

DRAFT Minutes Board of Trustees

August 12, 2021 | 2:00 – 5:00 p.m. Eastern
WebEx

Call to Order

Mr. Kenneth W. DeFontes, Jr., Chair, called to order the duly noticed open meeting of the Board of Trustees (the “Board”) of the North American Electric Reliability Corporation (“NERC” or the “Corporation”) on August 12, 2021, at 2:00 p.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Board Members

Kenneth W. DeFontes, Jr., Chair
Robert G. Clarke, Vice Chair
Jane Allen
George S. Hawkins
Larry Irving
Suzanne Keenan
Susan Kelly
Robin E. Manning
Jim Piro
James B. Robb, NERC President and Chief Executive Officer
Colleen Sidford
Roy Thilly

NERC Staff

Tina Buzzard, Assistant Corporate Secretary
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
Howard Gugel, Vice President, Engineering and Standards
Kelly Hanson, Senior Vice President, Chief Administrative Officer
Marisa Hecht, Counsel
Stan Hoptroff, Vice President, Business Technology
Soo Jin Kim, Director, Power Risk Issues Management
Mark Lauby, Senior Vice President and Chief Engineer
Sonia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary
John Moura, Director, Reliability Assessment and Technical Committees
Lauren Perotti, Senior Counsel
Donna Pratt, Performance Analysis Manager
Janet Sena, Senior Vice President, External Affairs
Andy Sharp, Vice President and Chief Financial Officer
Mechelle Thomas, Vice President, Compliance

NERC Antitrust Compliance Guidelines

Ms. Buzzard noted the public nature of the meeting and directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the advance meeting materials. She stated that any additional questions regarding these guidelines should be directed to Ms. Mendonça.

Introduction and Chair's Remarks

Mr. DeFontes welcomed all of the attendees to the meeting, including Mr. Andre Bernier, Acting Assistant Deputy Minister, Natural Resources Canada ("NRCan"); Commissioner Alison Clements from the Federal Energy Regulatory Commission ("FERC"); Ms. Patricia Hoffman, Acting Assistant Secretary, Office of Electricity, Department of Energy; and Mr. Francis Bradley, President & CEO, Canadian Electricity Association ("CEA"). He remarked upon the challenges to reliability in the previous year and expressed his confidence that NERC and its stakeholders would rise to meet them.

Mr. DeFontes noted that the November 2021 Board meeting would likely be in a virtual format, but the final decision would be made after Labor Day.

Consent Agenda

Upon motion duly made and seconded, the Board approved the consent agenda as follows:

Minutes

The draft minutes for the June 11, 2021 and May 13, 2021 meetings were approved as presented to the Board at this meeting.

Committee Membership and Charter Amendments

Personnel Certification Governance Committee Proposed Charter Amendments

RESOLVED, that the Board hereby approves the amended Personnel Certification Governance Committee ("PCGC") Charter, substantially in the form presented to the Board at this meeting, to replace the PCGC Charter approved by the Board on May 5, 2016.

Procedure for Selection of Members to the Compliance and Certification Committee

RESOLVED, that the Board hereby approves the revised Compliance and Certification Committee procedure document CCCPP-013-2, Procedure for the Selection of Members to the NERC Compliance and Certification Committee, substantially in the form presented to the Board at this meeting.

MRO Regional Reliability Standards Process Manual

RESOLVED, that the Board hereby approves the Midwest Reliability Organization Regional Reliability Standards Process Manual, substantially in the form presented to the Board at this meeting.

FURTHER RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolution.

Regular Agenda

Remarks by Andre Bernier, Acting Assistant Deputy Minister, NRCan

Mr. DeFontes introduced Assistant Deputy Minister Bernier of NRCan. Mr. Bernier highlighted the strength of cross-border partnerships in advancing a safe, reliable, and resilient power grid in North America. He remarked on the challenges posed by the transforming North American power grid, the changing climate, and cybersecurity concerns. Mr. Bernier discussed some of the efforts being undertaken by the Canadian government to support industry in addressing these issues and highlighted the importance of continued cross-border collaboration.

Remarks by Alison Clements, Commissioner, FERC

Mr. Robb introduced Commissioner Clements of FERC. Commissioner Clements remarked that much has changed since the original enactment of the Federal Power Act and its 2005 revision to create the Electric Reliability Organization. She remarked that FERC, NERC, and its stakeholders need to consider new regulatory approaches to address the quick-moving challenges posed by extreme weather and the changing resource mix. Commissioner Clements referred to a recently-opened proceeding at FERC to address transmission planning challenges and welcomed stakeholders to submit comments. She also remarked on discussions and developments in the West to address issues affecting that area.

Remarks by Patricia Hoffman, Acting Assistant Secretary, Office of Electricity, DOE

Mr. DeFontes introduced Ms. Hoffman of the Department of Energy (“DOE”). Ms. Hoffman remarked on the strength of the agency’s partnerships with NERC, FERC, and the Canadian government and the importance of information sharing to address the challenges facing the North American grid. She discussed the agency’s investments in cyber security, electrification, and infrastructure and the need to continue focusing on identifying cost-effective investments to meet reliability and resiliency challenges.

Remarks by Francis Bradley, President & CEO, CEA

Mr. Robb introduced Mr. Bradley of CEA. Mr. Bradley began his remarks by acknowledging the indigenous peoples and cultures of Canada. He remarked that the U.S./Canadian cross-border partnerships represent one of the greatest strengths of the industry, and these partnerships help the industry advance reliability, resilience, and security and address the challenges posed by extreme weather and the changing resource mix and cyber security threats.

President’s Report

Mr. Robb provided the president’s report. He noted that 18 years has elapsed since the August 2003 blackout, and NERC and its U.S. and Canadian stakeholders remain committed to addressing reliability and security issues in North America. Mr. Robb noted that the Board will consider the proposed NERC and Regional Entity budgets at this meeting, and he reported that NERC is taking advantage of local real estate market conditions to generate significant cost savings, both in the proposed 2022 budget and in future years. He thanked stakeholders for their work and inputs during the budget process. Mr. Robb also reported on the status of NERC’s efforts to recruit a new vice president for people and culture.

Mr. Robb recalled that the Board focused on three priorities for 2021: energy assurance, the changing ecosystem/resource mix, and cybersecurity. He reported on efforts undertaken since the last meeting to address these priorities, including advancing winter preparedness, actions taken in response to the Department of Energy 100-day plan for cybersecurity, and the deployment of Align release 2. Mr. Robb remarked on the need to continue to work together to successfully address the challenges facing today’s North American electric grid.

Mr. Robb then introduced Ms. Sara Patrick, President and CEO of the Midwest Reliability Organization (MRO) and co-chair of the ERO Enterprise Executive Committee, to provide additional comments. Ms. Patrick highlighted the importance of electricity to modern life. She emphasized the important role the ERO Enterprise plays in mitigating

the risks to the reliability and security of the North American electric grid, both through mandatory Reliability Standards and other industry outreach and education efforts.

Report on the July 7 and August 11, 2021 Closed Meetings

Mr. DeFontes reported that on July 7, 2021 and August 11, 2021 (as is its custom), the Board met in closed session with NERC management to review NERC management activities. On July 7, the Board authorized a new office lease for the Washington, D.C. office, which will provide significant cost savings. On August 11, the Board discussed the Board's resolutions for this meeting, policy input, Reliability Standards proposed for adoption, and the draft 2022 ERO Enterprise Work Plan Priorities. The Board also discussed human resource matters and met in executive session with the General Counsel to discuss legal issues.

Ms. Sidford reported that the Board met with Canadian regulators on August 10, 2021. The participants received an update on the February 2021 cold weather event affecting the south central United States, and they discussed key topics including critical infrastructure dependencies, cyber activity, standards and enforcement, and Regional Entity activities relating to Canada.

Board Committee Reports

Corporate Governance and Human Resources

Mr. Hawkins, Committee Chair, reported on the closed meetings on June 11, 2021, July 7, 2021 and August 9, 2021. At the closed meetings, the Committee met with Meridian Compensation Partners regarding several compensation studies, heard presentations regarding the newly created NERC Employee Resource Groups, and addressed human resources issues. At the Committee's open meeting on August 11, 2021, the Committee reviewed questions for the forthcoming Board self-assessment and Member Representatives Committee ("MRC") assessment of Board effectiveness survey and received an extended update on NERC's human resources initiatives.

Compliance

Mr. Manning, Committee Chair, reported on the Committee's closed meeting on August 10, 2021. At this meeting, the Committee received updates on the FERC/ERO Enterprise 2021 cold weather inquiry and critical infrastructure protection activities, including activities to support the Department of Energy 100-Day Plan, COVID Impacts to CIP-014, and reporting under CIP-008. The Committee also reviewed the ERO Enterprise's Facility Ratings Strategy, received the quarterly Compliance Monitoring and Enforcement Program (CMEP) report, and discussed Canadian standards and CMEP issues.

Finance and Audit

Mr. Clarke, Committee Chair, reported on the July 7, 2021 and August 9, 2021 closed meetings of the Committee. At these meetings, the Committee received updates on the draft NERC 2022 Business Plan and Budget and office lease options, among other matters. He also reported that the Committee held webinars on the first and second drafts of the 2022 NERC Business Plan and Budget on June 3, 2021 and July 22, 2021, respectively.

At its August 11, 2021 open meeting, the Committee took action on several items. First, Mr. Clarke reported that the Committee reviewed and recommended the Second Quarter Statement of Activities. Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board, upon recommendation of the Finance and Audit Committee, hereby accepts the Second Quarter 2021 NERC, Combined ERO Enterprise, and Regional Entity Unaudited Statement of Activities, as presented to the Board at this meeting.

Second, Mr. Clarke reported that the Committee reviewed and recommended for Board approval the NERC and Regional Entity Proposed 2022 Business Plans and Budgets and associated assessments. He noted that the proposed

2022 NERC budget reflects a \$400k savings on the lease for a new Washington, D.C. office. Mr. Clarke reported that any future decisions regarding the lease for the Atlanta office would not impact 2022 assessments, as any out of pocket costs would be funded by reserves or borrowing, and any future savings would be reflected in future year budgets. After discussion, and upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby approves the following, substantially in the form presented to the Board at this meeting:

1. The proposed 2022 NERC Business Plan and Budget;
2. The proposed 2022 Business Plans and Budgets of the Regional Entities and the Western Interconnection Regional Advisory Board; and
3. The proposed 2022 assessments to recover the costs of the approved 2022 budgets, subject to adjustments to reflect final Net Energy for Load numbers, together with such other adjustments as may be necessary.

FURTHER RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolution.

Mr. DeFontes and Mr. Clarke thanked stakeholders for their valuable input throughout the budget process.

Enterprise-wide Risk

Ms. Sidford, Committee Chair, reported on the Committee's closed meeting on August 5, 2021. At its meeting, the Committee received updates on the activities of the Compliance and Certification Committee, Regional Entity activities, 2021 audit plan status, the 2022 CMEP Regional Entity draft audit schedule, and the results of an Enterprise Risk Management diagnostic study performed by a third party consultant.

Technology and Security

Ms. Keenan, Committee Chair, reported on meeting of the Member Executive Committee on July 29, 2021 to endorse the 2022 E-ISAC budget. She also reported on the Committee's open meeting on August 11, 2021, where the Committee received updates on E-ISAC operations, the Align project, and other ERO Enterprise technology projects. Ms. Keenan highlighted the upcoming virtual GridEx event, to take place from November 16-18, 2021. Ms. Keenan noted that work continues to progress on developing the E-ISAC's advanced analysis capabilities, and the results of the recent E-ISAC stakeholder feedback survey were very positive.

Nominating

No Committee report was provided at this meeting.

Report by Jim Piro on Standards and RSTC Quarterly Activities

Mr. Piro, Liaison to the Standards Committee and Reliability and Security Technical Committee (RSTC), reported on recent Standards Committee activities, including actions taken at its meetings to authorize postings, accept several Standard Authorization Requests, and appoint drafting teams.

He also reported that the participation and engagement on the RSTC continues to remain high and highlighted its work to address resource adequacy. Mr. Piro reported that the RSTC is currently soliciting feedback from stakeholders.

Standards Quarterly Report and Actions

Project 2019-02 BES Cyber System Information Access Management

Mr. Gugel presented the proposed Reliability Standards developed through Project 2019-02 BES Cyber System Information Access Management, referencing the material included in the advance agenda package. He noted that the proposed standards are intended to provide increased options for entities to leverage third-party data storage and analysis systems and clarify the protections expected when using such solutions. Upon motion duly made and seconded, the Board approved the following resolutions:

Proposed Reliability Standard CIP-004-7

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-004-7, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-004-6, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-011-3

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-011-3, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-011-2, as presented to the Board at this meeting.

Implementation Plan for Project 2019-02

RESOLVED, that the Board hereby approves the associated implementation plan for the above-listed standards, as presented to the Board at this meeting.

Authorization

RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolutions.

Proposed Revisions to the NERC Rules of Procedure – Section 300, Appendices 3B and 3D

Mr. DeFontes introduced the topic by acknowledging the feedback received during the MRC meeting regarding the participation of Regional Entities in the Registered Ballot Body. He stated that the Board will direct NERC staff to consider an appropriate action to consider the feedback in a timely manner.

Ms. Hecht then presented the proposed revisions to Section 300 and Appendices 3B and 3D to the NERC Rules of Procedure regarding Reliability Standards, referencing the material included in the advance agenda package. Upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby approves the revisions to Section 300, Appendix 3B, and Appendix 3D of the NERC Rules of Procedure, substantially in the form presented to the Board at this meeting.

FURTHER RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolution.

Standards Efficiency Review Update

Mr. Gugel provided an update on the Standards Efficiency Review, referencing the materials included in the advance agenda package. He highlighted the Standards Efficiency Review Report and Transition Plan and noted that work continues on reviewing recommended standards modifications and engraining efficiency into all aspects of standards development.

Critical Infrastructure Protection Board Resolution Updates

Mr. Gugel provided an update on activities in support of resolutions approved by the Board regarding the Critical Infrastructure Protection (CIP) reliability Standards, referencing the material provided in the advance agenda package. He highlighted activities underway to address low impact BES Cyber Assets, including: (1) a standards project that is underway to address the categorization for Transmission Only Control Centers following the Board's withdrawal of the CIP-002-6 standard in February 2021; and (2) a broader review and analysis of the low impact criteria.

Other Matters and Reports

Policy Input and Member Representatives Committee Meeting

Mr. DeFontes referred to the discussion of policy input items and technical updates at the August 12, 2021 MRC meeting.

2021 State of Reliability Report

Mr. Moura introduced the 2021 State of Reliability Report, highlighting the role of the report in providing objective, credible, and concise information on issues affecting the reliability and resilience of the North American bulk power system ("BPS"). Mr. Moura and Ms. Pratt reviewed the key findings of the report. After discussion, and upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board hereby accepts the 2021 State of Reliability Report, endorses the recommendations contained therein, and authorizes its publication.

2021 ERO Reliability Risk Priorities Report

Mr. Nelson Peeler, Chair of the Reliability Issues Steering Committee ("RISC"), presented the 2021 RISC ERO Reliability Risk Priorities Report. He noted that the report identifies and prioritizes 11 key risks relating to the following four areas: (1) grid transformation; (2) security; (3) extreme natural events; and (4) critical infrastructure dependences. After discussion, and upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board hereby accepts the Reliability Issues Steering Committee 2021 ERO Reliability Risk Priorities Report, as presented to the Board at this meeting.

Semi-Annual Review of the Achievements of the 2021 ERO Enterprise Work Plan Priorities

Ms. Kim provided an update on accomplishments in the second quarter of 2021 to advance the 2021 ERO Enterprise Work Plan Priorities. She noted that, due to recent events, these priorities were revised to focus on tasks to address: (1) energy sufficiency; (2) cold weather; and (3) cyber security.

2021 ERO Enterprise Reliability Indicators

Ms. Kim provided an update on the status of the 2021 ERO Enterprise Reliability Indicators.

Committee Reports

Representatives of the Standing Committees provided reports to the Board highlighting items from their written reports, which had been included with the advance meeting materials.

Member Representatives Committee

Mr. Paul Choudhury, Committee Chair, summarized the topics that had been discussed at the August 12, 2021 MRC meeting, referring to the materials provided in the advance agenda package and the posted presentations.

Personnel Certification Governance Committee

Mr. Cory Danson, Committee Chair, provided an update on the activities of the Committee, referencing the materials provided in the advance agenda package and summarizing upcoming work. He reported that the Committee is seeking nominations for a new member.

Standards Committee

Ms. Amy Casuscelli, Committee Chair, provided an update on the activities of the Committee, referencing the materials provided in the advance agenda package. She highlighted work under the Standards Efficiency Review and upcoming special elections.

Compliance and Certification Committee

Ms. Jennifer Flandermeyer, Committee Chair, provided an update on the activities of the Committee, referencing the materials provided in the advance agenda package.

Reliability and Security Technical Committee

Mr. Greg Ford, Committee Chair, provided an update on the activities of the Committee, referencing the materials provided in the advance agenda package. He highlighted the appointment of Rich Hydzik as Vice Chair of the RSTC.

Electricity Subsector Coordinating Council

Mr. Robb reported on recent Electricity Subsector Coordinating Council activities, including steering committee meetings, discussion of creating a supply chain working group, and a meeting of the wildfire working group. He also highlighted the upcoming GridEx event.

Forum and Group Reports

North American Energy Standards Board

Mr. Michael Desselle, Chair of the NAESB Board of Directors, discussed recent activities at NAESB regarding natural gas and electric coordination.

North American Transmission Forum

Mr. Tom Galloway, Forum President and Chief Executive Officer, referenced the written report and highlighted the Forum's work pertaining to facility ratings and supply chain security.

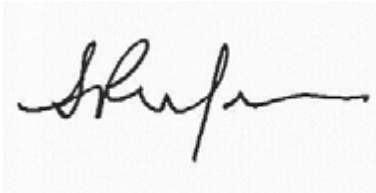
North American Generator Forum

Mr. DeFontes referenced the Forum's written report included in the advance agenda package.

Other Matters and 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 'Sônia Mendonça', is displayed on a light gray rectangular background.

Sônia Mendonça
Corporate Secretary