

Agenda

Corporate Governance and Human Resources Committee

October 31, 2019 | 2:00-3:00 p.m. Eastern
Conference Call

Participant Dial-in: 1-888-394-8218 | Conference ID: 1555388

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Call to Order and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement*

Agenda

1. **Minutes* — Approve**
 - a. August 14, 2019 Meeting
2. **2020 Board of Trustees Effectiveness Survey* — Approve**
3. **2019 ERO Work Plan Priorities* — Update**
4. **Human Resources and Staffing Update* — Review**
5. **Adjournment**

*Background materials included.

Antitrust Compliance Guidelines

I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.
- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

III. Activities That Are Permitted

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

Draft Minutes Corporate Governance and Human Resources Committee Meeting

August 14, 2019 | 11:15 a.m.–12:00 p.m. Eastern

Hilton Québec
1100 Boulevard René-Lévesque E
Québec, QC G1R 4P3, Canada

Chair Kenneth W. DeFontes called to order a duly noticed meeting of the Corporate Governance and Human Resources Committee (the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on August 14, 2019, at 11:15 a.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Committee Members

Kenneth W. DeFontes, Chair
Robert G. Clarke
Robin E. Manning
Jan Schori
Roy Thilly, *ex officio*

Board Members

Janice B. Case
Frederick W. Gorbet
David Goulding
George S. Hawkins
Suzanne Keenan
James B. Robb, President and Chief Executive Officer
Colleen Sidford

NERC Staff

Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary
Tina Buzzard, Associate Director
Howard Gugel, Vice President and Director of Engineering and Standards
Mark G. Lauby, Senior Vice President and Chief Engineer
Sônia Mendonça, Vice President, Deputy General Counsel, and Director of Enforcement
Janet Sena, Senior Vice President and Director of Policy and External Affairs

NERC Antitrust Compliance Guidelines

Mr. DeFontes directed the participants’ attention to the NERC Antitrust Compliance Guidelines included in the agenda, and indicated that all questions regarding antitrust compliance or related matters should be directed to Mr. Berardesco.

Minutes

Upon motion duly made and seconded, the Committee approved the minutes of the May 8, 2019 meeting as presented at this meeting.

2019 ERO Work Plan Priorities

Mr. Gugel reported on the status of the 2019 Work Plan priorities and reviewed the primary goals for 2019.

Draft 2020 ERO Work Plan Priorities

Mr. Lauby presented on the proposed 2020 Work Plan priorities. He emphasized work on mitigating identified risks to reliability. Mr. Lauby addressed questions regarding alignment of the 2020 priorities with those identified in the Reliability Issues Steering Committee report.

Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey

Mr. Berardesco reviewed the drafts of the assessments for the Annual Board and Board Committee Self-Assessment and the Member Representatives Committee Assessment included in the advance agenda package, requesting evaluation and feedback from members of the Board.

2019 Work Plan Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness

Mr. DeFontes reviewed the 2019 Board Work Plan addressing results from the 2019 Board Self-Assessment, noting the Board made progress against all items, particularly around budget and effectiveness and efficiency efforts.

Employee Reporting and Document Retention Policies and Procedures

Mr. Berardesco reported that NERC had conducted its annual review of policies and procedures, concluding that they continue to meet the applicable legal and regulatory requirements.

Mr. Berardesco reported that NERC has a detailed employee handbook containing information for employees on reporting concerns, and NERC has a detailed internal procedure for handling any necessary investigations. Mr. Berardesco also stated that NERC has outside counsel specializing in human resources regularly review the employee handbook.

Human Resources and Staffing Update

Mr. Robb reviewed the human resources and staffing update, referencing the information included in the advance agenda package. He emphasized the success in hiring for the E-ISAC, and NERC's focus on leadership development and building organizational culture.

Adjournment

There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,

A handwritten signature in black ink, appearing to read 'Charles A. Berardesco', written in a cursive style.

Charles A. Berardesco
Corporate Secretary

Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey and Board Committee Self-Assessments

Action

Approve

Summary

NERC management has prepared the attached draft of the assessment for the annual Board self-assessment and the MRC assessment for Committee review. The proposed survey is divided into four sections:

- Overall Effectiveness
- Strategy
- Oversight
- Stakeholder Relations and Board Functioning

The questions and answers within each section have been amended in 2018 to aid in more meaningful year over year analytics, direction, and areas of improvement for the Board.

Management recommends that the Committee approve the final assessment and the following timeline for the 2019 Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey:

- Surveys distributed by November 15, 2019.
- Responses due by December 13, 2019.
- Draft summary of results provided to the Board and CGHRC Chair for review by January 10, 2020.
- Results will be presented for review and discussion at the February 2020 CGHRC and Board meetings.

As a reminder, the Board of Trustees governance year-end Committee surveys coordinate with the end of the Committee governance year; with the survey being conducted after the February meetings, with a report out on results in May.

DRAFT

Board of Trustees/Member Representatives Committee Assessment Questions

Thank you for taking this assessment of the NERC Board of Trustees. The questions should take about 10 minutes to complete.

Note: The questions are divided into four sections:

- Overall Effectiveness
- Strategy
- Oversight
- Stakeholder Relations and Board Functioning

I. Overall Effectiveness

- 1. Overall, how effective is the Board of Trustees at performing their responsibilities?**
 - a. Very effective
 - b. Effective
 - c. Neither Effective nor ineffective
 - d. Ineffective
 - e. Very ineffective
 - f. Uncertain

- 2. [Board only] Overall, how satisfied are you personally with the job you do working on the Board of Trustees?**
 - a. Very satisfied
 - b. Satisfied
 - c. Neither Satisfied nor Dissatisfied
 - d. Dissatisfied
 - e. Very dissatisfied
 - f. Uncertain

- 3. What are the Board of Trustees' MOST important functions at NERC? (Select No More Than 3)**
 - a. Setting company and management priorities
 - b. Guiding and approving the development of annual budgets and business plans
 - c.
 - d. Providing vision for the future
 - e. Ensuring adherence to NERC's mission, vision and values
 - f. Overseeing NERC management
 - g. Approving NERC's Senior Management and Officer Hires

- h. Uncertain
- i. Other (please specify)

4. Comments on Board of Trustees Overall Effectiveness

II. Strategy

1. Please rate the Board’s effectiveness in overseeing NERC Management or staff to produce a final annual budget and business plan.

- a. Very effective
- b. Effective
- c. Neither effective nor ineffective
- d. Ineffective
- e. Very ineffective
- f. Uncertain/Not applicable

2. Please rate how effective the Board of Trustees is at each of their following functions? [Very effective, Effective, Neither effective nor ineffective, Ineffective, Very ineffective, Uncertain/Not applicable]

- a. Staying in tune with issues and trends affecting NERC and the industry
- b. Setting company priorities
- c. Providing leadership
- d. Incorporating the international charter of the North American bulk power system

3. How satisfied are you with how the board incorporates advice and/or recommendations from the MRC?

- a. Very satisfied
- b. Satisfied
- c. Neutral
- d. Dissatisfied
- e. Very dissatisfied
- f. Uncertain/Not applicable

4. Comments on Strategy

III. Oversight

1. Please rate the **amount of involvement** the Board has in each of the following: *[Too much, About the right amount, Too little, Uncertain]*
 - a. ERO Enterprise's (NERC and the Regional Entities) annual business planning and budgeting process
 - b. Day-to-day management by NERC's CEO
2. Rate the Board's effectiveness at **monitoring** each of the following: *[Very effective, Effective, Neither effective nor ineffective, Ineffective, Very ineffective, Uncertain/Not applicable]*
 - a. Efficiency (cost effectiveness) of ERO Enterprise processes
 - b. Standards Development
 - c. Compliance Monitoring and Enforcement
 - d. Assessments
 - e. E-ISAC

3. Comments on Board Oversight

IV. Stakeholder Relations and Board Functioning

1. Please indicate your agreement or disagreement with each of the following statements about **stakeholder relations**. *[Strongly agree, Agree, Neither agree nor disagree, Disagree, Strongly disagree, Uncertain]*
 - a. The Board listens to input from the MRC.
 - b. The Board listens to input from NERC management.
 - c. The Board listens to input from Regional Entities
 - d. The Board works effectively with management.
 - e. The Board maintains a positive working relationship with Federal regulators.
 - f. The Board maintains a positive working relationship with State regulators.
 - g. The Board maintains a positive working relationship with Canadian federal and provincial regulators.
2. **[Board only]** Please indicate your agreement or disagreement with each of the following statements **board functioning**. *[Strongly agree, Agree, Neither agree nor disagree, Disagree, Strongly disagree, Uncertain]*
 - a. Board meetings are efficient.
 - b. Board meetings are an effective use of my time.
 - c. The frequency of Board meetings is appropriate.
 - d. Board members communicate effectively with each other.

- e. The Board has established procedures to ensure meetings are able to be run effectively, including delivery of agendas and appropriate background material in time to prepare in advance of meetings.

3. Comments on Stakeholder Relations Board Functioning

Final Comments/Suggestions/Requests

Thank you for taking part in this important assessment.

2019 ERO Work Plan Priorities

Action Review

Summary

Management will provide a fourth quarter status update on the [2019 ERO Work Plan Priorities](#). The Work Plan priorities continue to be largely on track and are generally completed or on track for a fourth quarter 2019 completion. Some of the more significant updates include completion of the Fuel Assurance guideline which is awaiting Planning Committee approval and the continued implementation of the Reliability and Security Technical Council. The work plan objectives note that the Align tool plan and timing continues to be reformulated to meet stakeholder needs.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

ERO 2019 Work Plan Priorities

Howard Gugel, Vice President and Director of Engineering and Standards
Corporate Governance and Human Resources Committee Meeting
October 31, 2019

RELIABILITY | ACCOUNTABILITY



1. Risk-responsive Reliability Standards
2. Objective, risk-informed entity registration, compliance monitoring, mitigation, and enforcement
3. Reduction of known reliability risks
4. Identification and assessment of emerging reliability risks
5. Identification and reduction of cyber and physical security risks
6. Improving ERO Enterprise efficiency and effectiveness



The goal has been fully achieved



The goal has been partially achieved and is on track for 2019 completion



The goal has been partially achieved but is off schedule for 2019 completion



The goal will not be reached in 2019 or the goal no longer applies

Sub Goals

1. Complete Phase I of the Operating and Planning Standards Efficiency Review and seek FERC approval for sought after retirements.
2. Launch Phase II of the O&P Standards Efficiency Review
3. Initiate CIP Standards Efficiency Review and establish a process and timeline
4. Complete Supply Chain effort
 - Complete the final report and gain Board acceptance
 - Develop a plan to realize the recommendations in the report
 - Begin Plan Implementation
 - Develop a plan to evaluate the effectiveness of the supply chain standard



Status Through Q2

- Completed and filed with FERC on 6/7/2019
- Completed – Phase II Launched Q 1
- In process expected to be complete by Q4
- Report accepted by BOT; recommendations expected to be complete by Q 4

Sub Goals

1. Complete certification and registration of the new Western Reliability Coordinators on-time, consistent with dissolution of Peak Reliability.
2. Review effectiveness of the Compliance Guidance program and develop plan to enhance; and evaluate opportunities to expand industry-led development of guidance to other program areas.
3. Provide training and education on control evaluations to industry with supporting guidance to the Regional Entities for consistent implementation in audits.
4. Improve alignment in processes across Regional Entities and when appropriate, memorialize the aligned processes into CMEP Tool design.

Status Through Q3



- RC transition timelines on track



- Project Plan developed
- Survey for participants launched Q3 2019
- Tracking completion by Q4



- RE training provided April
- Industry training provided at Standards and Compliance Workshop July



- Continue the alignment of CMEP processes into CMEP Tool design

Sub Goals

1. For the following BPS reliability risks identify the extent of condition, develop plan, and mitigate impacts from:
 - Protection system misoperations
 - Unacceptable inverter performance
 - Increased dependency on natural gas
 - Compromised situational awareness from the loss of Energy Management Systems
 - Distributed energy resources

Identification and syndication of best practices through new Reliability Guidelines and other tools, including enhancements to Reliability Standards.

2. Finalize business case and begin implementation of new SAFNR Tool

Status Through Q3



- **Complete:**
 - 2019 SOR
 - DER-A Model Reliability Guideline – Distributed through NARUC to reach state-level
 - IBR Performance Reliability Guideline
 - EGWG Formed
 - Monitoring and Situation Awareness Conference
 - Fuel Assurance – awaiting PC approval



- Implementation in progress and on target
- Tracking completion by Q4

Goal 4: Identification and Assessment of Emerging Reliability Risks

Sub Goals

1. Develop and implement a plan to expand the consistent use of probabilistic based assessment processes for reliability assessments with common tools and practices.
2. Expand the 2020 Long Term Reliability Assessment to include considerations of energy assurance risks.
3. Scope out options and determine if work should be undertaken on the use of reserve margin targets given:
 - changing level of resource firmness,
 - uncertainty around actual loads due to DER expansion, and
 - recent experiences at managing tight reserve margins without incident.

Status Through Q2



- Probabilistic Assessment Working Group Technical Reference Document in development
- Tracking completion by Q4



- Plan in development for 2020 Probabilistic Assessment (Expected Unserved Energy Metric)
- Tracking completion by Q4



- Plan in development
- Tracking completion by Q4

Sub Goals

1. *Information Sharing:*
 - Enhance data collection capabilities
 - Establish two way sharing of machine readable cyber indicators through the Cyber Automated Information Sharing System
 - Implement E-ISAC Watch 24 hours/5 days per week by executing hiring plan
2. *Analysis: Increase the identification of indicators of compromise*
3. *Engagement:*
 - Expand the Industry Engagement Program (IEP) and host minimum of 6 IEP sessions
 - Execute Canadian Engagement Strategy, and gain Canadian support for 2020 Business P&B
 - Develop plans to address key findings identified in the 2018 biennial Effectiveness Survey
 - Design and execute GridEx V

Status Through Q3



- MS-ISAC work progressing
- Long term data strategy-proof of concept under development
- Industry CEO level outreach on industry information sharing
- 6 am-6pm on duty watch, off hours now on call; Q4 hiring off hours on duty staff;



- There were 371 indicators identified through August 30, 2019. (See Note 2)



- 5 IEPs to date. 1 in December
- Kicked off IESO collaboration; developing work plans
- Cross sector engagement with FSARC, MS-ISAC, ONG ISAC
- GridEx V planning on track
- DOE term sheet under negotiation
- Tracking completion by Q4

Sub Goals

1. NERC:
 - Develop and implement meeting and travel policy to support NERC stakeholder groups
 - Finish the 2019 year at or below budget and maintain at least 3 MM in operating reserves
 - Develop plans to address key findings from the 2018 biennial Effectiveness survey
 - Work with MEC to develop metrics measuring the effectiveness of the E-ISAC
2. ERO Enterprise Coordination initiatives:
 - Meet all milestones on CMEP tool development
 - Evaluate opportunities to centralize and/or standardize processes
 - Develop and implement meeting and travel policy for ERO Enterprise Working Groups
3. Stakeholder Engagement:
 - Develop and implement plan to reconceive technical committees to a lower cost model that preserves/improves effectiveness

Status Through Q3



- Current activities and action plans to address key findings from the 2018 biennial effectiveness survey included in the [Summary of Results](#).
- Tracking completion by Q4



- CORES -a managed launch is in progress for select registered entities before full release.
- **Align release 1 paused**
- Meeting and travel policy developed



- Reliability and Security Technical Committee



Questions and Answers

Staffing and Recruiting Update

Action

Review

Background

The company remains engaged in a multi-year human resources (HR) strategy focused on attracting, developing and retaining the staff necessary to achieve the company's long-term strategy and operating plan. Building additional technical and cyber security strength remains the primary focus for 2019.

There have been continued significant investments in 2019 in training and leadership development and communications. The officer team remains engaged in coaching and leadership training, and this coaching access has been broadened to include emerging leaders and succession candidates, resulting in meaningful impact on managers' ability to manage conflict and engage and develop teams. The 2019 organization training plan includes a combination of classroom-based competency, technical, and industry training, offsite utility visits and e-learning.

A variety of additional initiatives to improve culture and employee engagement are underway, including the operation of Employee Engagement and CEO-Advisory groups with diverse representation across locations, levels, and departments. Feedback from initial activities from these groups suggest that staff are engaging well with leadership and will be instrumental in helping to drive NERC's "invented future." Through a series of leadership offsite meetings, the officer team and HR have created a comprehensive plan to develop a NERC culture that's safe, inclusive, innovative, and collaborative. HR will play a key advisory and execution role on a number of related initiatives, which will include a full evaluation of existing HR products and services and enhancements that support the culture. Priorities for Q4 2019 and in 2020 include continued recruitment and selection enhancements, an improved orientation program, diversity and inclusion initiatives, investments in collaboration tools to improve communication throughout the ERO, and continued investments in E-ISAC operational efficiencies. Focus on these initiatives have been instrumental in improving employee retention with at or near single digit annual attrition expected for 2019 and a lower rate than 2018.