

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

Agenda Item 2

# Proposed Amendments to Committee Mandates

Lauren Perotti, Senior Counsel  
Corporate Governance and Human Resources Committee Meeting  
February 9, 2022

**RELIABILITY | RESILIENCE | SECURITY**



- Approve revisions to the following Committee mandates:
  - Corporate Governance and Human Resources Committee (CGHRC)
  - Finance and Audit Committee (FAC)
  - Enterprise-wide Risk Committee (EWRC)
- Recommend to the Board of Trustees (Board) for approval

- Completed annual review of all Board Committee mandates
- Revisions proposed to the following Committee mandates:
  - CGHRC
  - FAC
  - EWRC
- No changes proposed to mandates for the Technology and Security or Compliance Committees
- Nominating Committee to review its mandate in March

- **New responsibility:**
  - CGHRC will review on a periodic basis the charters of each of NERC's standing committees and recommend changes to the Board, as appropriate.
- **Meeting periodicity:**
  - Consistent with current practice, CGHRC will meet at least **quarterly** instead of twice yearly.

- Amended responsibility regarding audit plans:
  - The FAC will no longer approve a **three-year audit plan** as provided in the current mandate.
  - The Director of Internal Audit will develop an **annual** audit plan which includes a near-term, comprehensive projection of risk and associated audit activities.

- Refined language regarding risk reporting responsibilities:
  - The EWRC will report the **“top or key risks to the corporation, emerging risks, and trends.”**
  - The EWRC will report **“the processes, procedures, and controls in place to manage key risks.”**
- Clarification of confidentiality obligations:
  - Clarifies that confidentiality obligations applicable to meeting participants are memorialized in different vehicles, not all of which are approved by the EWRC.

- The Board will consider mandate revisions at its February 10 open meeting



# Questions and Answers



# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

Agenda Item 5

# Results of Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness

Corporate Governance and Human Resources Committee Closed Meeting  
February 9, 2022

**RELIABILITY | RESILIENCE | SECURITY**



- This survey is issued annually to assess the performance and effectiveness of the NERC Board of Trustees (Board).
- The survey includes 29 questions answered by NERC Trustees, 23 of which are also answered by the voting members of NERC's Member Representatives Committee (MRC).
- Survey questions address:
  - Overall effectiveness,
  - Strategy,
  - Oversight,
  - Stakeholder relations, and
  - Board functioning.

- Board and MRC members show commitment to the evaluation process through a high response rate and thoughtful comments.
  - In 2021, 11 out of 11 trustees completed the survey, for a 100% response rate. 25 out of 26 MRC members completed the survey, for a 96% response rate.
- The Board is seen as effective by NERC Trustees and MRC members.
- Most MRC members are satisfied or very satisfied that the Board listens to the MRC's input.
- Ratings are largely positive and consistent with results from the past year.

- All Trustees found that the Board is performing its responsibilities either very effectively (82%) or effectively (18%). That is consistent with results from the 2020 survey.
- Most MRC members found that the board is performing very effectively (32%) or effectively (68%) with a small number of MRC members finding that the Board is neither effective nor ineffective (8%). These results also are consistent with results from the 2020 survey.
- All Trustees are very satisfied with their individual performance, a slight improvement from the 2020 survey, in which approximately half of the trustees were very satisfied and half were satisfied.

- All Trustees found that setting company and management priorities was among the top three most important functions for the Board. Other functions named among the top three by Trustees include ensuring adherence to the mission, vision, and values, and providing vision for the future. These two functions also were at the top of the Trustees' choices in 2020, followed by the guidance and approval of business plans and budgets.
- MRC respondents were more split on their choices, but 60% of respondents identified providing vision for the future among the top three most important Board functions, consistent with the responses to the 2020 survey.
- Commenters also highlighted the importance of focusing on good governance.

- Most Trustees found that the Board is either very effective or effective as it relates to:
  - Oversight of the annual business plan and budget,
  - Staying in tune with issues and trends affecting NERC and the industry,
  - Setting company priorities,
  - Providing leadership,
  - Incorporating the international charter of the North American bulk power system, and
  - Incorporating advice and recommendations from the MRC.

- Most MRC members also rated those areas as either very effective or effective, with a few neutral ratings on setting company priorities, providing leadership, international charter, and MRC input, and a small percentage of negative ratings (4%) on the oversight of the business plan and budget.
- These results are largely consistent with the results from the 2020 survey.

- Trustees and MRC respondents unanimously found that the Board’s involvement in the ERO Enterprise is “about the right amount,” a slight improvement over the prior survey.
- Trustees also unanimously found that the Board’s involvement in day-to-day management by the NERC CEO is “about the right amount,” consistent with the prior survey.
- Trustees generally found that Board’s monitoring of these various areas (cost effectiveness, standards, CMEP, assessments, E-ISAC, and risk) is either very effective or effective, with a small set of respondents (9%) providing a neutral rating as it relates to oversight of cost effectiveness and standards. These results are largely consistent with the prior survey.



- Most MRC respondents' ratings were positive (very effective or effective) or neutral (neither effective nor ineffective) on the same topics, with a small portion of respondents (4%) providing a negative (ineffective) rating regarding cost effectiveness of ERO Enterprise processes, reflecting a slight improvement in ratings in most areas from the prior survey.

- Trustees and MRC members largely believe (strongly agree or agree) that the Board listens to the input from the MRC. Only 12% of MRC respondents provided a neutral rating (neither agree nor disagrees) and 9% of Trustees responded they were uncertain. This is largely consistent with results from the prior survey.
- All Trustees strongly agree or agree that the Board listens to input from NERC management and Regional Entities. Most MRC respondents also strongly agree or agree (with a small percentage of neutral ratings - neither agree nor disagree and uncertain). This is also largely consistent with results from the prior survey.

- All Trustees and most MRC respondents believe that the Board works effectively with management, consistent with the prior survey.
- Most Trustees and MRC respondents rate the Board's relationship with US federal, state, and Canadian federal and provincial regulators as positive or neutral, a small shift from the prior year survey in which there were fewer neutral ratings and no negative ratings.

- Most Trustees are either positive (strongly agree or agree) or neutral (neither agree nor disagree) as to the efficiency and effectiveness of Board meetings, and 9% of respondents disagree that Board meetings are efficient, a slight shift over the prior survey in which there were no neutral or negative ratings.
- All Trustees believe the frequency of Board meetings is appropriate and Board members communicate effectively with each other, largely consistent with the prior survey.
- Trustees strongly agree or agree that the Board's meeting procedures are appropriate, also consistent with the prior survey.



# Questions and Answers

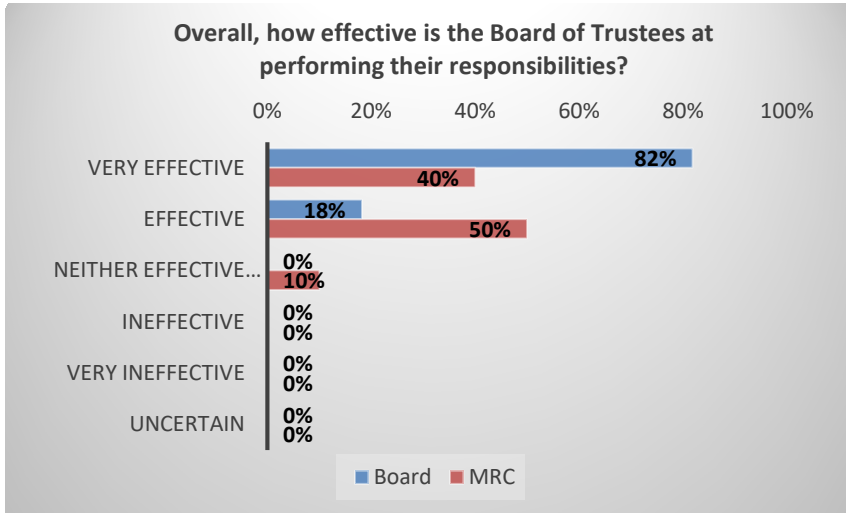


# Appendix – Charts

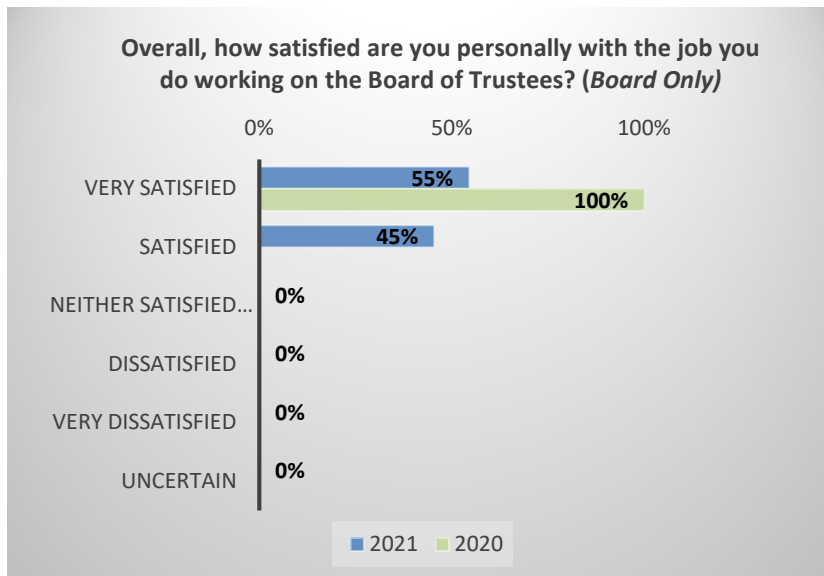
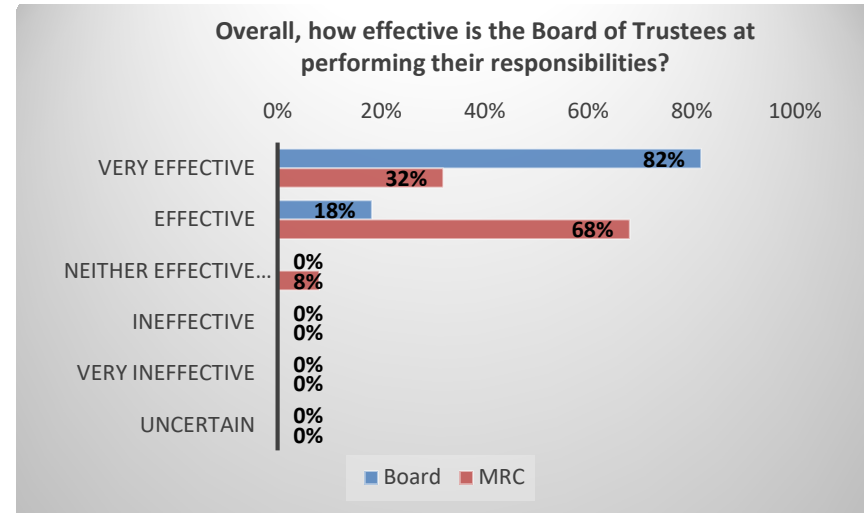


# Overall Effectiveness

## 2020



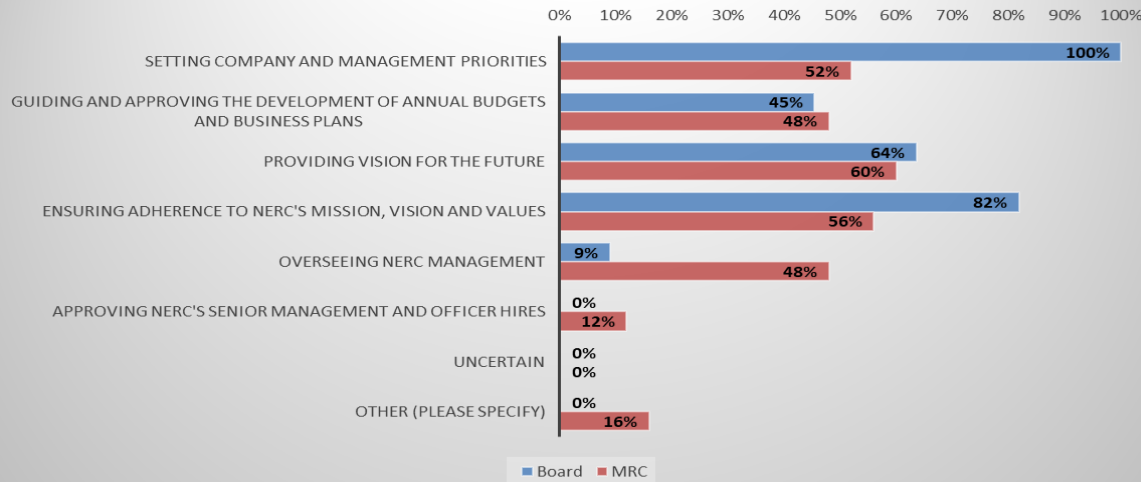
## 2021





# Most Important Board Functions

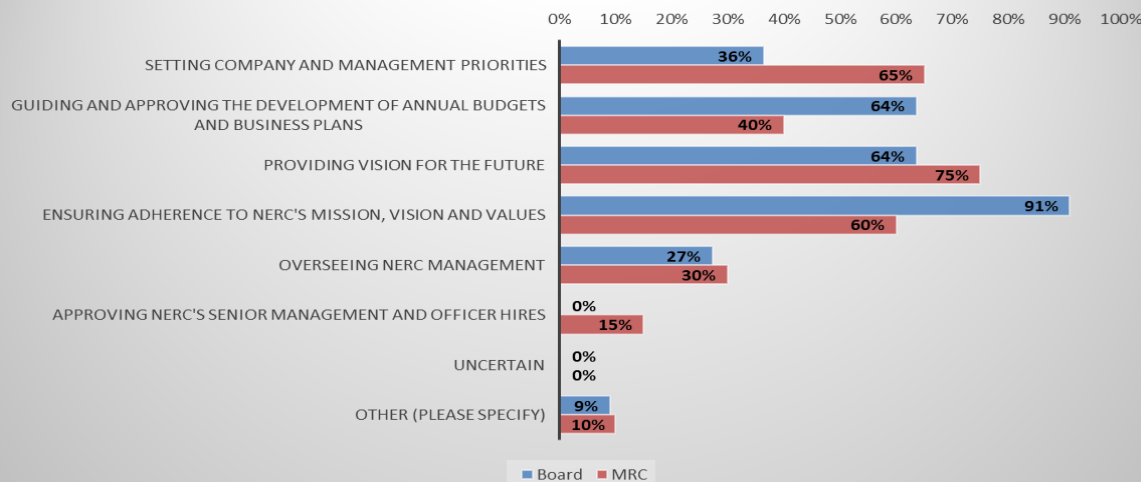
## 2021 What are the Board of Trustees' MOST important functions at NERC? (Select No More Than 3)



## Other

- NERC Board should be about governance not management.
- Guiding development of appropriate priorities and risk tolerance.
- Involvement and accountability for NERC strategic direction, and overall performance
- As any board it should focus on good governance for the corporation, setting the vision and the strategic direction. The choices presented didn't reflect that well.

## 2020 What are the Board of Trustees' MOST important functions at NERC? (Select No More Than 3)



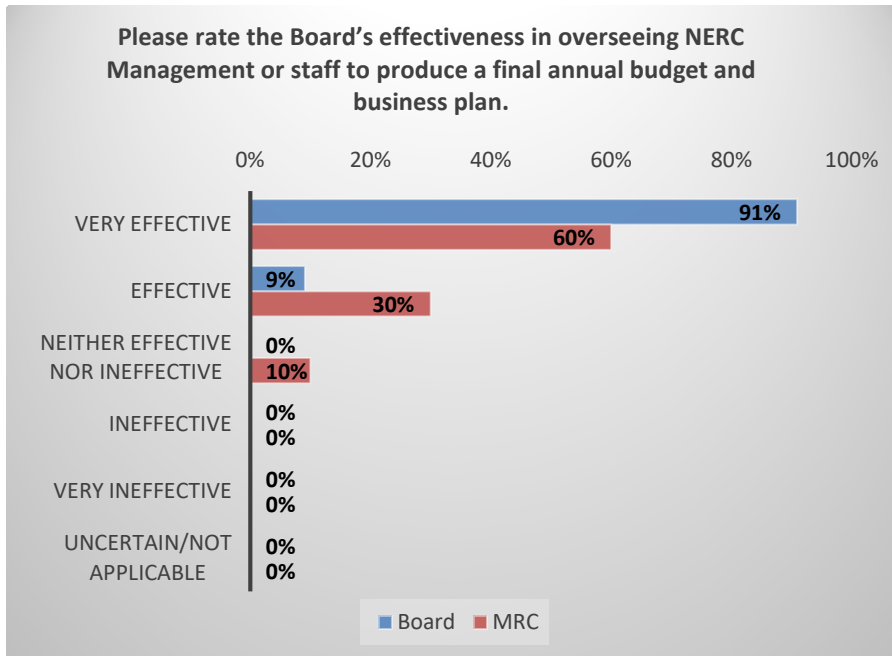
## Other

- Ensuring that NERC is connected with, anticipating, and responding to the needs of the many stakeholders.
- Ensuring NERC/ERO as a whole is focusing on the right topics in a rapidly changing environment.

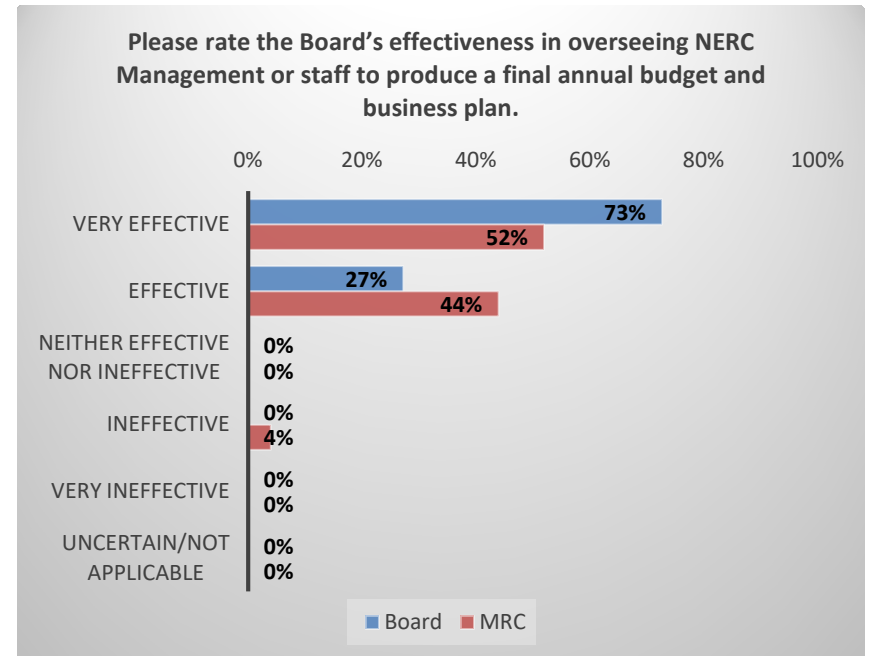


# Strategy

## 2020



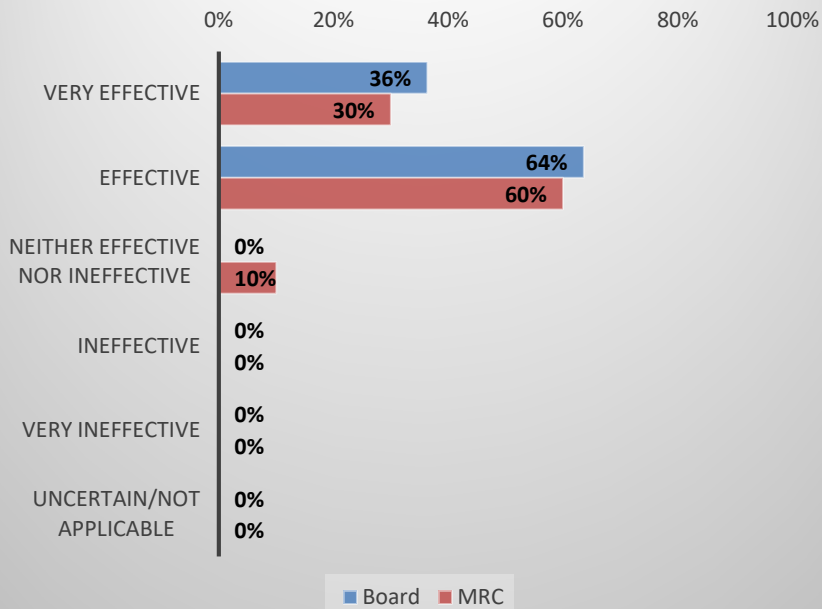
## 2021



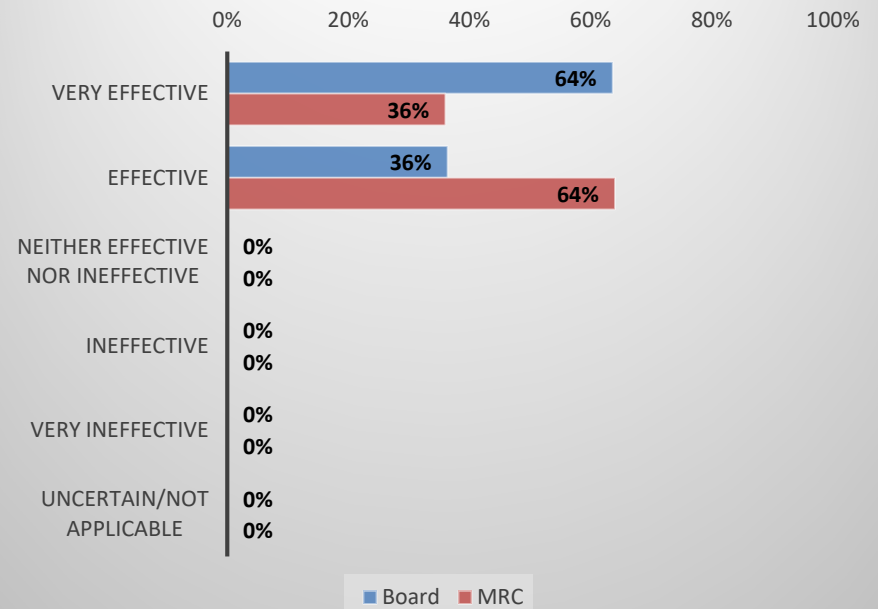
## 2020

## 2021

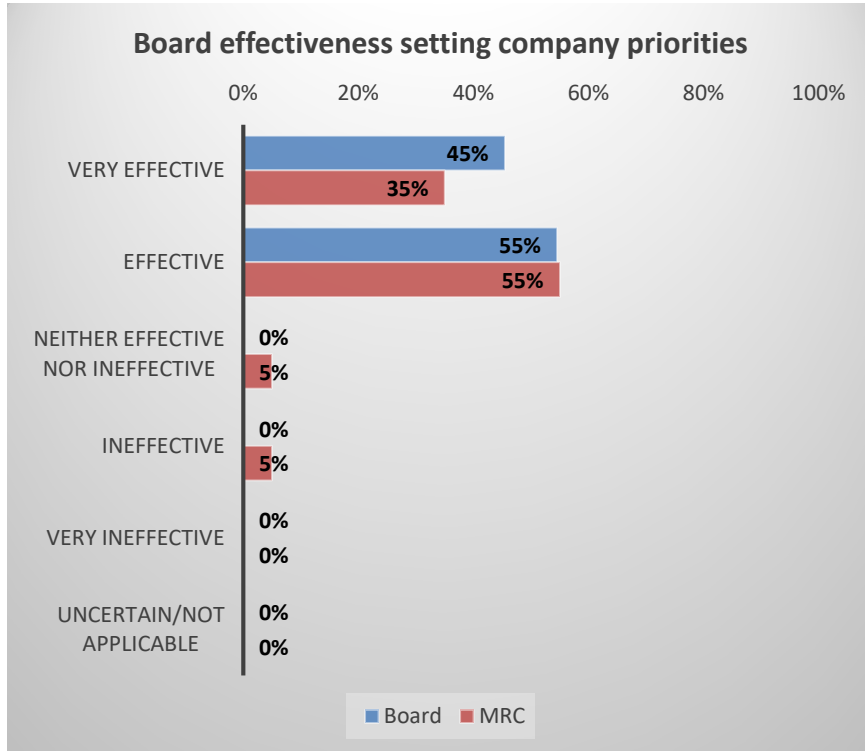
**Board effectiveness staying in tune with issues and trends affecting NERC and the industry**



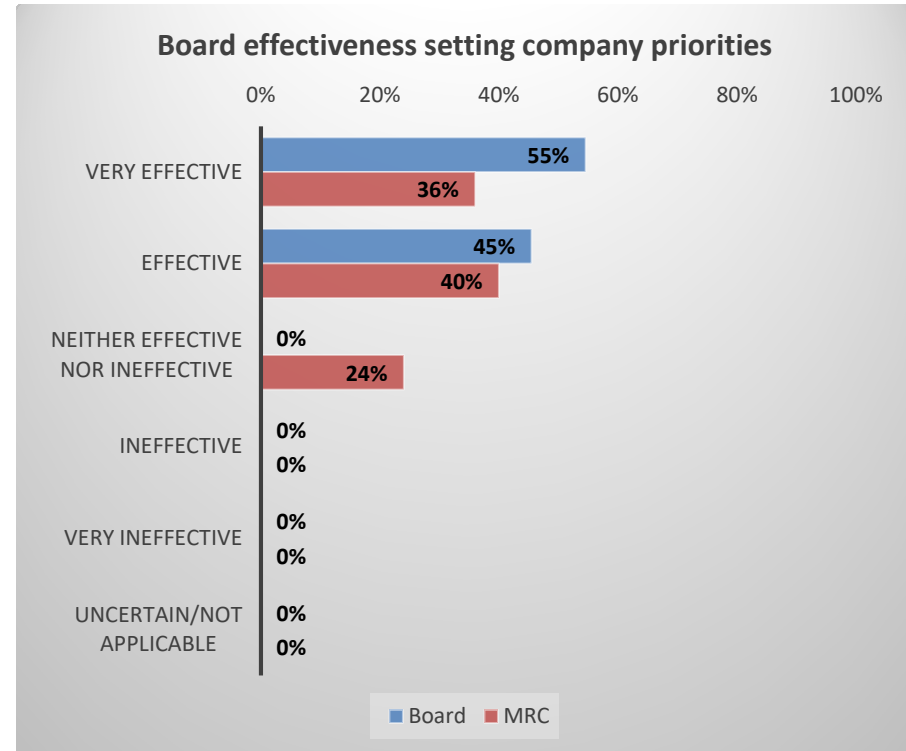
**Board effectiveness staying in tune with issues and trends affecting NERC and the industry**



**2020**

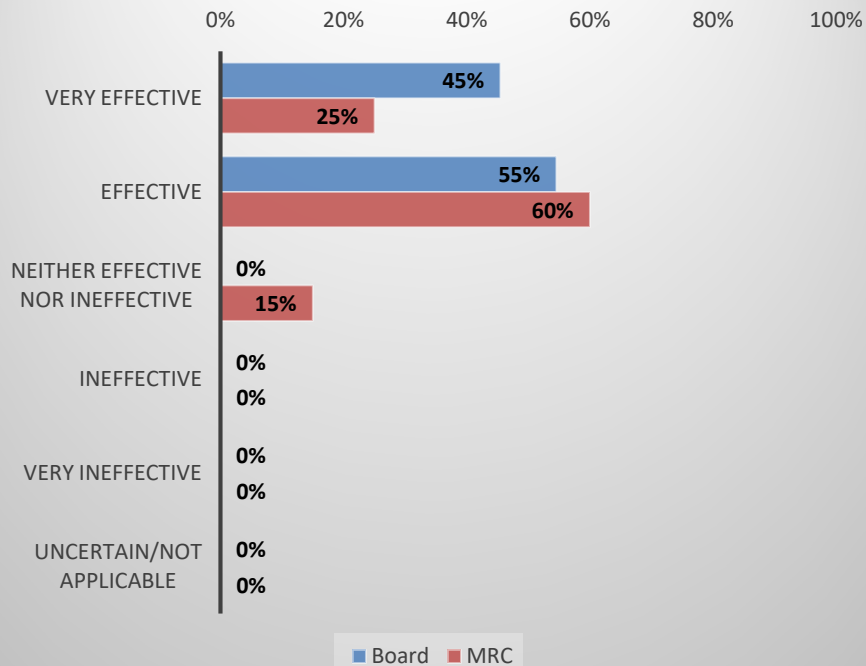


**2021**



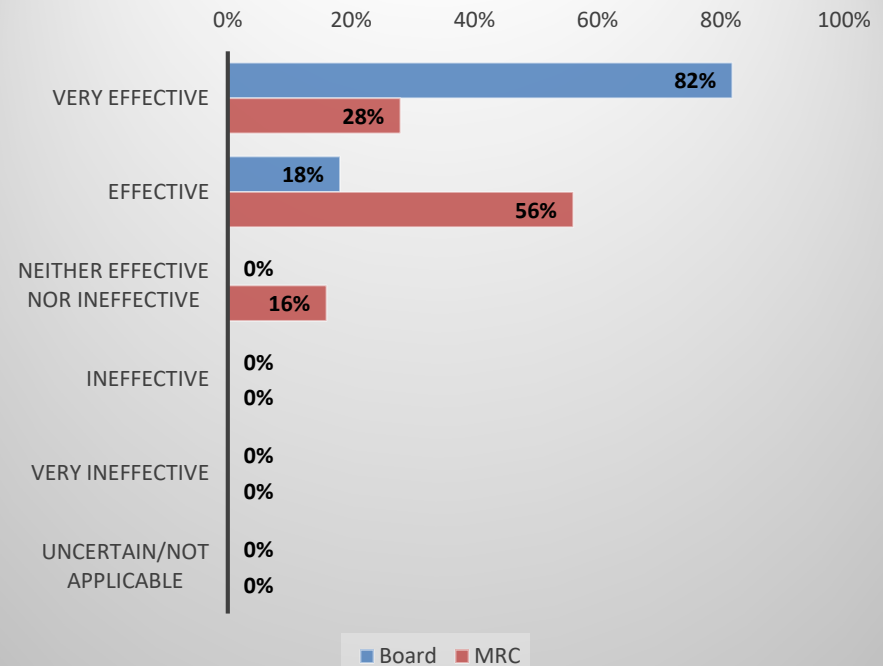
**2020**

**Board effectiveness providing leadership**



**2021**

**Board effectiveness providing leadership**

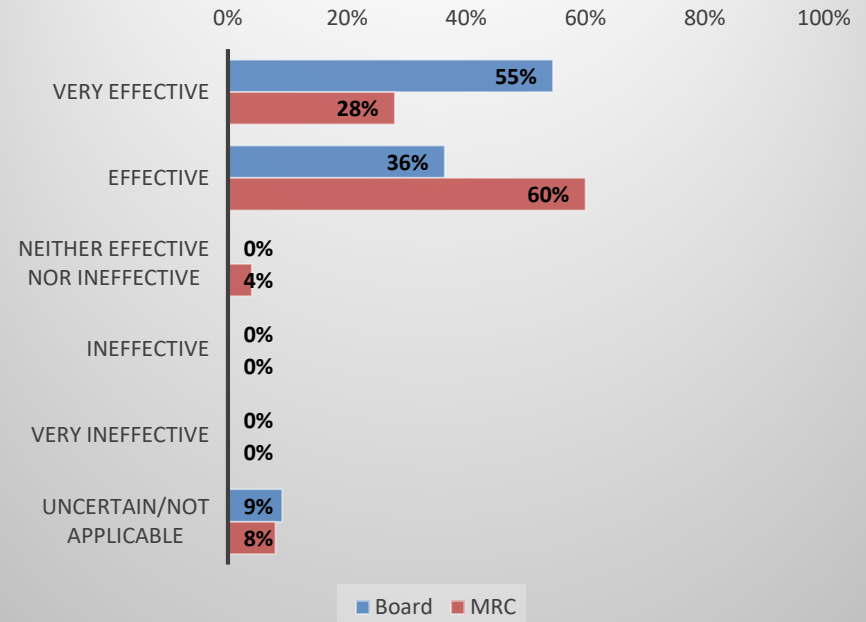
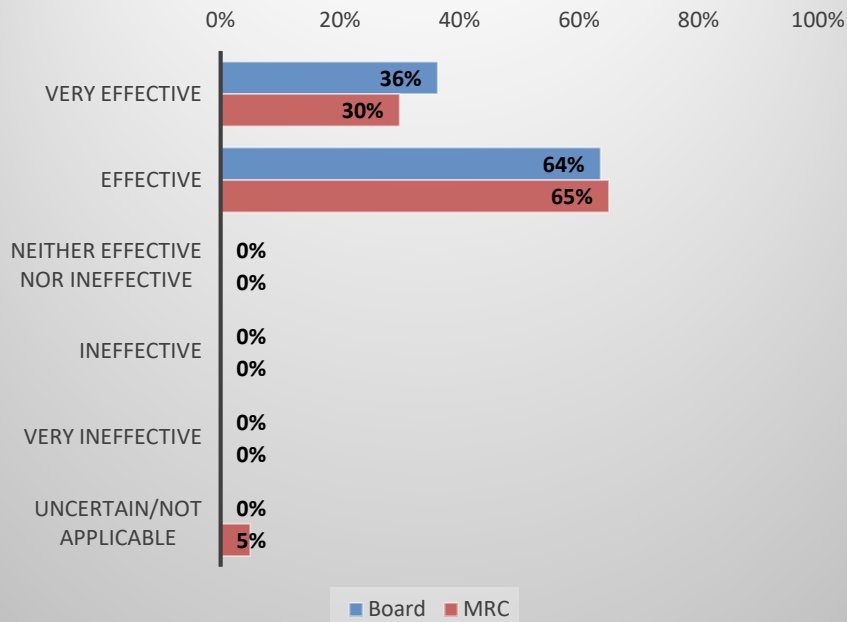


**2020**

**2021**

**Board effectiveness incorporating the international charter of the North American bulk power system**

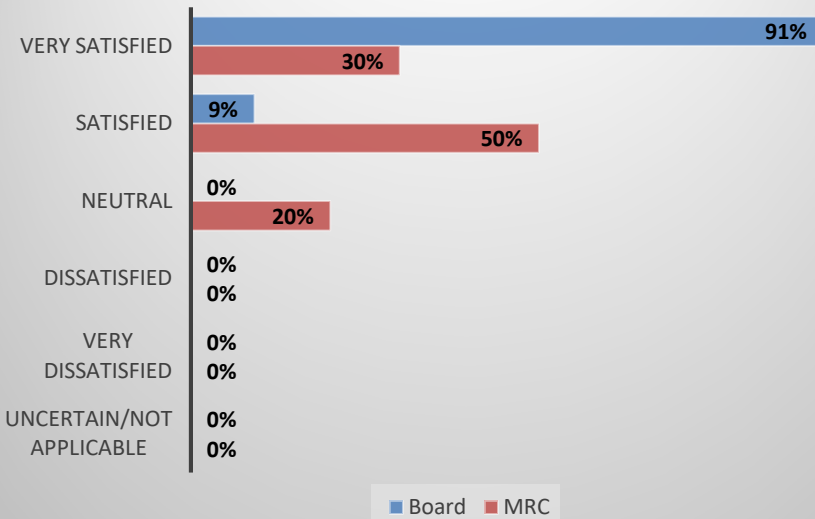
**Board effectiveness incorporating the international charter of the North American bulk power system**



## 2020

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

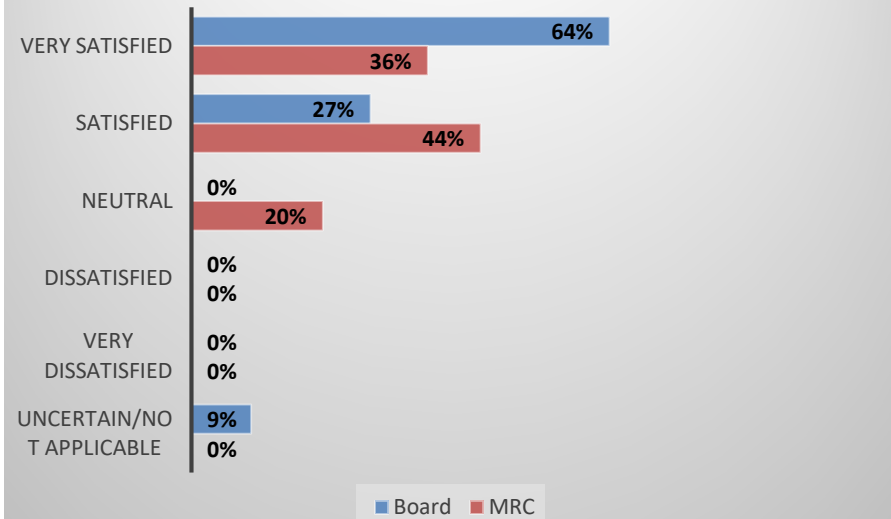
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%



## 2021

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

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

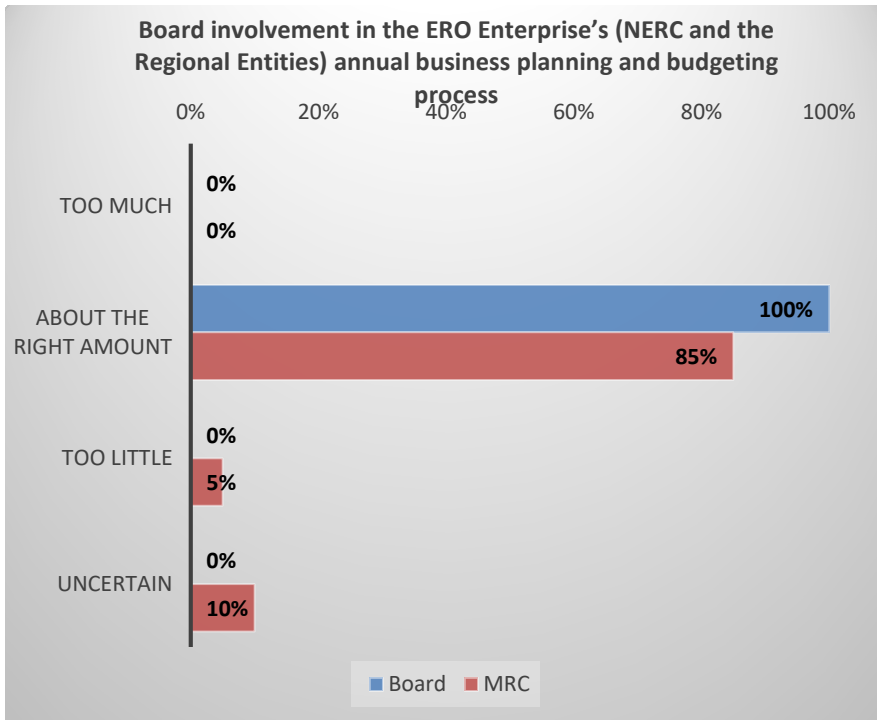




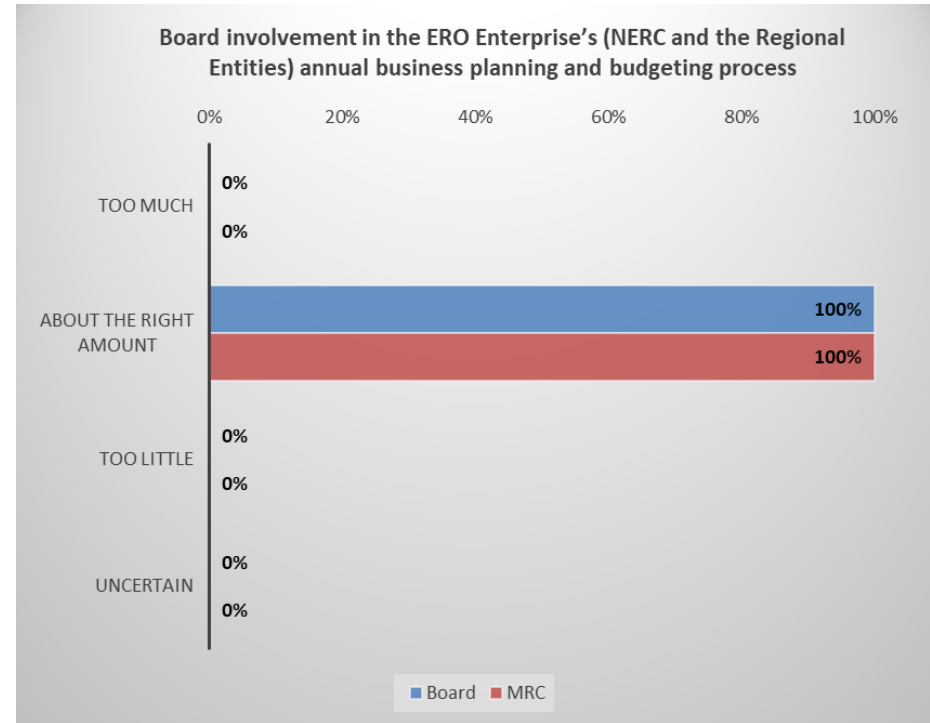


# Oversight

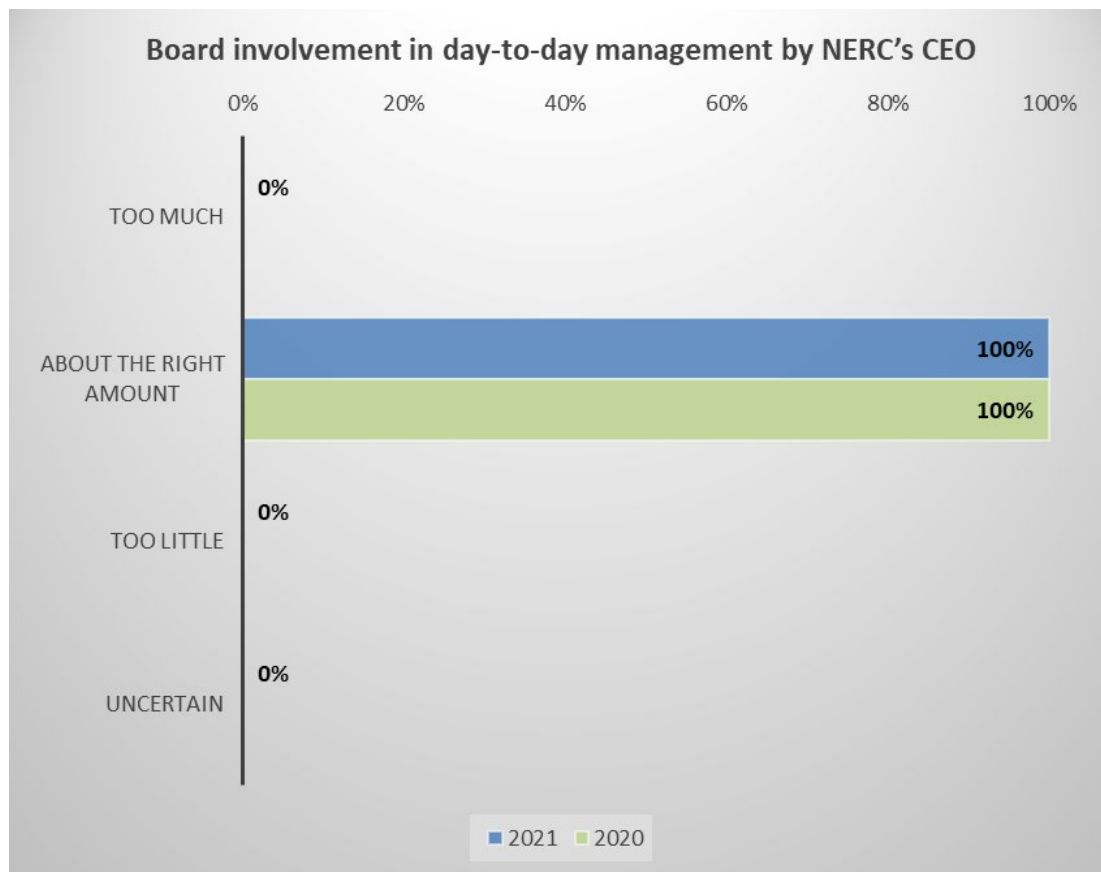
## 2020



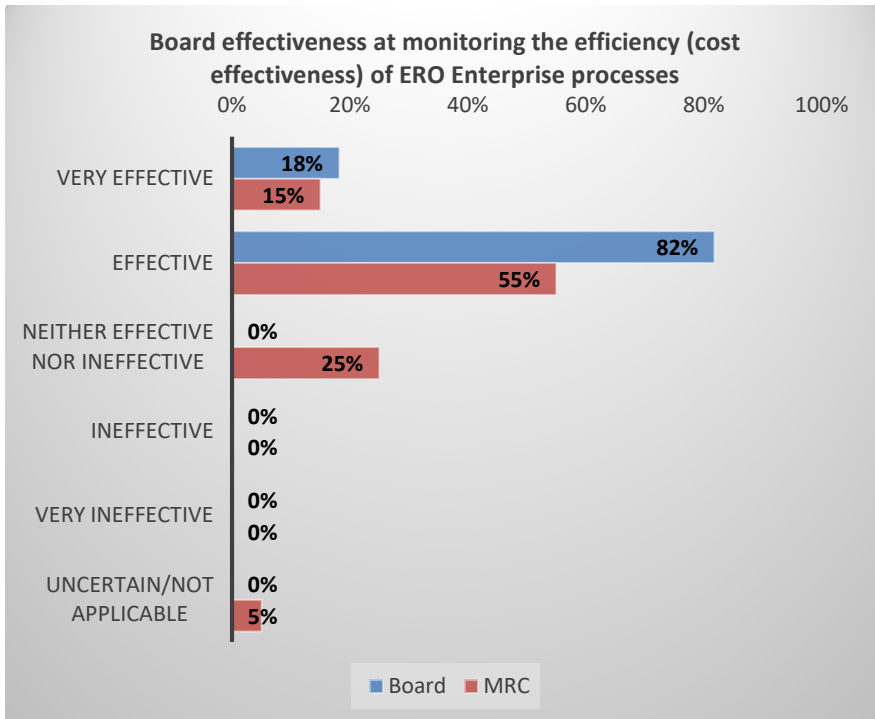
## 2021



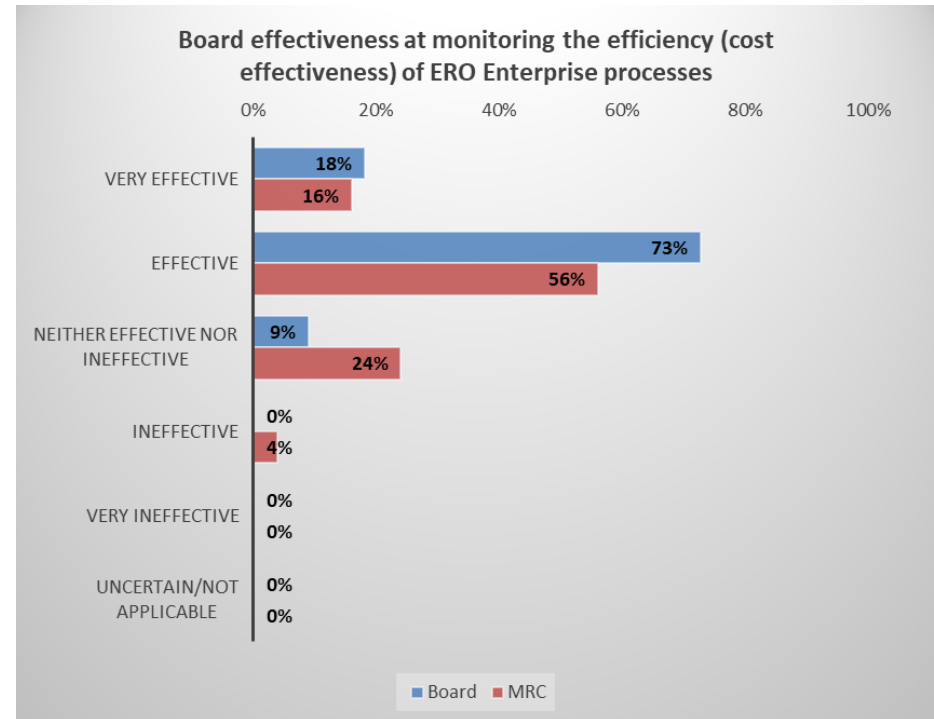
2021



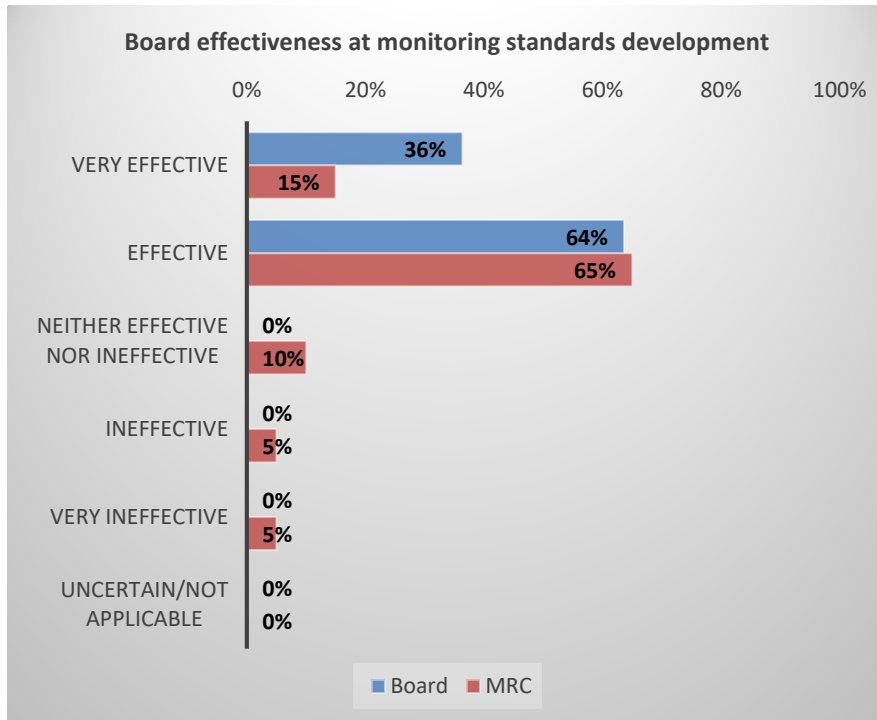
**2020**



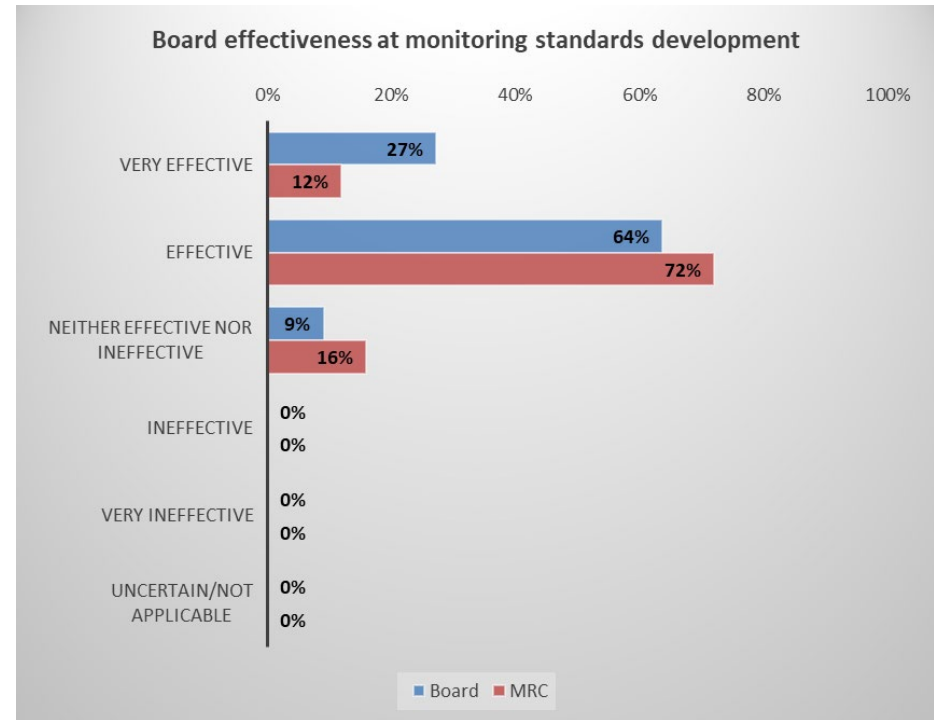
**2021**



## 2020

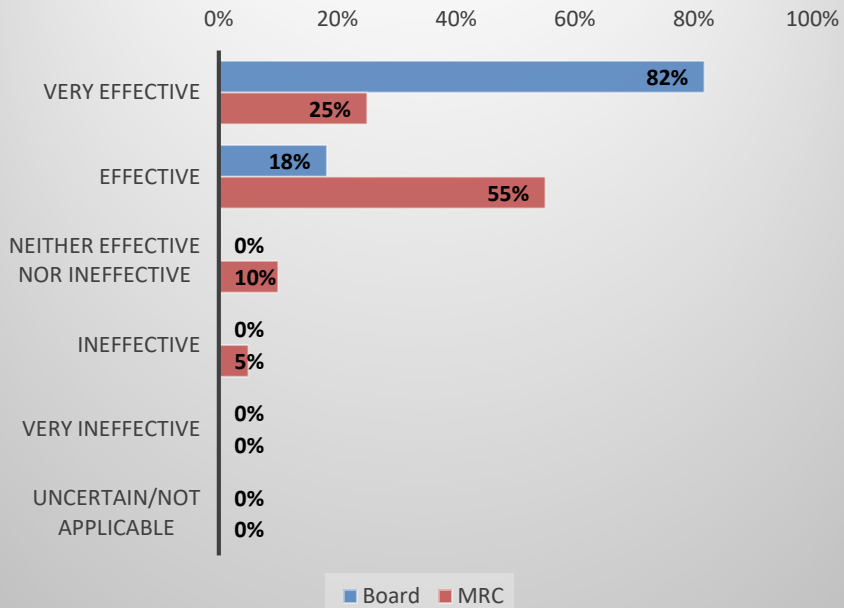


## 2021



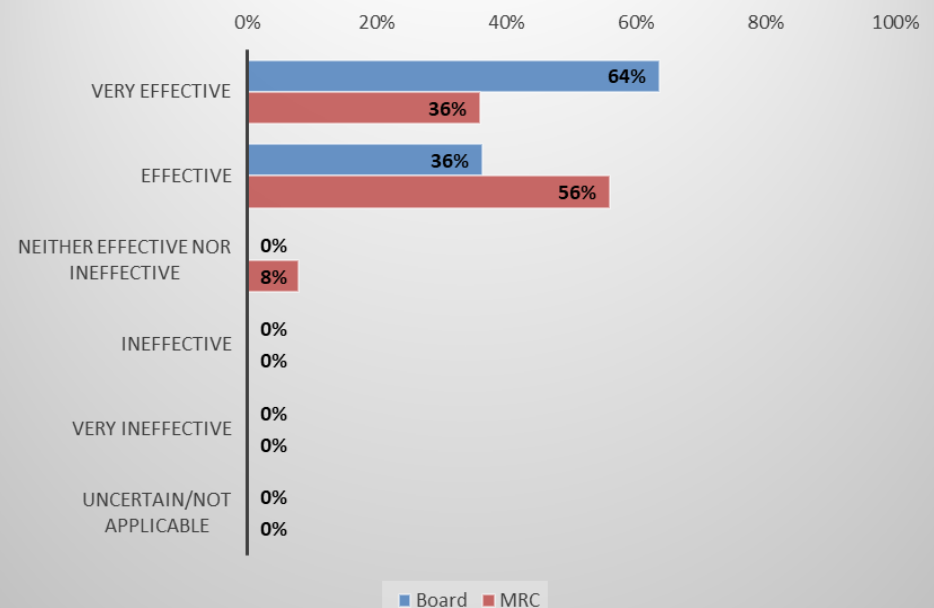
## 2020

Board effectiveness at monitoring Compliance Monitoring and Enforcement



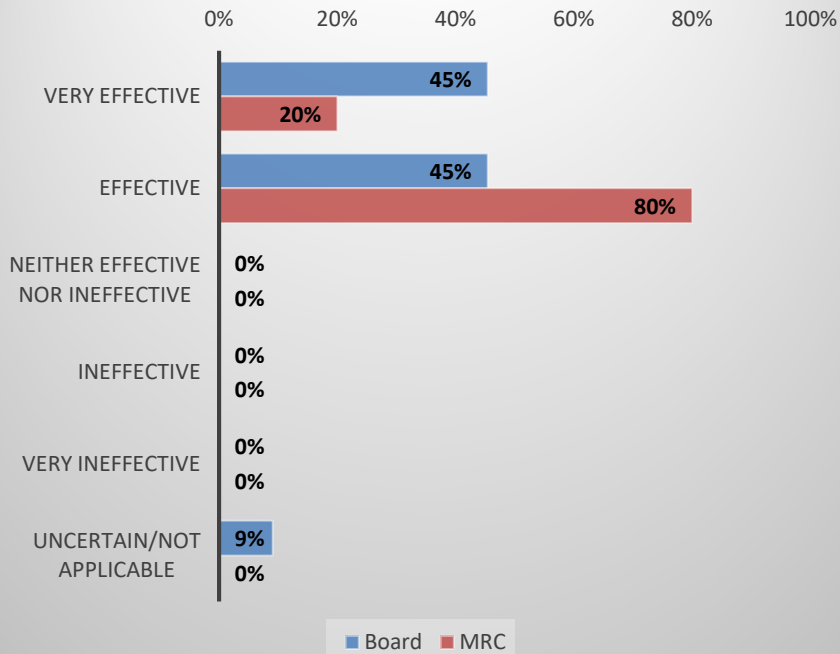
## 2021

Board effectiveness at monitoring Compliance Monitoring and Enforcement



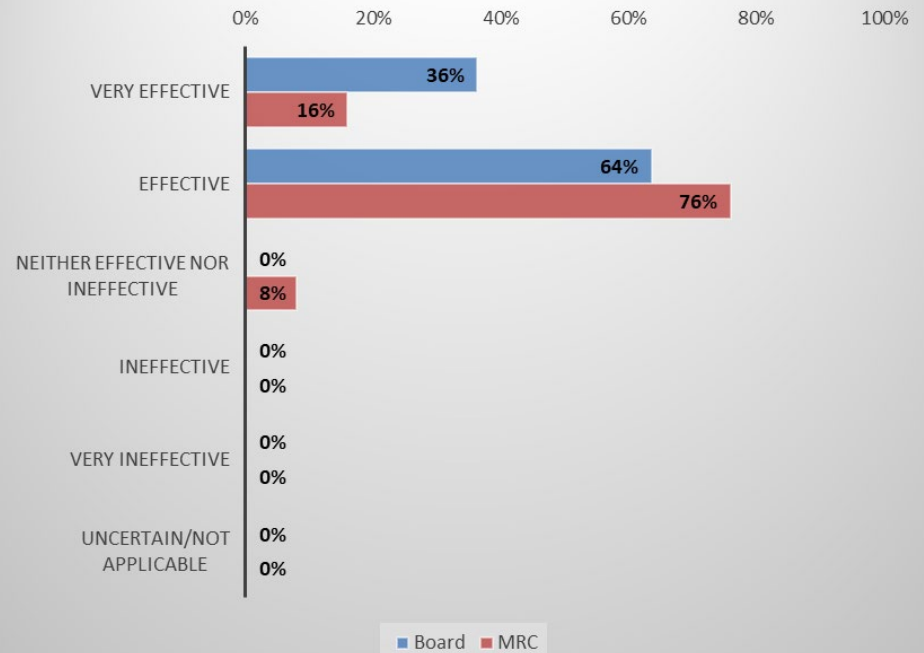
## 2020

Board effectiveness at monitoring assessments



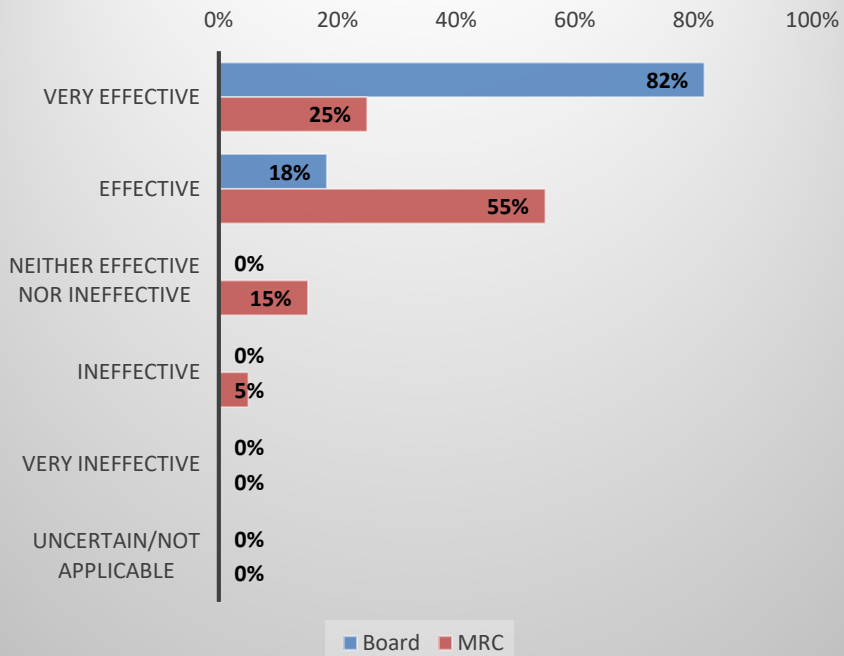
## 2021

Board effectiveness at monitoring assessments



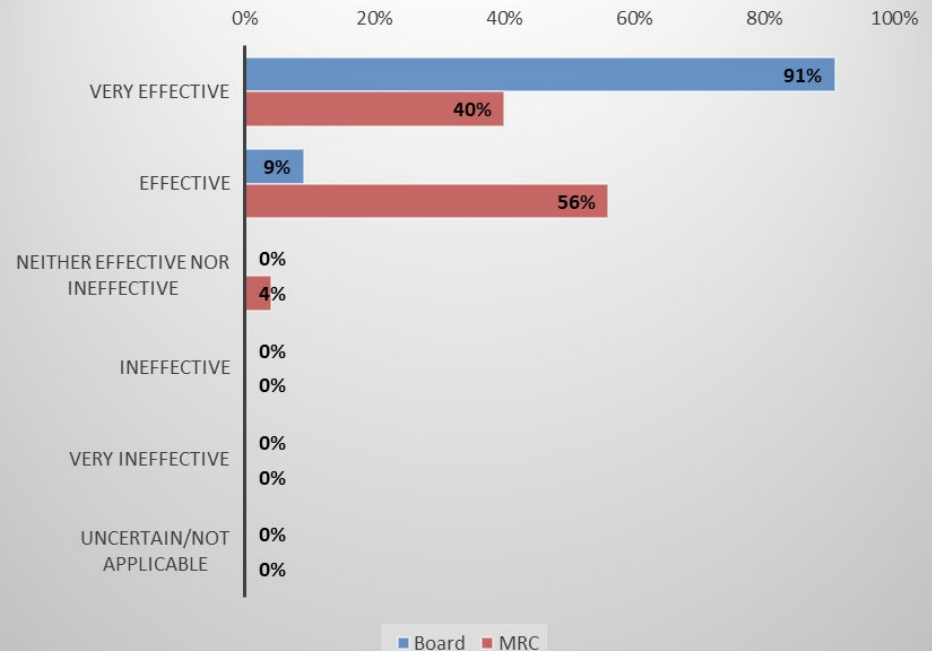
## 2020

Board effectiveness at monitoring the E-ISAC



## 2021

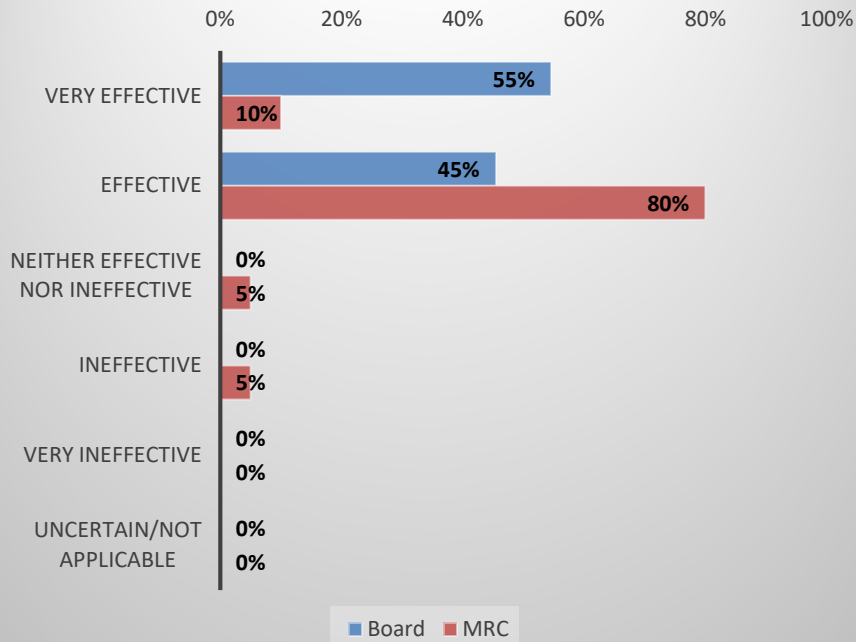
Board effectiveness at monitoring the E-ISAC





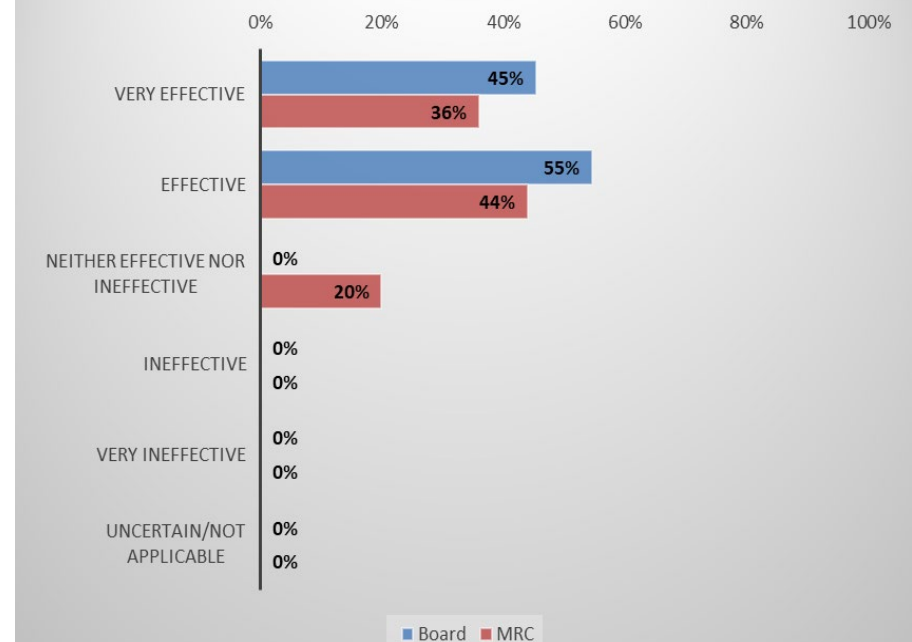
## 2020

### Board effectiveness at monitoring risk



## 2021

### Board effectiveness at monitoring risk



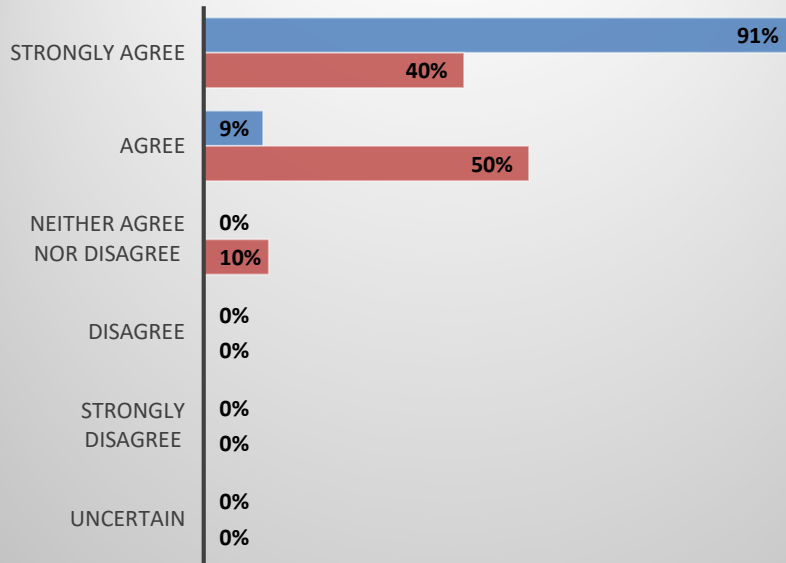


# Stakeholder Relations

**2020**

**The Board listens to input from the MRC**

0% 20% 40% 60% 80% 100%

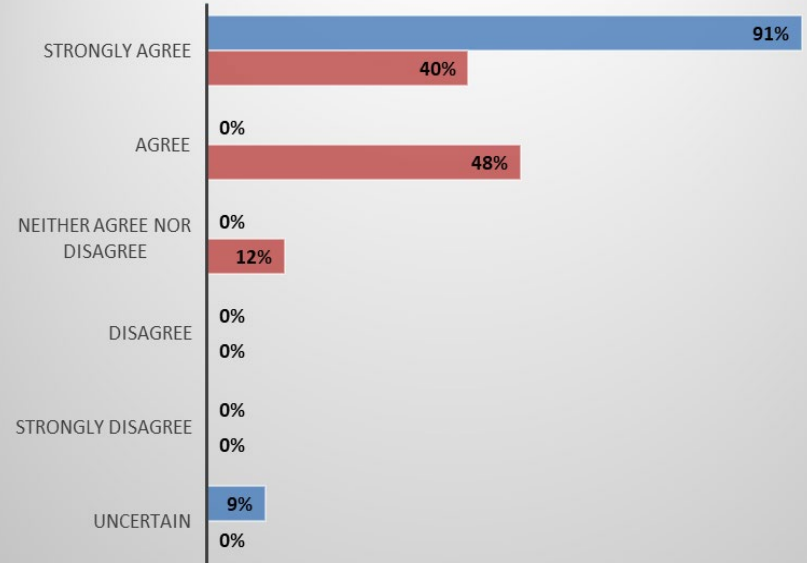


■ Board ■ MRC

**2021**

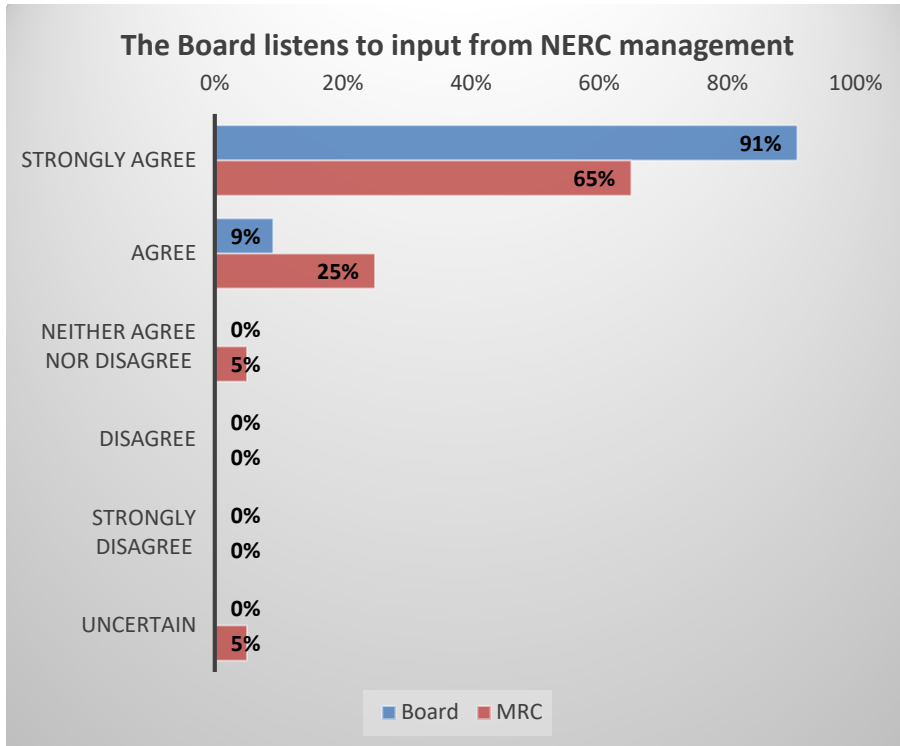
**The Board listens to input from the MRC**

0% 20% 40% 60% 80% 100%

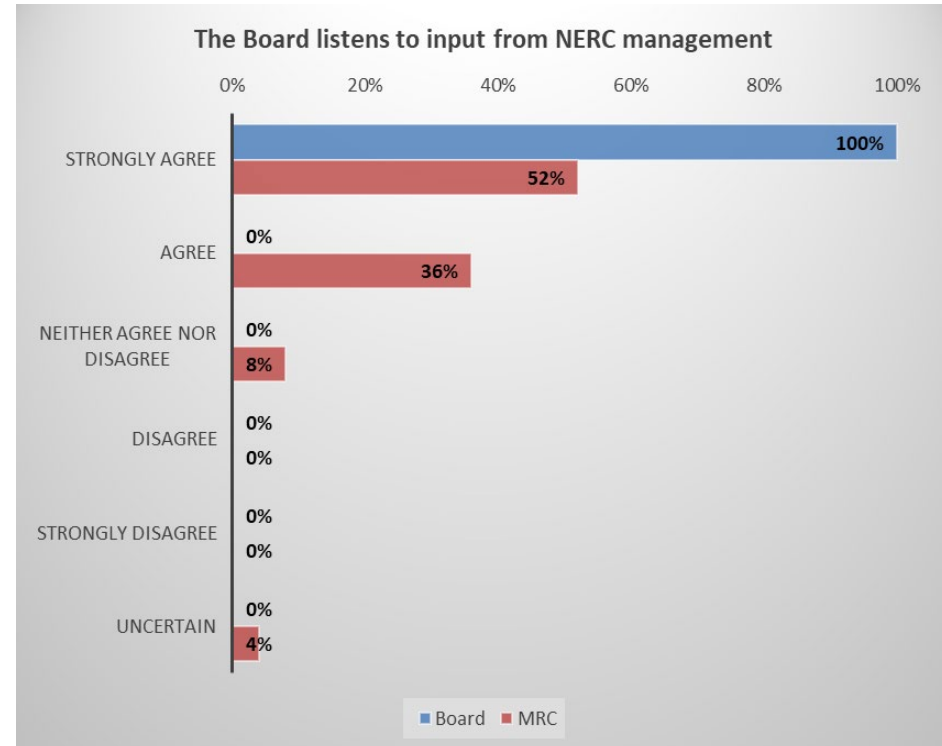


■ Board ■ MRC

**2020**

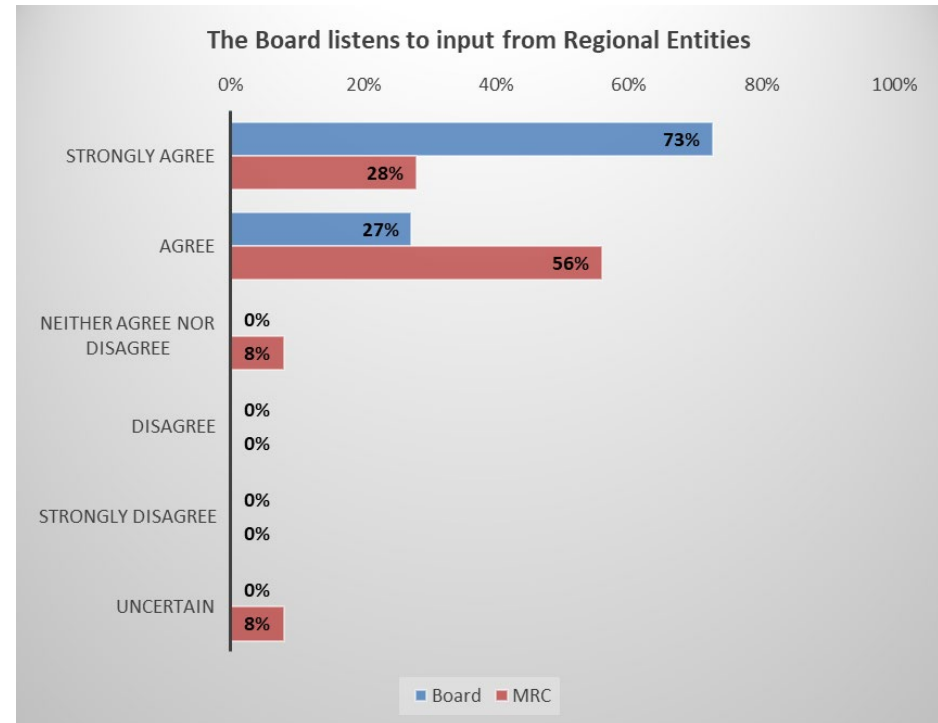
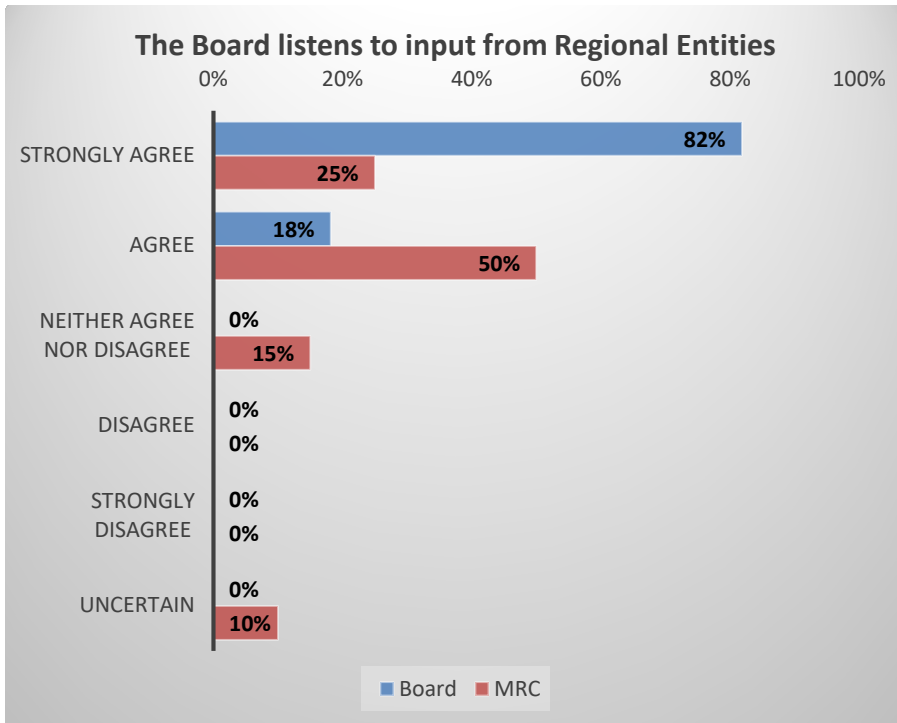


**2021**



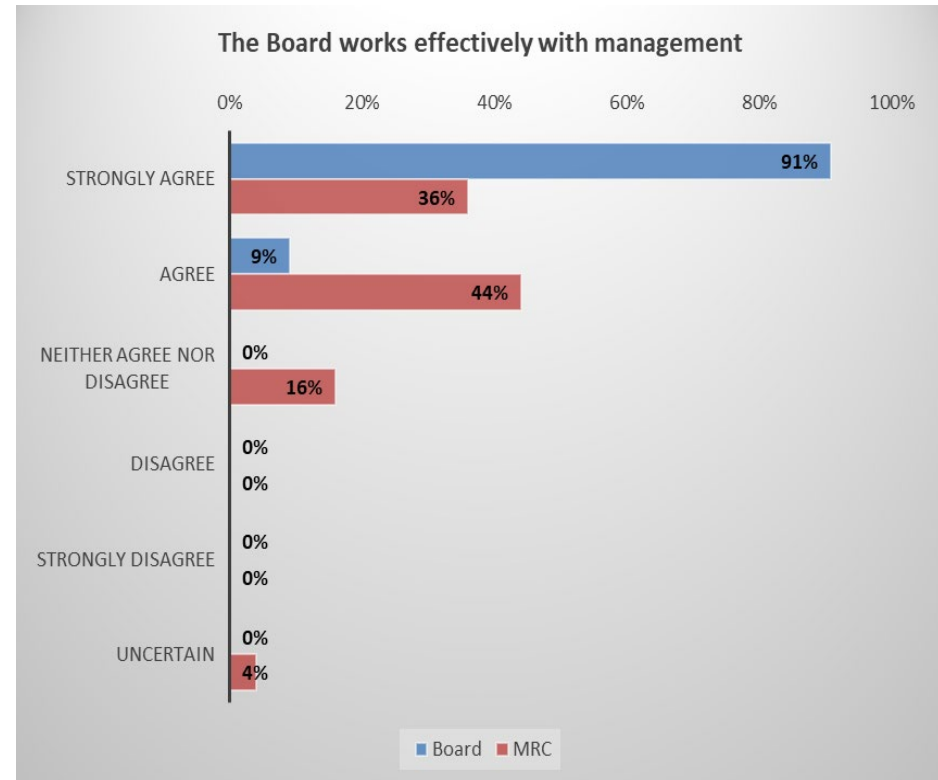
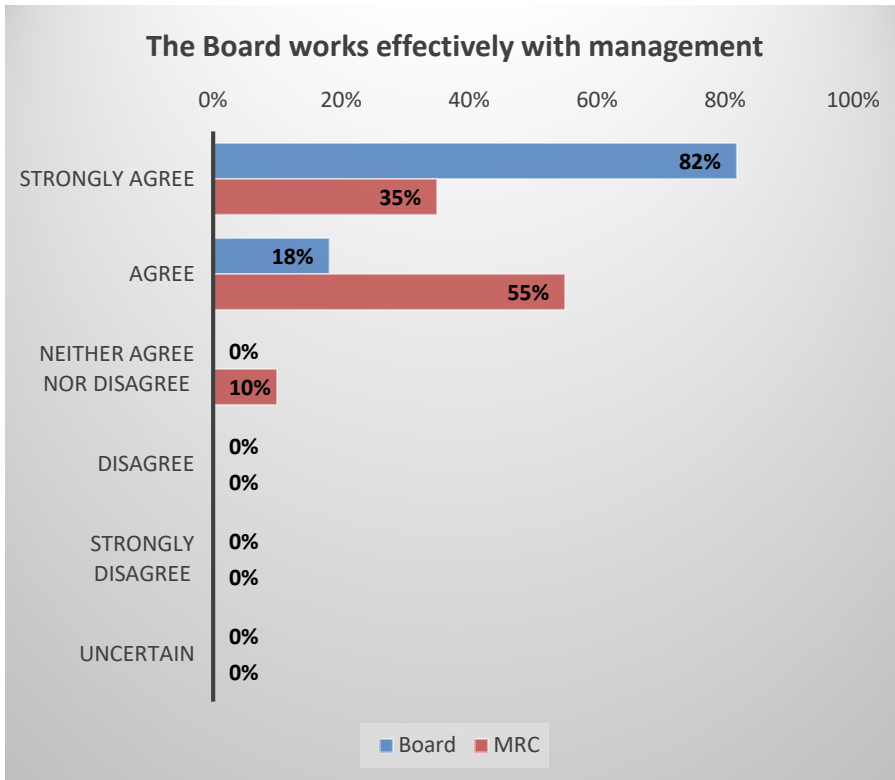
**2020**

**2021**



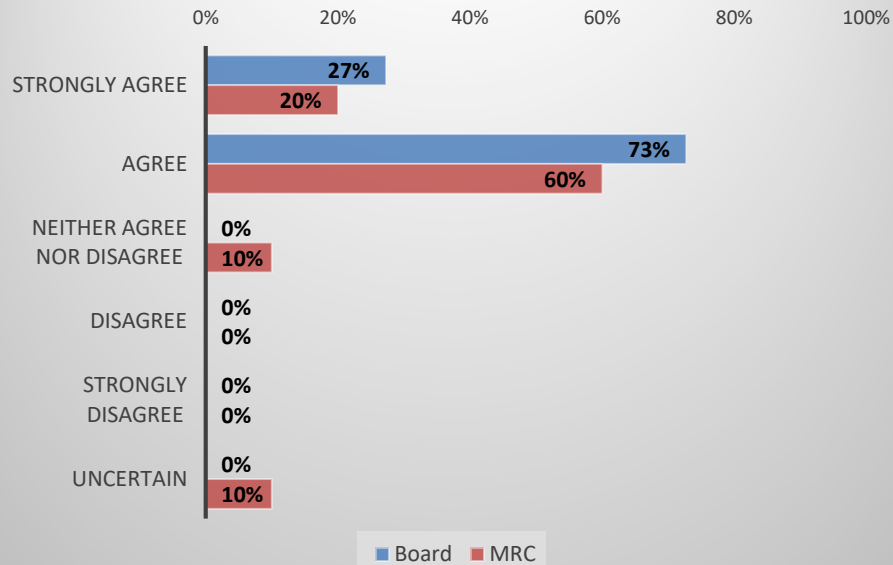
**2020**

**2021**



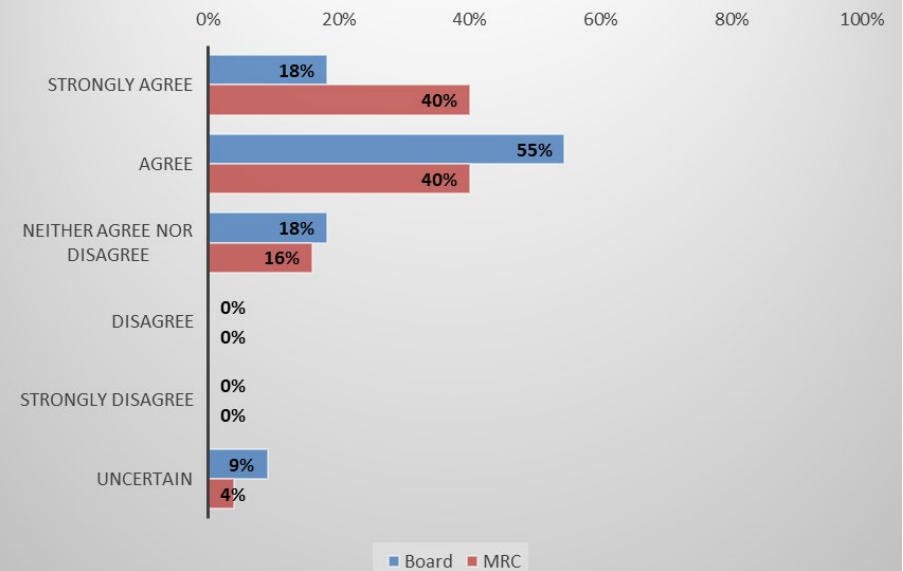
**2020**

The Board maintains a positive working relationship with Federal regulators



**2021**

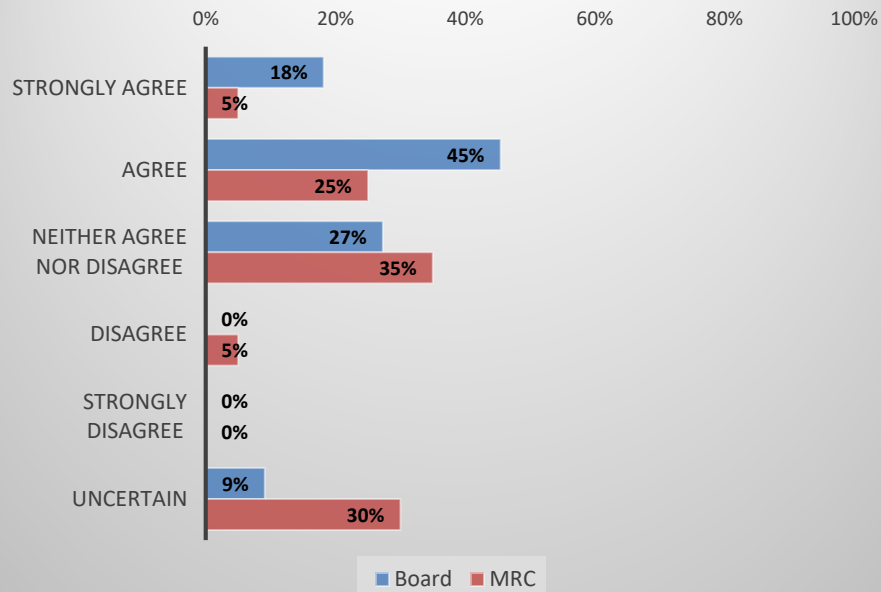
The Board maintains a positive working relationship with Federal regulators



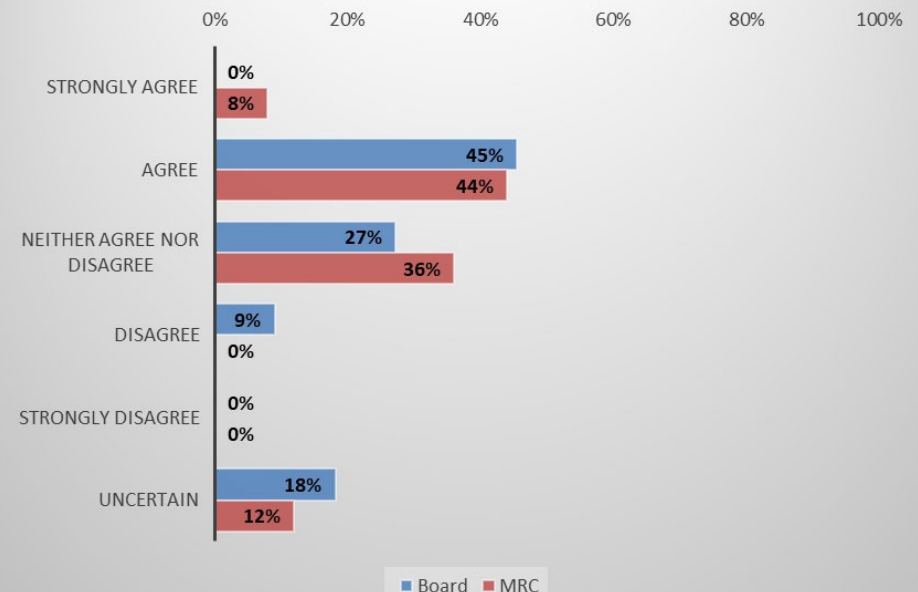
## 2020

## 2021

The Board maintains a positive working relationship with State regulators



The Board maintains a positive working relationship with State regulators

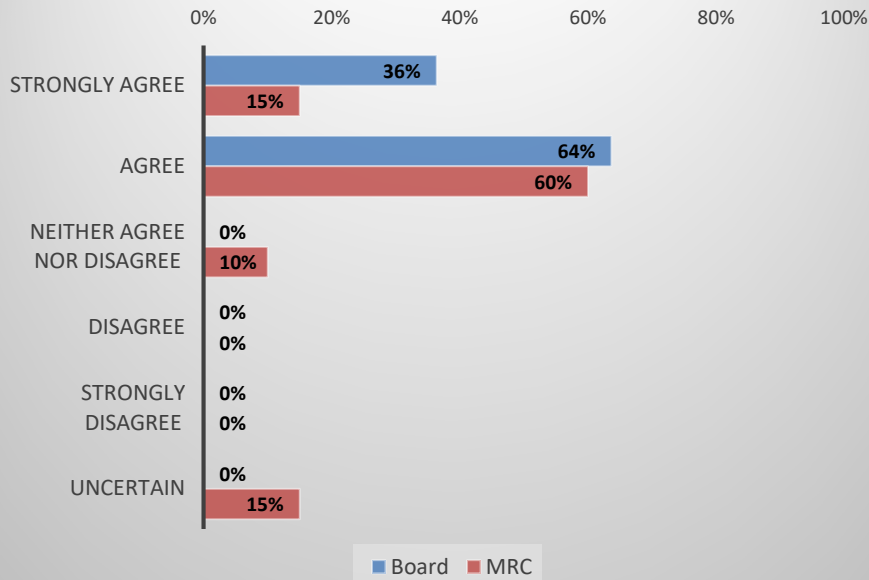




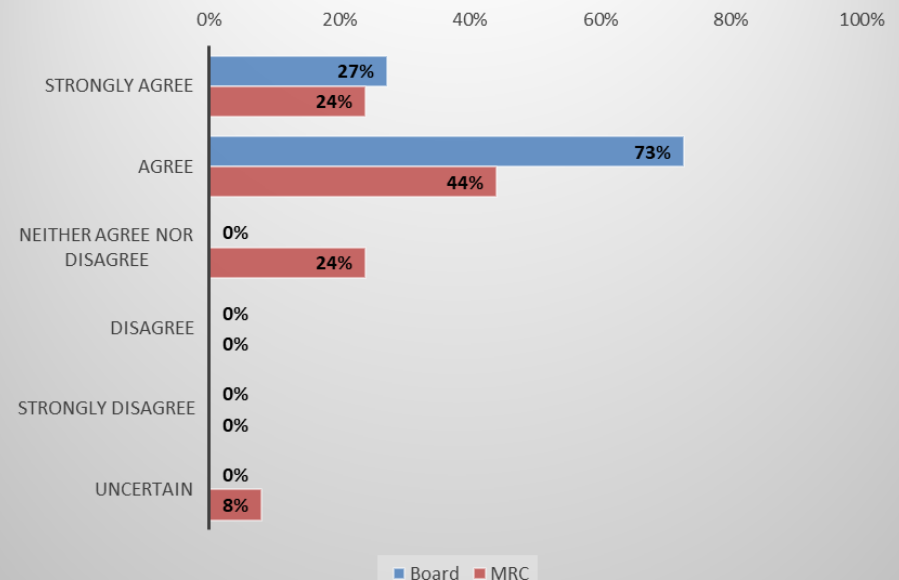
**2020**

**2021**

The Board maintains a positive working relationship with Canadian federal and provincial regulators



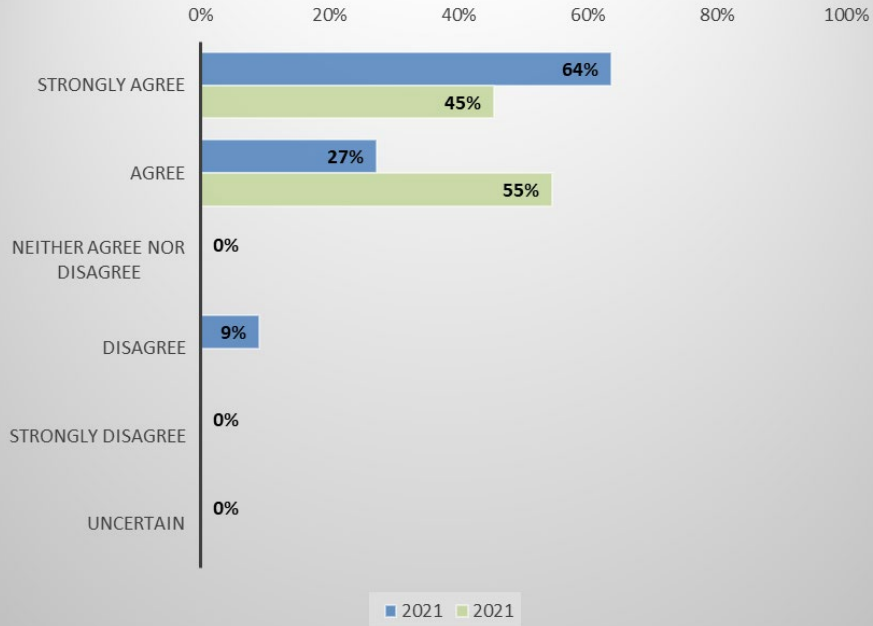
The Board maintains a positive working relationship with Canadian federal and provincial regulators



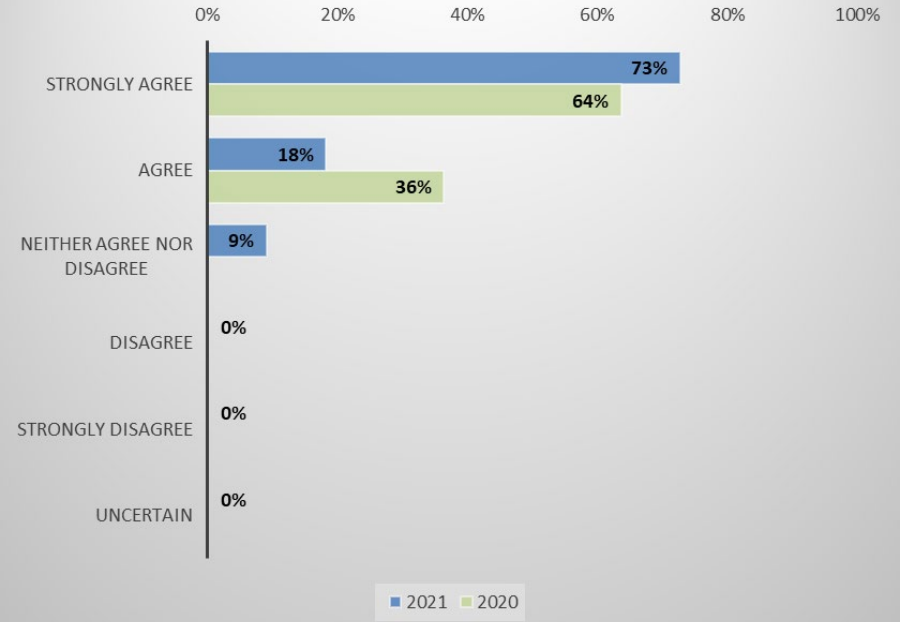


# Board Functioning

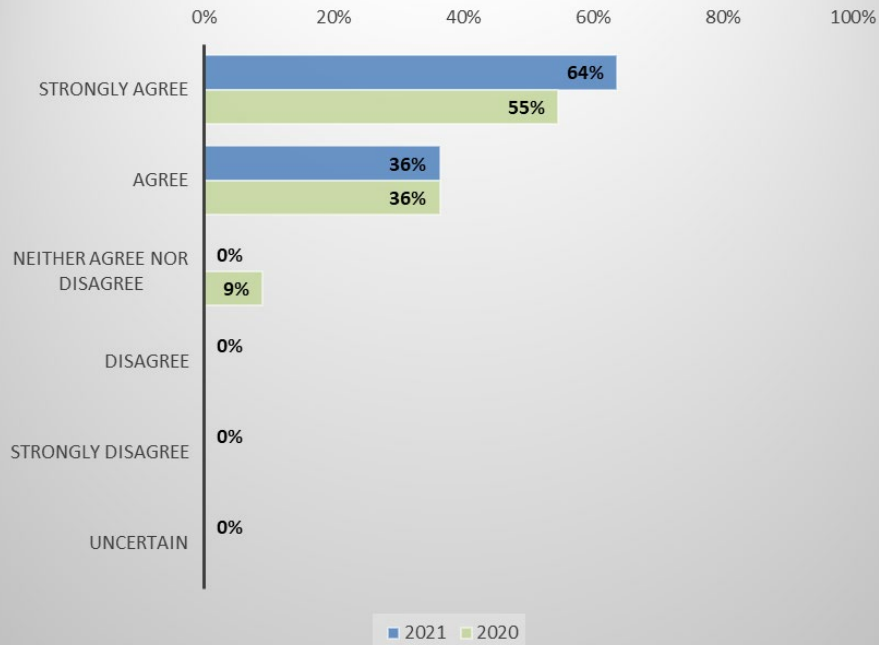
**Board meetings are efficient (*Board Only*)**



**Board meetings are an effective use of my time (*Board Only*)**



The frequency of Board meetings is appropriate (*Board Only*)



Board members communicate effectively with each other (*Board Only*)

