level							
	Lower		Moderate		High		Severe	
	Low	High	Low	High	Low	High	Low	High
Lower	$1,323	$3,968	$2,645	$9,919	$3,968	$19,838	$6,613	$33,063
Medium	$2,645	$39,675	$5,290	$132,250	$7,935	$264,500	$13,225	$443,038
High	$5,290	$165,313	$10,580	$396,750	$15,870	$826,563	$26,450	$1,668,121[4]

Maximum civil monetary penalty in 2027:

$1,668,121 (assuming 2.6% inflation adjustment for 2027)

2028: 15% increase over 2027 Low and High amounts (except for maximum amount*)

* Maximum is the "High" value at the intersection of High VRF and Severe VSL in the table below

Violation Risk Factor	Violation Severity Level							
	Lower		Moderate		High		Severe	
	Low	High	Low	High	Low	High	Low	High
Lower	$1,521	$4,563	$3,042	$11,407	$4,563	$22,813	$7,604	$38,022
Medium	$3,042	$45,626	$6,084	$152,088	$9,125	$304,175	$15,209	$509,493
High	$6,084	$190,109	$12,167	$456,263	$18,251	$950,547	$30,418	$1,711,492[5]

Maximum civil monetary penalty in 2028:

$1,711,492 (assuming 2.6% inflation adjustment for 2028)

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[3] This amount assumes a 2.6% increase in 2026 over the maximum 2025 amount. If FERC's 2026 order on civil monetary penalty inflation adjustments results in a different inflation adjustment, this amount will change.

[4] This amount assumes a 2.6% increase in 2027 over the maximum 2026 amount. If FERC's 2026 and 2027 orders on civil monetary penalty inflation adjustments results in a different inflation adjustment, this amount will change.

[5] This amount assumes a 2.6% increase in 2028 over the maximum 2027 amount. If FERC's 2026, 2027, and 2028 orders on civil monetary penalty inflation adjustments results in a different inflation adjustment, this amount will change.

2029: 15% increase over 2028 Low and High amounts (except for maximum amount*)

* Maximum is the "High" value at the intersection of High VRF and Severe VSL in the table below

Note: The 2029 inflation adjustment may be smaller or larger depending on inflation adjustments over the 2026-2029 period.

Violation Risk Factor	Violation Severity Level							
	Lower		Moderate		High		Severe	
	Low	High	Low	High	Low	High	Low	High
Lower	$1,749	$5,247	$3,498	$13,118	$5,247	$26,235	$8,745	$43,725
Medium	$3,498	$52,470	$6,996	$174,901	$10,494	$349,801	$17,490	$585,917
High	$6,996	$218,626	$13,992	$524,702	$20,988	$1,093,129	$34,980	$1,755,991[6]

Maximum civil monetary penalty in 2029:

$1,755,991 (assuming 2.6% inflation adjustment for 2029)

[6] This amount assumes a 2.6% increase in 2029 over the maximum 2028 amount. If FERC's 2026, 2027, 2028, and 2029 orders on civil monetary penalty inflation adjustments results in a different inflation adjustment, this amount will change.