

September 29, 2021

Mr. Paul Choudhury, Chair  
NERC Member Representatives Committee

Dear Paul:

I invite the Member Representatives Committee (MRC) to provide policy input on one matter of particular interest to the NERC Board of Trustees (Board) as it prepares for its November 3-4, 2021, meetings, which will occur via teleconference. In addition, policy input is requested on any items on the preliminary agendas for the quarterly Board, Board Committees, and MRC meetings. The preliminary agendas are included in the [MRC Informational Session agenda package](#) (see Item 1) and are attached hereto (**Attachment A**). The MRC's November agenda includes an opportunity for MRC members to provide additional input to the Board on the final agenda and materials. **As a reminder, please include a summary of your comments in your response (i.e., a bulleted list of key points) for NERC to compile into a single summary document to be provided to the Board for reference, together with the full set of comments.**

### **Opportunities for Improving ERO Enterprise Agility**

The electricity industry is experiencing significant policy and technical forces that are driving rapid change in how electricity systems are designed, planned, operated, and secured. The transformed reliability, resilience, and security ecosystem will include new risks, new complexities, new terminology, new requirements, new players, and jurisdictional challenges. As noted at the August Board meeting, the Board and NERC management recognize these changes are coming large and fast. While striving for efficient and effective programs, the ERO Enterprise's core processes (like most in the electricity sector) are designed for consultation, deliberation, and consensus building, which are inherently slower and pre-disposed toward incremental change based on lessons learned and observed challenges. At the same time, over the past few years the ERO Enterprise has focused on efficiency and effectiveness with a few key initiatives — the Standards Efficiency Review, aligning compliance monitoring and enforcement program processes, improving data handling and security through Align and the Secure Evidence Locker, and looking at real estate costs with the potential for reducing that fixed cost category by 40% or more. The ERO Enterprise is interested in exploring new ways of working to manage the rapid changes to the sector while continuing to promote the technical expertise and stakeholder consensus building process which is a hallmark of ERO Enterprise programs since its inception in 2007.

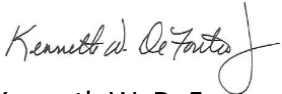
**The Board requests MRC policy input on the following:**

- 1. Do you agree that more nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electricity sector?**
- 2. Where do you see opportunities for exploring new ways of working and making processes more efficient and agile?**

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Written comments in response to the input requested above, the preliminary agenda topics, and on other matters that you wish to bring to the Board's attention are due by **October 20, 2021**, to Kristin Iwanechko, MRC Secretary ([Kristin.Iwanechko@nerc.net](mailto:Kristin.Iwanechko@nerc.net)). The formal agenda packages for the Board, Board Committees, and MRC meetings will be available on October 21, 2021, and the presentations will be available on October 28, 2021. The Board looks forward to your input and discussion of these matters during the November 2021 meetings.

Thank You,



Kenneth W. DeFontes, Jr., Chair  
NERC Board of Trustees

cc: NERC Board of Trustees  
Member Representatives Committee

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Member Representatives Committee (MRC)

Pre-Meeting and Informational Webinar  
October 6, 2021

**RELIABILITY | RESILIENCE | SECURITY**



- Review schedule and preliminary agenda topics for the November 2021 Board, Board Committees, and MRC meetings
- Review policy input letter topic
  - Opportunities for Improving ERO Enterprise Agility

- **September 29:** Policy input letter issued
- **October 20:** Written comments due on policy input topics and preliminary agenda topics
- **October 21:** Board and MRC agenda packages and policy input letter comments posted
- **October 28:** Board and MRC presentations posted
- **November 3-4:** Board Committee, Board, and MRC open meetings

# Schedule of November 3-4 Board and MRC Open Conference Calls

Thursday, November 3, 2021	
11:30 a.m.-12:15 p.m.	Corporate Governance and Human Resources Committee Meeting — <u>Open</u>
1:00-2:00 p.m.	Finance and Audit Committee Meeting — <u>Open</u>
2:30-3:30 p.m.	Compliance Committee Meeting — <u>Open</u>
4:00-5:00 p.m.	Technology and Security Committee Meeting — <u>Open</u>
Thursday, November 4, 2021	
11:00 a.m.-1:00 p.m.	Member Representatives Committee Meeting — <u>Open</u>
2:00 p.m.-5:00 p.m.	Board of Trustees Meeting — <u>Open</u>

- Approve Board of Trustees Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey
- Approve Board of Trustees Compensation
- Human Resources and Staffing Update

- Review Amendment to Investment Policy
- Review Third Quarter Statement of Activities
  - NERC Summary of Results as of September 30, 2021
  - Total ERO Enterprise Summary of Results as of September 30, 2021
  - Regional Entity Variance Reports as of September 30, 2021
- 2022 Business Plan and Budget Status Update
- Review 2023 Business Plan and Budget Schedule



- COVID-19 Related Activities
- Facility Ratings Update
- 2022 CMEP Implementation Plan

- E-ISAC Operations Update
- ERO Enterprise Align Project Update
- ERO Enterprise Business Technology Projects Update

- Future Meetings
- Election of MRC Officers for 2022
- MRC Sector Nominations and Elections Schedule
- General Updates and Reports
  - Board of Trustees Nominating Committee Update
  - Business Plan and Budget Input Group Update
  - Regulatory Update
- Policy and Discussion Items
  - Responses to the Board's Request for Policy Input
    - Opportunities for Improving ERO Enterprise Agility
  - Additional Policy Discussion of Key Items from Board Committee Meetings
  - MRC Input and Advice on Board Agenda Items and Accompanying Materials

- Cold Weather Preparedness Activities
- Technical Updates
  - FERC Reliability Matters
  - Bulk Power System Situation Awareness
  - Hurricane Ida Restoration Efforts

- Committee Membership and Charter Amendments
- Report on the September 28 and November 3, 2021, Closed Meetings
- Board Committee Reports
  - Approve Board of Trustees Compensation
  - Accept Third Quarter Statement of Activities
  - Approve Investment Policy
- Standards Quarterly Report and Actions
  - Approve 2022-2024 Reliability Standards Development Plan
  - Adopt PRC-006-SERC-03 – Automatic Underfrequency Load Shedding
  - Low Impact BES Cyber Asset and Supply Chain Update

- Other Matters and Reports
  - Discuss Policy Input and Member Representatives Committee Meeting
  - Approve 2022 ERO Enterprise Work Plan Priorities
  - Long-Term Reliability Assessment Preview
  - Winter Reliability Assessment Preview
- Committee, Forum, and Group Reports



# Questions and Answers

## MEMORANDUM

**TO:** Ken DeFontes, Chair  
NERC Board of Trustees

**FROM:** Jack Cashin, Director, Policy Analysis and Reliability Standards, American Public Power Association  
John Di Stasio, President, Large Public Power Council  
Terry Huval, Executive Director, Transmission Access Policy Study Group

**DATE:** October 20, 2021

**SUBJECT:** Response to Request for Policy Input to NERC Board of Trustees

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The American Public Power Association, Large Public Power Council, and Transmission Access Policy Study Group concur with the Policy Input submitted today by the State/Municipal and Transmission Dependent Utility Sectors of the Member Representatives Committee, in response to NERC Board Chair Ken DeFontes September 29, 2021 letter requesting policy input in advance of the November 2021 NERC Board of Trustees meetings.





## NERC Board of Trustees Policy Input – Canadian Electricity Association

The Canadian Electricity Association (“CEA”) appreciates this opportunity to provide policy input to the NERC Member Representatives Committee (“MRC”) and Board of Trustees (“Board”).

### **Summary of Key Points:**

- CEA appreciates that NERC is working to ensure it can remain effective and efficient within an environment of significant and rapid change in the electricity industry.
- CEA encourages NERC to define ‘nimble’ and ‘agile’, and the scope of these efforts. This may assist with the development of possible nimbleness and agility metrics.
- NERC may wish to look for internal ‘red tape’ that may act as an unnecessary barrier to desired stakeholder consultation or expertise gathering processes.
- NERC should continue to leverage lessons learned from the creation of the RSTC as it matures.
- NERC should maintain the American National Standards Institute accredited process for standards development. There may also be opportunities for more nimbleness when a standard is retired.
- There may be agility and effectiveness opportunities in the *NERC Business Plan & Budget* planning process. For example, officially pre-posting a very high-level budget for stakeholder comment.

### **Opportunities for Improving ERO Enterprise Agility**

CEA appreciates that NERC is working to ensure it can remain effective and efficient within an environment of significant and rapid change in the electricity industry.

This imperative echoes CEA’s comments on the *First Draft of the 2022 NERC Business Plan & Budget*. These comments encouraged NERC to continue to examine how its overall programming and structure can become more adaptable to effectively address challenges as they arise and evolve. This can help ensure that the NERC budget and its operations are not only more sustainable in the longer-term, but that NERC programming is more resilient and nimbler in the face of rapidly progressing reliability and security issues.

That said, ‘nimble’ and ‘agile’ are broad terms. CEA encourages NERC to clearly define these terms, the scope of these efforts, and how they relate to NERC’s efficiency and effectiveness in activities. With clear definitions, NERC could explore the development of internal nimbleness and agility metrics relating to programs and work.

In regard to managing rapid changes to the sector, while continuing to promote technical expertise and stakeholder consensus building, NERC may seek to look internally for processes or procedures that may act as unnecessary ‘red tape’. In particular, NERC should focus on those processes that don’t contribute to consensus building or expertise gathering efforts, or that even make these efforts more difficult to execute as they are burdensome for stakeholders.

There have also been recent changes to some NERC committee structures to respond to changes in the industry, to avoid duplication of efforts and to use resources more efficiently. The creation of the RSTC is an example. NERC should continue to identify lessons learned regarding how these changes are achieving desired results as these new structures continue to mature. NERC should also continue to seek to avoid duplication of effort with other entities, especially in areas outside of NERC’s core responsibilities.

Regarding standard development, CEA remains supportive of ongoing stakeholder engagement to ensure standards reflect industry input and the best expertise, and to help NERC to continue to identify when other tools more appropriately address an issue. Particularly, it's important to maintain the American National Standards Institute ("ANSI") accredited process for standards development. While moving more nimbly can help accomplish reliability goals, maintaining ANSI accreditation helps ensure that all perspectives are represented.

That said, standards themselves should be designed with the understanding that entities must be able to adapt to rapid and ongoing changes, and in the way that is most appropriate for their unique realities. They should also be designed in a way which causes the least amount of administrative burden, so that efforts can be focused on upholding the reliability imperatives standards aim to ensure.

NERC may also wish to work with other regulatory bodies to examine if there are opportunities to help relieve the compliance burden for entities more quickly once a standard has been identified to be retired. This can help ensure entity resources are more focused on the activities that matter for reliability.

Finally, there may be agility and effectiveness opportunities in the *NERC Business Plan & Budget* planning process. Currently NERC posts two drafts of the proposed budget. While the posting of the 1<sup>st</sup> draft often spurs robust stakeholder input, there are typically few comments on the 2<sup>nd</sup> draft, especially as there are often little substantial changes between these drafts, given that by this time it is far into the planning process.

That said, there may be value in allowing for more formal stakeholder input earlier in the process. This could be done by replacing the 2<sup>nd</sup> draft posting with an official pre-posting before the 1<sup>st</sup> draft. This pre-posting could post assumptions, priorities, alignments, and a simplified high-level budget. Stakeholder comments on this pre-posting would allow NERC to more nimbly incorporate or address them in the 1<sup>st</sup> draft before it is 'baked in'. Stakeholders could then comment on the 1<sup>st</sup> draft, and NERC could then send a finalized draft budget based on these comments to the Board for discussion or approval.

CEA recognizes and appreciates ongoing effectiveness and efficiency efforts at NERC, and hopes this additional focus on agility and nimbleness complements these efforts and enables NERC to continue to ensure its mission in light of transformation.

**Dated:** October 20<sup>th</sup>, 2021

**Contact:**

Francis Bradley  
President & CEO  
Canadian Electricity Association  
Bradley@electricity.ca



Edison Electric  
INSTITUTE

*Power by Association*

## **Policy Input for the NERC Board of Trustees Provided by the Edison Electric Institute October 20, 2021**

On behalf of our member companies, the Edison Electric Institute (“EEI”) appreciates the opportunity to provide the following policy input for the NERC Board of Trustees to review in advance of the November 3 - 4, 2021, meetings. EEI perspectives on bulk-power system (“BPS”) reliability are formed by our CEO Policy Committee on Reliability, Security, and Business Continuity and the Reliability Executive Advisory Committee with the support of the Reliability Technical Committee.

In the September 29, 2021, policy input letter, NERC Board of Trustees Chair, Kenneth W. DeFontes, Jr., seeks stakeholder input on opportunities for improving ERO Enterprise agility. EEI offers the following input.

### **I. SUMMARY OF COMMENTS**

- EEI supports solutions to enhance efficiency and effectiveness of ERO Enterprise processes for the betterment of grid reliability and security that continues to leverage stakeholder collaboration and consensus building processes.
- If existing processes need enhancement, EEI is eager to work collaboratively with the ERO to develop agile and inclusive processes.
- Use of NERC’s “Framework to Address Known and Emerging Reliability and Security Risks” (“Framework”) is the foundation for a more agile and efficient ERO Enterprise.
- The Reliability and Security Technical Committee (“RSTC”) is vital for ERO Enterprise agility.
- The ANSI-accredited standards process and the NERC standards development manual are proven tools that result in open and transparent development of North American Reliability Standards and must be maintained.
- Platforms, tools and processes could be developed to address a common approach to vendor security risk assessments which will directly result in improved security and efficiency.
- There is an opportunity for the ERO risk-based compliance and enforcement process to evolve with NERC’s risk-based approach, especially to find innovative ways to differentiate obligations and

corresponding burdens between low-risk noncompliance and higher risk noncompliance.

- Collaborating and coordinating through the appropriate governmental authorities early to solve emerging risks that are outside of NERC's purview is critical to an agile organization.

## **II. COMMENTS**

The Board of Trustees seeks policy input on opportunities for working and making ERO Enterprise processes more efficient and agile in light of the rapid changes occurring in the electricity sector.

Protecting our nation's energy grid and ensuring a reliable supply of energy are top priorities for EEI. Given the dynamic nature of the grid and evolving and expanded threats to reliability, EEI members constantly seek ways to adapt to these challenges. Over the past couple of years, NERC and industry, working together, have implemented programs that address efficiency and effectiveness in several areas. While these efforts are still maturing, they have already improved ERO agility. EEI and our member companies look forward to continuing the collective work to find new and improved ways to address these challenges within the scope of ERO Enterprise rules and processes, with an emphasis on sector representation, industry collaboration, and consensus building processes. To the extent those rules and processes need revision to adapt to reliability challenges, EEI welcomes working with NERC to support the shared mission of effective and efficient reduction of risks to the reliability and security of the grid.

To address reliability and security risks relative to a rapidly changing grid, NERC's Framework is well suited to address the question of a more agile and efficient ERO Enterprise. The Framework elaborates on how NERC will expand reliability, resilience, and security initiatives to identify known and emerging risks while engaging industry in a collaborative manner. EEI supports the Framework and its approach for a collaborative and repeatable method for the identification, prioritization, and mitigation of emerging reliability and security risks. The Framework provides a good foundation for addressing known and emerging risks to support the continued reliability and security of the BPS and will contribute well to NERC's goal for more agility.

Among the tools identified in the Framework are the NERC standards and other ERO and Commission initiatives (guidelines, alerts, bulletins, workshops, technical conferences, whitepapers) that strengthen the reliability and resiliency of the grid. Alerts, for example, underscore this value by allowing for sharing time-sensitive information and identifying and recommending specific and essential actions to be taken for BPS reliability. Collectively, these tools, along with a robust stakeholder driven process that capitalizes on the extensive knowledge and experience of the stakeholder community, serve as an effective way to provide necessary information to the electric industry. Continued use and enhancement of

the Framework will help NERC and all stakeholders to reach NERC's goal of becoming a nimbler organization and in turn will further work to strategically define and prioritize risks to the reliable operation of the BPS. EEI looks forward to continued collaboration with NERC on the implementation and evolution of the Framework as the basis and model for continued partnership.

Another step NERC has taken that supports the focus of NERC's policy input request is the formation of the RSTC. One of the founding principles of the RSTC was to allow for a more nimble and efficient way to address new and emerging risks. The RSTC can quickly stand up a task force to expeditiously conduct a review and analysis of emerging risks. Additionally, the RSTC develops whitepapers which are an important tool in the Framework to rapidly address risks since they can include recommendations that could improve reliability for issues that may not necessarily be solely in NERC's jurisdiction, e.g., gas and electric coordination. In addition to whitepapers, the RSTC can develop Reliability Guidelines to quickly address emerging risks while possible new or modified Reliability Standards are evaluated. To ensure guidelines continue to be an effective tool, we recommend the RSTC continue reviewing all reliability and security guidelines to ensure the recommendations are clear and useful, are not duplicative with other existing guidelines, follow a common template, and are easy to find on the NERC website.

Building on and improving existing methods for gathering industry input during the various processes such as the development of technical documents, guidelines, and whitepapers as well as during the standards development process will improve ERO Enterprise activities and is critical to NERC's goal of improved agility. Engaging industry and the various sectors rather than a discrete group of individuals when identifying approaches and developing solutions should result in improved work products. This was recently demonstrated in the success of the Cold Weather Standards Development project. During this project, the drafting team regularly reached out to industry to support the development of quality standards to address the reliability risks and to ensure timelines were met for this important issue, which in turn resulted in an expeditious review and approval of the standard at FERC.

Development of NERC Reliability Standards requires industry drafting teams to follow the ANSI-accredited process which is a proven tool that supports open and transparent development of North American Reliability Standards to address reliability and security. In addition, the standards development process has flexibility to expedite standards development in limited circumstances. Using these recognized and established processes, industry has proven it can act nimbly when the problem is clearly identified when provided technical analysis and supporting data. The development of the CIP-014 Physical Security Reliability Standard underscores a model where industry collaborated and prioritized development and approval of the CIP-014 Reliability Standard. Industry had the same success in streamlining the development of the CIP-013 Supply Chain Reliability Standard to address emerging supply chain risks.

First looking to improve existing processes in lieu of creating new processes may be a more effective means to make the ERO Enterprise more agile. For example, NERC's Process for Conducting Periodic Reviews of Reliability Standards ("Periodic Review") is an appropriate, useful and established tool for identifying standards that are no longer needed as well as identifying any reliability gaps in standards. Enhancing the Periodic Review process versus establishing another process could help reduce resources, prevent duplicative efforts, and create the appropriate efficiencies NERC seeks. Because emerging risks are often localized issues and do not impact all of North America equally, regional solutions, pilots, and standards may often be a more appropriate and effective solution.

The processes for evaluating vendor supply chains lack efficiency and cost-effectiveness for electric utilities or for our vendors. Current industry supply chain risk mitigation comes through a combination of security controls and contract provisions. Each electric utility must perform individual vendor security risk assessments as well as develop and enforce specific contract terms and conditions for each in-scope vendor to maintain compliance with CIP-013-1. The vendor security risk assessments are unnecessarily repetitive if more than one electric company uses the same vendor. As the industry shares many of the same vendors, this means that there are multiple evaluations that a single vendor needs to complete to conduct business. This is inefficient and unnecessarily costly for the electric industry and its customers and vendors because of the lack of standardization. It would be far more efficient, and ultimately secure, if platforms, tools and processes could be developed to address this issue and to streamline the collection of information. The industry is looking for solutions to develop a common approach to avoid sending multiple surveys and requests for information to the same vendor while ensuring that small business participation, competition, diversity, or innovation are not negatively impacted. ERO Enterprise support for and acceptance of these efforts would improve effectiveness and agility in a critical area of cybersecurity.

Another area that the ERO Enterprise should consider is an evolution of the risk-based compliance and enforcement process. Specifically, industry would appreciate the opportunity to work with the ERO Enterprise to identify ways to further align the process with NERC's risk-based approach. For example, improvements can be made to identify ways to differentiate compliance evidence gathering, retention, and enforcement processing obligations and corresponding burdens for low-risk noncompliance from higher risk noncompliance. One idea worth exploring is, for low-risk noncompliance, rather than collecting and verifying mitigating actions, the ERO Enterprise could simply follow-up during a subsequent audit to ensure adequate controls are in place so that low risk concerns do not escalate. This approach would be more efficient and valuable than the existing zero tolerance compliance and enforcement approach since a one-size-fits-all enforcement is not appropriate in all instances of noncompliance. Additionally, timelier processing of noncompliance would support NERC's goal for effectiveness

and agility. This would also create transparency for industry regarding potential trends and emerging issues.

To the extent emerging risks facing industry are outside of NERC's purview, collaborating and coordinating through the appropriate governmental authorities early to solve these risks is critical to an agile organization.

Thank you for the opportunity to provide policy input.



# Sector 8 Policy Input for the NERC Board of Trustees & Member Representatives Committee

## November 3-4, 2021 Meetings

ELCON, on behalf of Large End-Use Consumers, submits the following policy input for the consideration of NERC's Board of Trustees (BOT) and the Member Representatives Committee (MRC). It responds to BOT Chair Ken Defontes, Jr.'s September 29, 2021 letter to Paul Choudhury, Chair of the MRC.

### SUMMARY

Large Consumers (Sector 8) support efforts by NERC to improve the agility and efficiency of the ERO Enterprise. The BOT requested MRC input on the following questions:

1. **Do you agree that more nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electricity sector?** Yes. Large Consumers recognize the benefits of nimble programs within the ERO Enterprise given the rapid changes in the industry. However, we ask that any improvements regarding speed or efficiency of work processes not come at the expense of work quality.
2. **Where do you see opportunities for exploring new ways of working and making processes more efficient and agile?** Large Consumers see opportunities for sharing learned experiences among standing committees and task forces, particularly in an era of increased virtual meetings.

### Improving Agility Given Rapid Industry Changes

Although Large Consumers acknowledge the large and rapid changes in the electricity industry, we ask that the ERO Enterprise ensure that quality is not sacrificed for expediency. Some ERO Enterprise processes stretch over multiple years, and we find the deliberate pace of much of the ERO Enterprise's work to be appropriate given the significant impact of the work and the number and variety of stakeholders involved.



Large Consumers commend the ERO Enterprise's ability to stand up task forces as needed to address specific issues, such as the Energy Reliability Assessment Task Force (ERATF) and the Facility Ratings Task Force (FRTF). Both the ERATF and FRTF have important and timely roles to play in the ERO Enterprise's work, and the existing practice of leaning on task forces to focus on emerging issues appears to be sufficient to contend with the rapid changes in the industry.

### **Improving Efficiency**

Large Consumers also commend the ERO Enterprise for continuing its important operations in a virtual-only environment due to the ongoing pandemic. One stumbling block that has emerged in the virtual setting is the procedure for counting votes in standing committee meetings in which some members are present (virtually) but do not log a vote. In particular, the Reliability and Security Technical Committee (RSTC) voting rules may be an area for improved efficiency given the ongoing debate over such rules, which distracts time and attention away from substantive issues.

What's the solution? Large Consumers recognize that the ERO Enterprise cannot simply mandate uniform voting rules across all standing committees. We propose that NERC work with stakeholders towards a long-term goal of harmonizing the governance elements within the charters of its standing committees. Large Consumers voted to approve the RSTC charter, and we are committed to fulfilling our obligations as part of the RSTC. To the extent that other standing committees can learn from the RSTC experience with virtual voting (or vice versa), we encourage NERC to share experiences and learning across standing committees and task forces.

Finally – where feasible and practical – we ask that NERC attempt to make rules for vote counting and other parliamentary matters more uniform across the ERO Enterprise. The substantive work of these groups is too important to get bogged down in internal procedural issues.

Thank you for your consideration.

**TO:** Kenneth W. DeFontes, Jr., Chair  
NERC Board of Trustees

**FROM:** Edison G. Elizeh  
Federal Utility/Federal PMA Portion Sector 4

**DATE:** Oct. 19, 2021

**SUBJECT:** Response to Request for Policy Input to NERC Board of Trustees

The Portion of Sector 4 representing the Federal Utilities and Federal Power Marketing Administrations (Federal PMAs), appreciate the opportunity to respond to your September 29, 2021 letter to Mr. Paul Choudhury, Chair NERC Member Representative Committee, requesting input on certain policy issues. The Federal PMAs appreciate the opportunity to provide comments on the policy input of particular interest to the NERC Board of Trustees (Board) for their November 2021 meeting.

- The Federal PMAs have no further input on Board and MRC's agenda. The items listed on draft agenda adequately represents the issues for the Board and MRC discussions and approvals.
- The Federal PMAs agree in having an agile ERO as the industry is going through a major transformations. Role of ERO members, such as REs, need to be clear and concise, and REs need to follow a transparent processes showing the cost effectiveness of required tasks, and follow their governance structure for deliberations and voting.

The following are more specific responses to questions asked by the Board on the Policy Input Letter;

**1. Do you agree that more nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electricity sector?**

The Federal PMAs agree with the fast paced change the electricity industry is experiencing and such transformation are driving rapid change in how electricity systems are designed, planned, operated, and secured. And such transformation introduces additional complexity and new risks as the industry is meeting the reliability, resiliency, and security of the grid. The organizations such as NERC, ERO, and REs need to be agile, and need to operate in most efficient and cost effective manner. The entities need to have ability to consult, deliberate, and get assistance from ERO during system abnormality. Providing such assistance would require the right skills and the

right tools to be in place by all ERO members. Currently the NERC and REs operate under a different governance structures and different budgetary allocation methodology. It is not clear in Board's request whether the REs need to follow the implementation of what the Board might consider for the ERO to be an agile organization. Further clarity in this area will assist the REs to implement what might be required for ERO as a whole. In addition having NERC follow a transparent process and conduct economic analysis in showing the cost effectiveness and how it would improve efficiency is desired. The Board left it to each RE to assess their own restructuring if REs deemed such action is necessary for their region. It is important for the REs not to follow just the NERC's footsteps without following their own processes and show the cost effectiveness of actions they want to take.

**2. Where do you see opportunities for exploring new ways of working and making processes more efficient and agile?**

The Federal PMAs agree, over the past few years the ERO Enterprise has focused on efficiency and effectiveness with a few key initiatives — the Standards Efficiency Review, aligning compliance monitoring and enforcement program processes and continuing in their efforts in reducing costs. The Department of Energy, along with the Federal PMAs, continue to work with NERC on “improving data handling and security” through Align and Secure Evidence Locker. As ERO continues in their efforts on key initiatives, the role and responsibilities of the REs need to be further defined. The REs need to be fully transparent and have further dialogue and deliberations within their existing governance structure. In addition, PMAs would like to see more transparent approach of roles that all members of ERO play in order to make the ERO an agile organization

The Federal PMA support the comments provided by the Canadian Utilities in Sector 4 and appreciate the opportunity to provide this policy input to the NERC Board of Trustees.



# ISO/RTO Council's (IRC) Policy Input to Board of Trustees

October 20, 2021

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The ISO/RTO Council<sup>1</sup> (IRC) appreciates the opportunity to respond to the Board's request for policy input. The IRC offers the following input to the Member Representatives Committee (MRC) in response to Mr. Kenneth W. DeFontes, Jr.'s, letter dated September 29, 2021, regarding Opportunities for Improving ERO Enterprise Agility.

## **Summary Comments**

The IRC supports NERC's objective of making the existing NERC processes more efficient and agile in order to keep pace with the rapid changes occurring in the electricity sector. Our specific comments on possible solutions are discussed below.

### **1. Do you agree that more nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electricity sector?**

Yes. We are very supportive of NERC's proposal to make the existing NERC processes more efficient and agile in order to keep pace with the rapid changes occurring in the electricity sector. A recent example is the rapid investigation and findings related to the February winter event in ERCOT, SPP and MISO. Creating new or modifying existing Standards to address these findings need also be done in an efficient and timely manner to avoid future risks of similar occurrences.

### **2. Where do you see opportunities for exploring new ways of working and making processes more efficient and agile?**

The ISO/RTO Councils strongly supports the need to retain an ANSI-accredited process that ensures all perspectives are fairly represented, especially given NERC's international reach and interaction with North American regulators. Nonetheless, there are opportunities to improve upon the present form of the NERC ANSI-accredited Reliability Standards development process while preserving its underlying principles. For example, the ISO/RTO Council recommends certain steps and voting structures be revised to expedite consensus building when addressing existing issues of concern (i.e. risks) or paving the way for entities to move forward with emerging technology. The current structure of the NERC Reliability Standards Development Process has hindered two recent standards projects crucial to meeting the dynamic challenges in our industry today:

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<sup>1</sup> The IRC is comprised of the Alberta Electric System Operator (AESO), the California Independent System Operator Corporation (California ISO), Electric Reliability Council of Texas, Inc. (ERCOT), the Independent Electricity System Operator of Ontario, Inc., (IESO), ISO New England, Inc. (ISO-NE), Midcontinent Independent System Operator, Inc., (MISO), New York Independent System Operator, Inc. (NYISO), PJM Interconnection, L.L.C. (PJM), and Southwest Power Pool, Inc. (SPP).

- the Distributed Energy Resource (DER) data collection for modeling purposes (Project 2020-01 Modifications to MOD-032-1) Standard Authorization Request (SAR) was submitted by SPIDERWG in December 2019 and never approved by the Standards Committee.
- the Virtualization project (Project 2016-02) which was begun in 2016 and is currently on Draft 2.

We have seen in the past how the NERC standards development process has allowed those who would be impacted by enforcement of the standards to prolong development cycles as well as take a least common denominator approach to the standards; this clearly does not serve to enhance reliability. While it is important to continue under an ANSI-accredited process to allow for open and fair representation and allow industry to vet proposed standards, NERC should also put in safeguards to prevent the stagnation of critical projects which can negatively affect reliability.

In addition, the NERC standards development process can be influenced by a lack of action, resulting in considerable delays, when new or enhanced standards are needed to timely address emerging, widespread reliability risks. Two examples of this are:

- Cold Weather Standards (Project 2019-06) - initiated after four (4) major event reports over a 10-year period (2011-2021). This project was still in progress when the fifth (and most extreme) major event occurred.<sup>2</sup>
- Updates needed to address performance gaps in Inverter-Based Resources (IBR) (Project 2021-04) – initiated after five (5) major event reports over a 5-year period (2016-2021).<sup>3</sup> Moreover, these performance issues are continuing as discussed in NERC and Texas RE’s recent report on the Odessa, TX disturbance.

Therefore, the IRC suggests, consistent with Cheryl LaFleur’s comments at FERC’s Annual Reliability Technical Conference:

- 1) NERC should start with identifying risks at the beginning of the standards process and not immediately propose how to mitigate the risks with prescriptive solutions. The regional resource adequacy and the CIP virtualization standards currently being debated at NERC would be examples.
- 2) Standards development should be informed by analysis done by NERC or Industry experts as opposed to the existing process of submitting a Standards Authorization Request (SAR) which is approved for posting through the Standards Committee (SC). This process, similar to the Standards process, simply iterates SARs based on comments without the ability to discontinue a Project once approved for posting. As an example, the recently-approved System Operating Limits project (Project 2015-09) may have been expedited had the data to inform the Project been collected much earlier in the process.

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<sup>2</sup> The major event reports include: February 2011 Southwest Cold Weather Event., October 2011 Northeast Snowstorm Event, January 2014 Polar Vortex Review, January 2018 South Central Cold Weather Event Report and pending report for the February 2021 Arctic Event.

<sup>3</sup> The major event reports include: August 2016 1200 MW Fault Induced Solar Photovoltaic Resources Interruption Disturbance Report, October 2017 Canyon 2 Fire Disturbance Report, April and May 2018 Fault Induced Solar Photovoltaic Resource Interruption Disturbances Report, July 2020 San Fernando Solar PV Reduction Disturbance Report.

- 3) When a new Standard is developed consider a “pilot enforcement” period for the Industry to adjust to the new Requirements and develop innovative approaches to addressing the risks without the risk of strict enforcement. The ERO can use its discretion around enforcing newly enacted standards, which may be particularly important as standards are drafted to help mitigate reliability issues with new, uncertain reliability risks.
- 4) Supplement the CIP standards drafting process with nimbler processes, including, for example, entity/regulator joint development of use cases, “Proof of Concept” demonstration projects and Implementation Guidance, would allow industry and regulators to assess emerging technologies and clarify paths for using them in compliance with existing standards in less time than the current standards development process. These nimbler processes are considered augmentations and enhancements to the current standards drafting process, which can allow regulators and entities to more efficiently and quickly review and assess whether and how new technologies meet compliance requirements and speed adoption of enhancements that increase grid reliability, security and resilience.
- 5) NERC should take a more proactive and accelerated approach to identify and drive needed standards development projects to address recurring root causes of major event disturbances and not wait for industry to sponsor the project. In these instances, we believe NERC is in the best position to initiate standards development. As mentioned above, stakeholders that are directly impacted by the enforcement of standards may delay in sponsoring needed projects. Alternatively, stakeholders that are not directly impacted may not view it as their obligation to sponsor a project that is not a core obligation for their enterprise. Therefore, we believe the process could be expedited if NERC staff, working in conjunction with relevant industry representatives, took a more active role in initiating standards development when warranted to address widespread concerns as envisioned in NERC’s Reliability Standards Process Manual. This, perhaps, could have prevented the 2021 Winter Storm event if the existing Standards were more directed and encompassing (i.e. generation resources).
- 6) With the proliferation of Distributed Energy Resources (DERs) and small-scale wind and solar, many of these resources are not FERC/NERC jurisdictional under the current definition of the Bulk Electric System (BES). It may be timely for a study to determine the potential impact of the existing definition to determine if changes are warranted. Understanding how these resources can be subject to NERC and FERC will allow for more expedited development of standards related to DERs.
- 7) In the spirit of Ms. LeFleur’s comments about engaging FERC more in the standards development process, NERC should make quarterly progress updates of not only standards projects that have reached consensus and approval, but also the status of projects in development highlighting any key consensus building hurdles and how they may impact expected completion dates.
- 8) We are concerned with a proposal made at the August 12, 2021 NERC Board of Trustees Meeting to remove the Regional Entities segment from the Standards Ballot Body. It is true Reliability Organizations and Regional Entities are not subject to standards compliance, a primary reason presented to the Board for removing that segment. But like the ISO RTO segment, these entities are

entrusted with wide area grid reliability and oversight from an independent perspective. We believe the proposed removal of the Regional Entity segment from the RBB further diminishes the voice of independent reliability perspectives. The Federal, State, and Provincial Regulatory or other Government Entities segment, like the Regional Entities, also contain members who have no direct compliance obligations but provides an independent perspective. So compliance obligations to standards should not be cause for removal of the Regional Entities segment. With one less independent segment in the RBB, it may further compound the ability to implement timely and meaningful changes to the reliability standards.

- 9) Rather than removing the Regional Entity segment NERC should review the entire RBB segment membership. The NERC RBB segments are representative of the various types of stakeholder entities in the industry and members within these segments may be subject to more than one NERC compliance registration. This results in certain registered entity types, like Balancing Authorities, Transmission Operators, Generation Owners, having representation in more than one RBB segment. Proposed standards are often judged and voted on with consideration for compliance obligations to the registered entity function. The overlap across the RBB voting segments can cause overrepresentation of certain registered entity types and has in the past resulted in delays and/or failure to implement reliability standards/requirements in a timely manner.

### ***Conclusion***

The IRC appreciates the opportunity to provide policy input to the MRC for NERC's upcoming Board meeting.



**Policy Input to the NERC Board of Trustees  
November 4, 2021 Teleconference  
Provided by the North American Generator Forum**

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The North American Generator Forum (NAGF) appreciates the opportunity to provide policy input for the NERC Member Representatives Committee (“MRC”) and Board of Trustees (“BOT”) in response to BOT Chair Kenneth W. DeFontes, Jr.’s letter dated September 29, 2021. The NAGF provides the following policy input in advance of the NERC BOT meeting.

**Summary**

**Item 1: Do you agree that more nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electric industry?**

The NAGF agrees that ERO Enterprise programs need to be more flexible due to the rapid changes occurring in the technical and operational aspects of the electrical system.

**Item 2: Where do you see opportunities for exploring new ways of working and making processes more efficient and agile?**

The NAGF believes there is an opportunity in how Reliability Guideline recommendations could be prioritized and communicated to the correct audience as interim recommended actions while a Standard is developed or updated. This could provide a more efficient and effective manner of addressing risk quickly while still using the Standards Process to development the final mandatory requirements.

**Discussion**

**The BOT requests MRC policy input on the following:**

**1. Do you agree that more nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electric industry?**

The NAGF agrees that the ERO Enterprise programs need to be more flexible due to the rapid changes occurring in the technical and operational aspects of the electrical system. The electric grid is changing



both technically and operationally. These changes are driven by policy and economics. Different working groups such as the NERC Inverter-Based Resource Performance Working Group (IRPWG) and others have seen recommendations through published documentation become obsolete in a short period of time. Challenges are emerging quickly and need to be solved by developing an inclusive set of solutions.

**2. Where do you see opportunities for exploring new ways of working and making processes more efficient and agile?**

The ERO has been successful with the development of enforceable Standards which take multiple years to complete. The development of Reliability Guidelines can be completed in a much shorter period of time, but are not enforceable. Also, Reliability Guidelines can be very detailed with Key Takeaways describing how certain reliability objectives could and should be met. These are followed by a very in-depth analysis. As suggested in the Odessa Report, Guideline recommendations do not appear to be universally implemented.

The NAGF recommends that the Reliability Guideline Findings and Recommendation sections in the Executive Summary incorporate a new section titled **Essential Actions**. Under **Essential Actions**, list two to three actions that need immediate / short-term solutions to ensure reliability. Once the Essential Actions are finalized, the Working Group team along with ERO and Regional staff should conduct a WebEx to review the Essential Actions with industry, including how and why they were determined to be needed for reliability, and next steps. The Webinar will need to include both technical and compliance personnel to ensure the message is publicized to the correct audience. The Working Group would also submit the Essential Actions in a SAR to start the process for developing the Essential Actions into enforceable Standard requirements.



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**NPCC Board of Directors Policy Input  
From a Northeastern North American Reliability Perspective**

**1. Do you agree that more nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electricity sector?**

- Yes, NPCC agrees. NPCC recommends that the ERO Enterprise programs be continually reviewed to ensure that needed flexibility exists. While the review process goes on, industry should be made aware of the actions being considered so that solutions can be fully achieved and valued by those involved. This will allow for a proactive focus on anticipated reliability and security risks associated with a bulk power system that is becoming more sensitive to extreme natural events, critical infrastructure interdependencies (such as gas and electric), and potential cyber and physical security risks and whose resource mix is becoming increasingly more variable and distributed.
- Based on the ERO Enterprise Comments submitted on October 12 to FERC on its transmission planning ANOPR, it is critical that a review of all NERC transmission planning and operations standards applicable to bulk power systems with increasing number of renewable and storage resources connected through inverter-based facilities be accomplished in as short a time as possible.

**2. Where do you see opportunities for exploring new ways of working and making processes more efficient and agile?**

- NPCC recommends that a review of the current ERO Enterprise Long-Term Strategy identify the key strategic focus areas where the ERO Enterprise and industry can take a more proactive role.
- NPCC recommends the ERO Enterprise consider establishing capabilities and criteria within the various Board reporting committees and provide for clear, efficient and rapid vetting of priorities, to enable nimble responses to changing circumstances.
- Establishing more formal ways of sharing of expertise and experience could enable better alignment throughout the ERO reliability ecosystem.
- NPCC supports an ERO Enterprise review of the business plan and budget development process to determine where efficiencies can be gained.

*Submitted to NERC on October 20, 2021  
For NERC MRC and BOT November 3-4, 2021 Meetings*

## Cooperative Sector Policy Input to the NERC Board of Trustees

The Cooperative Sector appreciates the opportunity to provide policy input to the NERC Board of Trustees (BOT) regarding rapid pace of change occurring in the electricity sector and enhancements that would facilitate and support industry response to this pace of change.

### Summary of Policy Input

The Cooperative testimony to the Federal Energy Regulatory Commission (FERC) during its 2021 annual reliability-focused technical conference, highlighted the potential adverse impacts of the current pace of change. Noting that the changes under consideration, are fundamentally different than the historical pace of change to which the electricity sector is accustomed. The industry and the ERO Enterprise must evolve their existing approaches and consider developing new approaches to successfully manage these changes.

### Question 1 - Do you agree that more nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electricity sector?

- The Cooperative Sector contends that many of the ERO processes already allow for flexibility and if needed can be adapted to address reliability concerns. It was proven with the twelve (12) month development of the Reliability Standard CIP-014 - Physical Security that when the stakeholders and the ERO are aligned grid issues can be addressed quickly.
  - Specifically, the Standards Processes Manual (SPM) already provides the ability to expedite the development of standards for certain circumstances. For example, the SPM includes the following sections to address the various circumstances from which standards development activities could arise. These include:
    - Section 10.0: Processes for Developing a Reliability Standard Related to a Confidential Issue
      - 10.1: Process for Developing Reliability Standards Responsive to Imminent, Confidential Issues
      - 10.8: Process for Developing Reliability Standards Responsive to Nonimminent, Confidential Issues
    - Section 16.0: Waiver - Importantly, Section 16 of the SPM authorizes the Standards Committee to waive any of the provisions contained in this manual for good cause shown, should the following circumstances arise:
      - *In response to a national emergency declared by the United States or Canadian government that involves the reliability of the Bulk Electric System or cyber attack on the Bulk Electric System;*
      - *Where necessary to meet regulatory deadlines;*
      - *Where necessary to meet deadlines imposed by the NERC Board of Trustees; or*

- *Where the Standards Committee determines that a modification to a proposed Reliability Standard or its Requirement(s), a modification to a defined term, a modification to an Interpretation, or a modification to a Variance has already been vetted by the industry through the standards development process or is so insubstantial that developing the modification through the processes contained in this manual will add significant time delay.*
        - Additionally, the NERC Alerts program, which is designed to provide concise, actionable information to the electricity industry is already designed to be a very flexible process. It allows alerts to be prioritized from a simple advisory to industry to essential action that must be taken by industry.
- The ERO has made significant efforts to align its compliance monitoring approaches. The risk-based registration and reliability assurance initiative provided the Regional Entities with more focused approaches to registration, audits, and enforcement. Recently, special relief for Registered Entities was provided during the pandemic for issues related to COVID-19 including executing virtual audits.
- In February 2021 the NERC Board accepted the Framework to Address Known and Emerging Reliability and Security Risks which was reviewed by the Reliability and Security Technical Committee (RSTC) and Reliability Issues Steering Committee (RISC). The framework identifies the policies, procedures, and programs developed by the Electricity Reliability Organization Enterprise (ERO) to support its mission and incorporates them into an iterative six-step risk management framework. The framework facilitates the ERO efforts to identify risk both in a leading and lagging manner. It further supports the important role that industry and the ERO technical committees have in communicating, identifying, and mitigating BPS risks. To ensure continued effectiveness of this framework, NERC should consider, with the support and collaboration of stakeholders, instituting a periodic evaluation of the framework to include an evaluation of the accuracy and success of the Framework relative to risk identification and mitigation. Such an evaluation could include metrics or other Key Performance Indicators of the success of the process as well as the achievement of the intended results of mitigating activities.
- Another area to gain efficiencies, is to continue to engage the stakeholders in providing the ERO input on its budget specifically associated with the alignment of programs which allow the effective execution of the ERO grid reliability mission.

**Question 2 - Where do you see opportunities for exploring new ways of working and making processes more efficient and agile?**

- The Cooperative Sector agrees that additional agility within ERO Enterprise programs and initiatives would be both desirable and beneficial to address the challenges associated with the rapid pace of change confronting the industry. However, such agility should be carefully implemented such that important safeguards for reliability and security are maintained and representation remains fair and balanced. Further, agility must be balanced against the opportunity for consideration of technical expertise.

- There are opportunities for additional agility and efficiency in compliance monitoring and enforcement (CMEP). Cooperatives appreciate and recognize the ERO Enterprise's efforts toward risk-based compliance monitoring and enforcement and are supportive of the direction and efforts of the ERO Enterprise to date. Future efforts should consider and continue to incorporate additional agility and efficiency based on risk to the BES. While several enhancements that would increase efficiency are currently in progress, additional areas for consideration are correlating registration and certification reviews into the overall cycle of compliance monitoring, additional opportunities to self-log, improvements to the Find-Fix-Track (FFT) program and greater variation in the use of compliance monitoring tools (other than compliance audits). For example, use of self-certifications and other tools in the CMEP toolkit require shorter lead times than audits while providing entities with more timely and targeted feedback regarding their compliance and supporting documentation and processes. Reducing reliance on periodic audit engagements through the use of these tools portends a more proactive element of compliance monitoring, would facilitate entity engagement as risks emerge or changes manifest, and would enhance the agility and efficiency of the ERO Enterprise CMEP program while "right-sizing" entity engagement.
- The Cooperative Sector believes CMEP Practice Guides can provide helpful information for Registered Entities for how CMEP staff executes compliance monitoring and enforcement activities for a specific FERC approved Reliability Standard. Cooperatives have participated in the execution of the Compliance Guidance Policy that was approved by the NERC BOT in 2015 and suggest it is time to review and evaluate opportunities to improve the process for effective implementation of Reliability Standards.
- The RSTC Performance Monitoring program, which is implemented through the Real-Time Operations Subcommittee (RTOS), Performance Analysis Subcommittee (PAS), Event Analysis Subcommittee (EAS) and Resources Subcommittee (RS), is responsible for managing the workflow, development of deliverables, and evaluation of data associated with risk and mitigation monitoring and analysis. Further, the iterative process set forth in the risk framework that has been created was purposefully designed to monitor for and identify evolving trends that are indicators of new or changing risk patterns. This process is collaborative and incorporates input and data from across the industry and the ERO. The RSTC will continue to review and prioritize its work plan to produce products that are timely and beneficial to the industry and will support the reliable operations of the BPS.
- Cooperatives continue to believe there is a need for improved collaboration and participation with technical partners such as the NATF and the North American Generator Forum (NAGF), EPRI, CEATI, and the national labs. This type of collaboration will leverage expertise to provide additional exposure to and solutions for the security and reliability challenges facing the electric utility industry. Approaches to facilitate increased participation by smaller entities could provide overall benefits execute ERO Enterprise programs.
- An additional area that could be addressed is the new approach to the development of technical rationale for Reliability Standards. It effectively removes the historical content every time there is a revision, which reduces the guidance available to registered entities. Ideally, it would allow new content to be added by version, allow old, still applicable content to be retained as active, and allow old, retired content to be retained for historical information/retention. However, the new format simply has an active section and a retired

section with current version rationale replacing older rationale completely and old rationale (which may still be applicable to retained requirements) being moved to the retired section in toto. This format does not seem to accommodate situations where one or two requirements are revised, which leaves a gap in guidance for registered entities.

- Cooperatives continue to support the need for enhanced data sharing between FERC and the ERO, between FERC and other agencies, between FERC and owners, users, and operators or between the ERO Enterprise and the industry. Incorporation of enhanced information sharing, whether regarding threat intelligence, supply chain risks, or data that would facilitate policy development relative to Variable or Distributed Energy Resources, would inject both efficiency and agility into ERO Enterprise programs. Moreover, this enhanced data sharing would not only benefit the industry's agility and efficiency, but would have several, other significant benefits such as the sharing of lessons learned and best practices, more timely sharing of threats and adverse operating experiences, and the potential for greater consistency and consensus across agencies and, even, sectors.

Critical to the continued success of the industry and the ERO Enterprise to meet the pace of change while maintaining reliable, secure system operations and load service are the fair and balanced sector representation and the opportunities for input and consensus-building provided by the current ERO Enterprise programs. The Cooperative Sector has always fully supported the fair and balanced sector approach taken by the ERO Enterprise as well as the opportunities for industry to leverage its technical expertise and achieve consensus through ERO Enterprise programs, such as standards development.

The Cooperative Sector supports the objectives of enhanced agility and efficiency through changes and improvements to existing ERO Enterprise programs as described in our response to the request for Policy Input dated September 29, 2021.

Submitted on behalf of the Cooperative Sector by:

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## MEMORANDUM

**TO:** Kenneth W. DeFontes, Chair NERC Board of Trustees

**FROM:** Michael Moody and Darryl Lawrence – MRC Sector 9 Small End-Use Electricity Customer Representatives

**DATE:** October 20, 2021

**SUBJECT:** Small End-Use Sector (9) Response to Request for Policy Input to the NERC Board of Trustees

The representatives to the NERC Member Representatives Committee for the Small End-Use Customer Sector (9) appreciate the opportunity to provide these comments in response to the request in your letter to Mr. Paul Choudhury dated September 29, 2021.

The NERC Board of Trustees requested MRC sector policy input for exploring new ways of working to manage the rapid changes to the sector while continuing to promote the technical expertise and stakeholder consensus building process which is a hallmark of ERO Enterprise programs since its inception in 2007.

The Small End-Use Sector (9) responds to the BoT's specific questions as follows:

1. Do you agree that more nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electricity sector? What other activities, if any, should the ERO Enterprise pursue in preparation for the upcoming winter?

**Sector (9) response:** The members of Sector (9) agree that a more nimble process may be beneficial provided the results “hit the mark” in terms of forestalling adverse outcomes. Sector (9) recognizes that the ERO process response has been too slow relative to the recent adverse outcomes in California and the South-Central states. It is unfortunate that all NERC can say at this point is “we told you so starting in 2012 and that we have been telling you so since then.” The process was not aggressive enough to have avoided the adverse outcomes.

Regarding the activities that NERC should undertake (if it has not done so already) is to review the situations where the processes such as the standards development process could have responded more quickly. Looking at the very comprehensive record of the duration of standards development projects, the revisitation of approved standards necessary to being the body of standards to where it is today could provide guidance as to what steps (or missteps) occurred

and should be avoided in the future. This could provide clues as to how to make the process of standards development more responsive to the detected risks to reliability.

In some cases, the sources of long development duration are recognized to be external to the ERO (such as FERC Directives) but in other cases there may be standards development steps that could be better designed. Leanings from the Standards Efficiency Review process should also be applied.

2. Where do you see opportunities for exploring new ways of working and making processes more efficient and agile?

**Sector (9) response:** The members of Sector (9) recommend that a review of certain specific long duration standards development projects be undertaken as discussed above, using a framework of “what went right, what went wrong, and what could we have done better or more efficiently.” This review process should be created and implemented before any further Rules of Procedure or other governance changes are proposed.

Additionally for every standards development project going forward, a post project assessment, asking these same fundamental questions, should be formally implemented, with the results of each post project assessment added to the body of knowledge regarding best practices in the management of the standards development program.

The NERC Standing Committees should all be asked to look to their own charters, experience, and creativity to propose changes for improving quality and agility with a report due to the BoT by a certain date.

### **General Comment:**

Sector (9) members caution the ERO to avoid short cutting the stakeholder process in any steps taken by the BoT as it strives to implement a more agile process. We are very concerned that the SAR recently placed before the Standards Committee, sponsored by NERC Staff, calling for Cold Weather-related standards changes may be a symptom of speed over quality. While we fully understand the urgency, this SAR should be developed based on the final released version of the Joint FERC-NERC Report regarding the South-Central Load Shedding events and not the preliminary findings released at the September 23 FERC meeting. Stakeholder input is an important check and balance that can help the ERO avoid creating mandatory results-based standards that turn out to be ineffective or incomplete and in the long run waste precious time.



## MEMORANDUM

**TO:** Ken DeFontes, Chair  
NERC Board of Trustees

**FROM:** John Haarlow  
Terry Huval  
John Twitty

**DATE:** October 20, 2021

**SUBJECT:** Response to Request for Policy Input to NERC Board of Trustees

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The Sector 2 and 5 members of the NERC Member Representatives Committee (MRC), representing State/Municipal and Transmission Dependent Utilities (SM-TDUs), appreciate the opportunity to respond to your September 29, 2021 letter to MRC Chair Paul Choudhury requesting input on opportunities for improving Electric Reliability Organization (ERO) agility. Specifically, the Board of Trustees (Board) asks: (1) Do you agree that more-nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electricity sector and, (2) are there opportunities for exploring new ways of working and making processes more efficient and agile? We look forward to discussing these issues and other agenda items during the virtual meetings of the Board, Board committees, and the MRC on November 3-4, 2021.

### *Summary of Comments*

- **The SM-TDUs generally agree that increasing ERO agility is desirable given rapid changes in the sector.**
  - **We support ERO efforts to increase efficiency and effectiveness and believe such efforts promote greater ERO agility.**
  - **Maintaining NERC's American National Standards Institute (ANSI) accreditation is key to ensuring the effectiveness of ERO standards, which, in turn, promotes ERO agility.**

### *Responses to Specific Questions*

- 1. Do you agree that more-nimble ERO Enterprise programs are desirable with the rapid changes occurring in the electricity sector?**

The SM-TDUs generally agree that nimbler ERO programs are desirable and believe that the ERO should always work to be increasingly agile. The SM-TDUs also agree that ERO agility is particularly important given the rapid changes in the electricity sector and the challenges that such changes can pose for the reliability of the Bulk Power System (BPS).

An important way to promote ERO agility would be to focus on the ERO's ongoing efforts to increase organizational efficiency and effectiveness. However, efficiency should not sacrifice engagement effectiveness and collaboration. Accordingly, efficiency should be examined, but only

after effectiveness is ensured. Similarly, effectiveness, especially the effectiveness of the collaborative process must be assured when considering faster more agile NERC processes. With these considerations in mind, SM-TDUs are confident that ERO agility can be increased.

The public power Sectors appreciate and support the ERO's important efforts toward greater efficiency and effectiveness. The activities cited in the policy input letter, such as the Align Tool and real estate cost reductions, have indeed made the ERO increasingly agile. The SM-TDUs would also point to ERO studies and reports that are more focused and provide actionable information. The Reliability Security and Technical Committee (RSTC) is a productive technical forum for discussing and working through issues.

It is also important to remember that industry has proven it can act quickly when a problem is clearly identified with technical analysis and supporting data. The development and approval of the CIP-014 Physical Security Reliability Standard demonstrated where agility and collaboration can coexist. Industry had the same success in streamlining the development of the CIP-013 Supply Chain Standard to address emerging supply chain risks.

Further, the ERO is already tackling issues associated with the transformation of the BPS, including challenges presented by a changing generation resource mix, extreme weather, and cybersecurity threats. Each of these areas includes sub-issues that can overlap with another area. For example, the resource mix is affected by increased renewable penetration driven by concerns about climate change and extreme weather. Moreover, inverters associated with certain renewable resources can increase vulnerability to cyber-attacks. The interrelationship of these issues requires a deliberate process that asks the right questions, discerns the issues that the ERO can address, and develops effective solutions. The ERO's processes are designed to recognize these interrelated risks and ask the right question(s) to ensure that each risk is appropriately met without inadvertently affecting another risk. This requires an appropriate level of collaboration so that duplication, overlap and unintended consequences are avoided.

SM-TDUs support current ERO processes that sustain NERC's ANSI accreditation. The ANSI process provides a crucial framework for ERO collaboration to develop standards in an effective and efficient manner.

SM-TDUs note the importance of subject matter expert (SME) expertise and input in the standards process was implicitly recognized in the Federal Power Act legislation that established the ERO.<sup>1</sup> ANSI certification can help avoid anti-trust concerns that might otherwise be raised by industry collaboration on reliability standards.<sup>2</sup>

SM-TDUs are concerned that some policymakers may view the ANSI process as unreasonably slowing the pace of Standards development. On the contrary, the ANSI process allows for channeling the appropriate SMEs to support standards development. This is especially important with cyber security standards which often address complex and emerging issues. Moreover, the

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<sup>1</sup> Section 215(d)(2) requires that the FERC give —due weight to the Electric Reliability Organization's technical expertise.

<sup>2</sup> <https://www.ansi.org/news/standards-news/all-news/2013/12/ansi-publishes-new-antitrust-policy-and-revised-code-of-ethics-for-institutes-members-and-volunteers-10>

collaborative ANSI process promotes consensus and buy-in from impacted stakeholders, which helps avoid litigation and other challenges to standards. Such a consensus-driven process might take more time, but it provides greater effectiveness in the long run by avoiding the uncertainty and potentially disruptive effects of litigation as well as significant gaps in industry buy-in. The SM-TDUs would want to avoid any rush to judgement that would impede ERO efficiency but more importantly limit the organization's effectiveness and potentially slow rather than facilitate the organization's agility.

## **2. Are there opportunities for exploring new ways of working and making processes more efficient and agile?**

The SM-TDU industry Sectors look forward to working with the ERO Enterprise to find ways to increase program effectiveness and agility. Through collaborative ANSI approved processes the Sectors are willing to examine rules and processes and consider any revisions needed to adapt to reliability challenges. The SM-TDUs welcome the opportunity to work with NERC to ensure the shared mission of effective and efficient reduction of risks to the reliability and security of the grid.

The public power Sectors believe that several new programs are taking shape that will promote ERO agility. NERC's "Framework to Address Known and Emerging Reliability and Security Risks" ("Framework"), for example, identifies and prioritizes risks and their mitigation for addressing reliability, resilience, and security issues. The SM-TDUs support the Framework's repeatable method for the identification, prioritization, and mitigation of emerging reliability and security risks. The Framework provides a good foundation for addressing known and emerging risks to support the continued reliability and security for the transforming BPS and supports NERC's increased agility goal.

Another potential avenue for improving ERO agility would be increased use of self-certifications, especially for medium and smaller sized utilities. Wider consistent use of accepted standards for risks that align with utility size should facilitate faster NERC scheduled engagements. NERC can provide guidance to the regions regarding the implementation of such a program.

### **Supply Chain Solution Clarity**

The SM-TDUs would like to offer one additional clarification that was discussed at both the Federal Energy Regulatory Commission's September 30, 2021 Reliability Technical Conference, as well as the recent NERC Trades Meeting. Certification/accreditation of vendors in the industry supply chain from the public power Sectors' perspective should not be confused with white or black-lists or vendor library concepts that have been suggested as ways to promote supply chain cybersecurity. White and black-lists would provide industry with a purchasing guide. The library concept, in contrast, provides vendor information from which industry can assess that vendor. The SM-TDUs believe a certification or accreditation program would allow NERC to accept certification from a third party concerning the cybersecurity process and programs of industry vendors. For example, NERC acceptance of FedRamp certification has been cited as a potential model. We continue to believe that a collaborative effort among industry (including vendors), NERC and the Federal government could facilitate such third-party certification acceptance. The

SM-TDUs would submit that such certification acceptance would increase both industry and NERC supply chain agility.

The SM-TDUs look forward to the MRC meeting discussion on Board questions and NERC's winter readiness efforts.