ENERGY COMPLIANCE, INC. | *Field Reference for Compliance Advisory*



ADVISORY SERIES · EC-WP-705

When to Fire Your Compliance Consultant

Diagnostic patterns for recognizing when a consultant relationship has stopped producing value.

A failing compliance engagement rarely ends on its own. This reference shows how to recognize a failing engagement early, build the internal case for ending it, conduct the exit conversation, and protect the program on the way out.

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OCTOBER 2026

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Foreword

This professional reference is one of a series Energy Compliance, Inc. publishes for registered entities and the people who run their compliance programs.

I have spent more than thirty years on every side of the bulk electric system. I have operated control centers as a Reliability Coordinator, Transmission Operator, and Power System Operator. I have audited grid facilities and signed off on findings as a senior compliance auditor. I have worked enforcement matters from inside the regulator's process. For the last several years I have advised registered entities directly through the firm I founded.

The entities that do reliability well share a habit. They take the standards seriously without confusing them with reliability itself. A NERC Reliability Standard is a floor, not a ceiling. Compliance is something an auditor evaluates; reliability is something a system either delivers or does not. So these entities prepare for audits by building programs that survive real questions, not binders that look thick.

That is the perspective these references try to share. Each one takes a single topic, whether a standard family, an operational function, a regulatory framework, or an emerging industry problem, and walks through how it actually works.

They are written for the compliance manager who wants to understand the system and not just memorize requirements. For the legal counsel who has to brief a board honestly. For the senior operator who has been told that compliance and reliability are

the same thing and suspects they are not. And for the new compliance hire who was handed a binder and told good luck.

Energy Compliance exists because much of the consulting offered to registered entities today is structured for billable hours rather than for outcomes. Every engagement is overseen by a senior practitioner. We do not bring five people to a meeting that needs one. We automate the work that should be automated and apply senior judgment to the work that requires it. If that is what you want in a compliance partner, the back of this reference has our contact information.

If not, the reference still belongs to you. Take what is useful and apply it well. And remember the only test that ultimately matters: when the system needs to perform, does it?

Rob Smith

Founder and Principal, Energy Compliance, Inc.

Executive Summary

Most entities know when a compliance engagement has stopped working. The deliverables drift. The senior named on the contract stops showing up. Status reports get longer while the program gets no easier to defend. The entity keeps the engagement anyway, because switching feels more expensive than staying and because sunk-cost math is easier to ignore than to confront.

In my experience that calculation is wrong. The cost of staying compounds inside the program; the cost of switching is paid once.

- A bad engagement is harder to leave than to start. That is the trap. Recognize it early or pay for it later.
- In my view, sunk-cost reasoning kills more compliance programs than bad consultants do.
- My rule of thumb: if the senior named on the proposal has not been in the room for sixty days, the engagement has already changed.
- Friction is normal. Failure is structural. Confusing the two extends bad engagements by months.
- Build the exit case inside the entity before you deliver it to the consultant. Skip that step and the conversation gets harder.
- Programs leak knowledge during transitions. Plan the leak instead of discovering it.
- Choosing the replacement is the harder decision, and sometimes the right replacement is no consultant at all.

1 The Sunk-Cost Trap in Compliance Engagements

Leaving looks more expensive than staying. Run the numbers forward and it rarely is.

1.1 Why Compliance Engagements Invite the Trap

Compliance engagements are especially vulnerable to the sunk-cost trap. The fee is paid and the team has learned the consultant's framework. Switching means giving up the perceived value of all of that, and perceived value tends to run ahead of actual value.

Uncertainty distorts the math further. The current consultant is a known quantity, even if the quantity is mediocre. Switching brings unknowns: new onboarding, new context-building, possible disruption to the audit calendar. Faced with that contrast, leadership often defaults to staying, on the theory that mediocre and known is safer than better and unknown. The theory is wrong more often than entities admit.

1.2 How the Real Math Runs

The real math runs the other way. A failing engagement compounds its cost month over month. Each cycle adds documentation the entity will eventually have to maintain, complexity it will have to explain, and dependency it will have to unwind. Switching is paid for once. Staying is paid for indefinitely, or until an audit forces the issue, and at that point the entity pays for both.

1.3 Ask the Forward-Looking Question

Recognizing the trap is the first move. The question is not whether the engagement was worth what was paid. That money is gone. The question is whether the next dollar spent on this engagement buys more than the next dollar spent on a replacement or on ending it. Asked that way, the answer is usually obvious, and usually not the one the sunk-cost frame would have given.

> **From the Field**
>
> Sunk-cost reasoning keeps entities in failing compliance engagements long past the point of value. The useful question is whether the next dollar produces more value here or somewhere else.

2 The Leading Indicators of a Failing Engagement

Failing engagements telegraph the failure for months before the entity acts. The signals are recognizable, and hearing them earlier saves real money.

2.1 Signals in the Relationship

The first signals show up in how the engagement runs. The senior named on the contract attends fewer meetings. Decisions that used to come back within a day now take a week. Status reports get longer and say less. Each request for clarification on a deliverable lands with a different person. Log each one and bring the list to the quarterly review in Section 2.4.

2.2 Signals in the Deliverables

The second category involves the deliverables themselves. They arrive later than promised, and when they arrive they read more like drafts than finished work. The framework has grown since kickoff and nobody has explained why. Recommendations come wrapped in qualifying language that keeps the consultant's options open instead of committing to a position. Any single deliverable looks reasonable. The trajectory does not.

2.3 Signals Inside the Entity

The third category is how the entity's own people experience the engagement. Staff begin to dread the consulting meetings because the meetings take time and produce no forward motion. People start working around the consultant rather than through them, answering compliance questions internally that they once routed to the engagement. That is the program quietly taking back ownership because the engagement has stopped providing it.

2.4 Run a Quarterly Engagement Review

Programs that catch these signals early run a deliberate quarterly review of the engagement, separate from the engagement itself. The reviewer is a senior leader inside the entity who is not the day-to-day point of contact and who is empowered to call the question honestly. In my view, an hour a quarter is cheap next to a renewal that should not have happened.

> **From the Field**
>
> Senior absences, slipping deliverables, and hedged recommendations all show up long before anyone acts on them. When internal staff start working around the consultant, the program is telling you the engagement has stopped producing value. A quarterly review by someone outside the day-to-day relationship is the cheapest insurance against a long bad engagement.

3 The Lagging Indicators You Should Have Caught Earlier

Some signals appear only after the damage is done. Seeing them late still beats not seeing them, but earlier signals were there and were missed.

3.1 The Audit Lands

Some indicators lag by definition. The audit lands, and the findings include issues the consultant was retained specifically to address. Mitigation runs longer than expected because the program is harder to defend than the consultant claimed. The leadership conversation that follows is uncomfortable, and it usually ends with a question the entity should have asked long before the audit.

3.2 A Personnel Transition Exposes the Gaps

Other lagging indicators surface when people change. A compliance manager rotates out, and the successor cannot reconstruct the reasoning behind a structure the engagement introduced. The consultant is asked to explain and sends a memorandum that does not answer the question. The new manager inherits a program they cannot fully defend, and the engagement is exposed as having run on context that lived only in the consultant's head.

3.3 The Fee Grew and the Program Did Not

A third lagging indicator is cost trajectory. The annualized fee has grown each cycle while the underlying work has not. Each renewal justified the increase with expanded scope, additional support, or new methodology, and no single increase was large enough to trigger a real review. Add it up and the engagement costs far more than its original framing, with no matching gain in program quality.

> **From the Field**
>
> Add up the fee growth across every renewal and set it against what the program gained. That comparison is the lagging indicator entities miss most often.

3.4 Learn From the Late Signal

These signals hurt because they prove the leading indicators were there and went unheard. Treat each one as a reason to tighten the entity's engagement-review discipline, not as a reason to feel inadequate. Programs that learn from these moments catch the next failing engagement earlier. Programs that do not will run the same arc again with the next consultant.

4 The Difference Between Friction and Failure

Not every uncomfortable engagement is failing. Some good engagements feel uncomfortable precisely because the consultant pushes back honestly.

4.1 Discomfort Can Be a Good Sign

Some of the strongest compliance engagements feel uncomfortable from the inside. The consultant pushes back on internal practices, declines to bill hours the work does not require, and refuses to ratify documentation the entity wanted ratified. That discomfort usually signals a working engagement. Mistake it for failure and you trade a strong consultant for an agreeable one who produces worse outcomes.

4.2 Watch the Trajectory of the Program

What separates friction from failure is where the program is heading. Friction with a strong consultant produces a program that gets simpler and easier for operators to explain. Failure with a weak consultant produces a program that gets larger and more dependent on the consultant. The two can look alike for months. By the next audit the trajectory is plain. The friction may never go away, so judge the engagement on the trajectory.

> **From the Field**
>
> Before you call it failure, ask whose interest the pushback serves: the program's or the billable hours'.

4.3 Ask Whose Interest the Pushback Serves

Another differentiator is what drives the pushback. A strong consultant pushes back when the entity is wrong, and the entity may experience that as obstruction. A weak consultant pushes back when billable hours are at stake, and the entity may experience that as concern for the program. Telling them apart takes an honest look at the substance of the disagreement, not how it felt.

4.4 The Simplest Test

Ask whether the consultant is willing to lose the engagement to give you an honest answer. Strong consultants are; weak ones are not. If yours has declined to bill unnecessary work, declined to expand scope that did not need expanding, or refused to ratify a position you wanted ratified, and has done it more than once, you are almost certainly feeling the friction of a working engagement. Reframe accordingly.

5 Building the Exit Case Internally

The exit case is built inside the entity before it is delivered outside. Skip the internal alignment and the external conversation gets much harder.

5.1 Alignment Takes Longer Than Expected

Ending a compliance engagement takes more internal alignment than most entities expect. The compliance manager may be ready while the senior leader who approved the engagement is not. Legal may have contract concerns, and procurement its own process. Until those conversations converge, the exit conversation with the consultant will not land cleanly.

5.2 The Three Pillars of the Case

The case for exit rests on three pillars.

1. The documented gap between what the engagement promised and what it delivered, with specific examples.
2. The cost of continuing, including the projected forward cost and the complexity the engagement keeps adding to the program.
3. The realistic alternative: a different consultant, a different engagement model, or no consultant at all.

Without all three, the internal conversation tends to stall on the first objection anyone raises.

> **From the Field**
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> Skip the internal alignment and the consultant will often talk the entity into renewing.

5.3 Own the Original Selection

Alignment also requires an honest account of what the entity got right and wrong when it chose this consultant. Maybe the selection weighted the wrong criteria, the contract lacked accountability provisions, or the review cadence was too loose to catch the failure sooner. Saying so inside the entity is uncomfortable and necessary, because it shapes the next selection and keeps the pattern from repeating.

5.4 From Negotiation to Delivery

With the case documented, the decision-makers aligned, and the replacement plan ready, the exit becomes a delivery rather than a negotiation, and the consultant has little room to argue the case backward.

6 Conducting the Exit Conversation

The exit conversation is a delivery, not a negotiation. Its structure protects the entity, the program, and the relationship.

6.1 One Meeting, One Owner

The exit conversation is a single meeting, held in person where possible, and led by the senior leader inside the entity who owns the engagement decision. Keep it short and direct: the engagement is ending, here briefly is why, here is the transition timeline and what the entity expects during the handoff.

6.2 Choose the Professional Version

Tone matters. A professional exit keeps open the option of working with the firm again on different terms. A combative or accusatory one closes that door and usually produces a less cooperative transition. The consultant will hear the message either way, so make it no harder than it needs to be.

> **From the Field**
>
> The industry is small. The consultant you exit today may sit across from you in a working group or bid on your next scope, so keep the exit professional.

6.3 Name the Transition Deliverables

The conversation should spell out the transition deliverables the entity expects, detailed in Section 7.3:

- A complete file inventory.
- Documentation of the frameworks the engagement introduced.
- Walk-throughs with the internal team.
- A timeline for the handoff.

State these in the meeting, then confirm them in writing within twenty-four hours so the consultant cannot later claim the requests were never made.

6.4 What Usually Happens

Handled this way, the conversation tends to land cleanly. With the internal alignment built first, pushback from the consultant has little to work with. Once the meeting closes, the hardest part is done. What remains is logistics, so move straight to the transition plan in Chapter 7.

7 Protecting the Program on the Way Out

What the consultant knows and the entity does not is the risk. Inventory it before the last invoice.

7.1 Where the Risk Sits

Programs are exposed during a consultant transition. Knowledge that lived with the consultant can walk out the door, frameworks they introduced may be poorly understood internally, and documentation may rest on decisions whose reasoning was never written down. Without a plan, the entity is left with a program it cannot fully defend.

7.2 Start With a Knowledge Inventory

The transition plan starts with a knowledge inventory. What does the consultant know that the entity does not? What has the consultant decided on the entity's behalf? Which documents only make sense with the consultant's context? Build it jointly with the consultant where you can and on your own if you must. Either way, it drives the transition deliverables.

> **From the Field**
>
> Anything the transition misses is a gap the next audit may find.

7.3 Turn the Inventory Into Deliverables

The inventory makes the transition deliverables specific:

- Walk-throughs of each major framework with internal staff present, recorded where appropriate.
- Written documentation of any decision whose reasoning is not already captured.
- Handoff of every tool, template, and working file the consultant has been maintaining.
- A list of the external contacts (regulators, Regional Entity staff, other consultants) the engagement has been managing for the entity.

Make it exhaustive.

7.4 Run the Transition as a Project

Programs that come through a transition intact treat it as a project with its own owner, timeline, and quality bar. The work is intensive but finite, and it leaves the entity owning its program end to end. Treat it as housekeeping and you find out months later that something important is gone, and recovering it, if you can, costs far more than doing it right the first time.

8 Selecting the Replacement (or Choosing Not To)

The replacement decision is the harder one, and the default answer deserves a hard look.

8.1 Question the Default

After the exit comes a second decision, often harder than the first: who replaces the consultant. The default assumption is that another consultant fills the gap. Question it. The original engagement may have failed because the entity never needed that kind of engagement. Replacing it with a similar one may just repeat the cycle.

8.2 What the Entity Actually Needs

The honest question is what the entity actually needs from outside compliance support. It might be strategic advice on a defined scope, delivered episodically by a senior practitioner. It might be subject-matter expertise on one standard family for one deliverable, or audit-defense support through a specific audit cycle. Each is a narrow scope that a specific engagement can cover. None of them calls for the long-running, multi-person, framework-heavy engagement that so often gets sold as the default.

> **From the Field**
>
> What the entity needs from outside support is usually narrower than the last engagement assumed.

8.3 The Case for No Consultant

The replacement may be no consultant at all. In my experience, some programs run better after leaving a heavy consulting engagement than they did inside it. The engagement was producing complexity faster than the entity could absorb it. Once that faucet is shut off, the program shrinks to a size the entity can defend, and the next audit tends to go more cleanly than the last.

8.4 Select Against What You Learned

If the entity does hire a replacement, the selection should reflect what the last engagement taught. The criteria that matter are the ones set out in EC-WP-700, *How to Select a NERC Compliance Consultant*: senior accountability, a single named owner, willingness to push back, and a fee structure tied to outcomes rather than hours. A procurement-style selection will probably produce another engagement like the last one; a selection run as a risk decision will not. Choose deliberately. In my view, this decision shapes the program for the next two years.

Glossary

Term	Meaning in this paper
Compliance Audit	Under the NERC Rules of Procedure, a systematic, objective review and examination of records and activities to determine whether a Registered Entity meets the Requirements of applicable Reliability Standards.
Compliance Monitoring and Enforcement Program (CMEP)	The NERC program set out in Appendix 4C to the NERC Rules of Procedure, or a Regional Entity's FERC-approved program, through which compliance monitoring and enforcement are carried out. The term also refers to the organization within NERC or a Regional Entity that performs that work.
Engagement review	As used in this reference, a periodic internal assessment of a consulting engagement, led by a senior leader who is not the day-to-day point of contact.
Knowledge inventory	As used in this reference, a written list of what an outgoing consultant knows, has decided, or maintains on the entity's behalf that the entity has not yet absorbed.
Mitigation Plan	An action plan developed by the Registered Entity to correct a noncompliance with a Reliability Standard and prevent re-occurrence of the violation.
Notice of Penalty	A notice prepared by NERC and filed with FERC, following NERC approval of a Notice or other notification of Confirmed Violation or a settlement agreement, stating the penalty or sanction imposed or agreed to.
Registered Entity	An owner, operator, or user of the Bulk Power System, or the entity registered as its designee for compliance purposes, that is included in the NERC Compliance Registry.
Regional Entity	An entity having enforcement authority under 18 C.F.R. § 39.8.
Self-Report	A report by a Registered Entity stating that it believes it has, or may have, violated a Reliability Standard.
Sunk cost	Money or effort already spent that cannot be recovered. It should not drive a forward-looking decision about whether to continue an engagement.

How Energy Compliance Can Help

Program assessment before you decide

A regulator-perspective program review gives the exit case its first pillar: an independent read of what the engagement delivered against what it promised, and whether the program is getting simpler or more dependent. Reliability governance and program assessments ask the same question at the governance level.

Rebuilding the program after the exit

Compliance program design and improvement turns a knowledge inventory into documents your own staff can maintain. Mitigation planning and Self-Report development cover gaps the transition exposes, and registration and applicability analysis confirms the program fits the functions you are registered for.

Narrow scopes instead of a standing engagement

If the honest answer is a narrower scope, EC offers NERC reliability and compliance advisory support and senior advisory on specific, complex reliability questions; audit and enforcement support (non-advocacy), including audit defense with Notice of Penalty response and settlement posture; operational and engineering reliability alignment; NERC compliance program support, interpretation, and audit preparation; training and executive briefings on reliability frameworks; and industry engagement in standards development and working-group participation. Each is scoped to the entity's role, function, and bulk system impact.

WattOps Compliance

A transition is where evidence gets lost. WattOps Compliance is EC's NERC compliance evidence platform (wattopscompliance.com), so the evidence stays with the entity rather than with whoever holds the contract. EC will run one standard at one facility through WattOps at no cost (CIP standards excluded).

RenewOps

For renewable and storage operators, operations data should not live in a consultant's spreadsheets either. RenewOps is EC's renewable operations monitoring and analytics platform, with a Data Center module.

If an engagement already feels wrong, call before the next renewal date.

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About the Author

Rob Smith is the Founder and Principal of Energy Compliance, Inc., with more than thirty years in the industry on every side of the system. He began in control-room operations as a Reliability Coordinator, Transmission Operator, and Power System Operator across RTO/ISO and utility control centers. On the regulator side, he was a senior compliance auditor and subject matter expert for NERC Reliability Standards. He audited grid facilities, evaluated mitigation adequacy, participated in risk-based oversight of utility mitigation activities, and supported the development of violation notifications and settlements in FERC-directed enforcement actions. He conducted a regulatory audit in the Sultanate of Oman against the Sultanate's Sector Law and Grid Code.

He founded Energy Compliance, Inc. to deliver senior regulator-side compliance authority without the layered staffing and billable-hour overhead of larger firms.

Education:

- MBA, Energy Management, University of Mary
- MSL, Compliance Law, Fordham Law University
- BAS, Energy Management, Bismarck State College
- BAS, Mechanical Engineering, Metallurgy minor, University of Florida
- BAS, Criminology, St. Petersburg College (State Law Enforcement Certification)
- AAS, Power Plant Technology, Bismarck State College
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About Energy Compliance, Inc.

Energy Compliance, Inc. is an independent consulting and advisory firm based in Bloomington, Minnesota, focused exclusively on electric reliability, cybersecurity reliability, and regulatory compliance for organizations connected to the North American Bulk Electric System.

We support registered entities, including Generator Owners and Operators, Transmission Owners and Operators, Reliability Coordinators, Balancing Authorities, and Distribution Providers. Our work spans NERC Reliability Standards, FERC orders, RTO/ISO market participation rules, Regional Entity oversight, and state regulatory frameworks.

We do this work differently than larger consulting firms. A senior practitioner with regulator-side experience oversees every engagement. We staff for outcomes, not billable hours. Our deliverables are written to be operationally executable and audit-defensible, structured for the auditor's question rather than the consultant's binder. Where automation can replace manual work, we build the automation. Where senior judgment is required, the senior is in the room.

Energy Compliance is not affiliated with, sponsored by, or endorsed by the North American Electric Reliability Corporation, the Federal Energy Regulatory Commission, or any Regional Entity.

Learn more at energycomplianceinc.com.

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