



Update on FERC Activities

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The views expressed in this presentation are my own and do not represent those of the Commission or any individual Commissioner.

Agenda: FERC Reliability Actions from February 2023 – May 2023

- Chairman Phillips's Reliability Priorities
- Reliability Orders
 - Cold Weather Standards – EOP-011 and EOP-012
 - Low Impact Cyber Systems Supply Chain – CIP-003-9
 - Incentive Rate Treatment for Cybersecurity Investment
- Physical Security Report, Testimony, and Next Steps
- Environmental Justice Round Table and the Commission's Equity Action Plan



Chairman Phillips Has Stated that Reliability Is a Core Principle

- Chairman Phillips is focused on *Reliability, Affordability* and *Sustainability*
 - Reliability includes cyber and physical security, extreme weather and the changing resource mix
 - Transmission reform
 - Environmental justice
- Commission reliability actions emphasize the focus areas
 - RD23-2 – Order Directing Report on Physical Security
 - RM22-3 – Final Rule on Internal Network Security Monitoring
 - RM22-10 – NOPR proposing changes to TPL-001 for extreme weather
 - RD22-4 and RM22-12 – Order and NOPR regarding Inverter-Based Resources



FERC Approved and Directed Changes to Cold Weather Standards

- [Order approving EOP-011-3 \(Emergency Operations\) and EOP-012-1 \(Extreme Cold Weather Preparedness and Operations\)](#) in Docket No. RD23-1
 - Proposed standards include winterization requirements for GOs
 - Commission directed changes to EOP-012-1
- Revised standard and data collection plan is due February 16, 2024.



FERC Approved Supply Chain Revisions for Low-Impact Cyber Systems

- On March 16, 2023, the Commission approved Reliability Standard CIP-003-9 ([Cyber Security – Security Management Controls](#)). Docket No. RD23-3-000.
 - Requires entities with bulk electric system facilities whose assets are designated low impact to have methods for determining and disabling vendor remote access.
 - Expands existing security controls to provide greater visibility into electronic communication between low impact bulk electric system cyber systems and vendors.
 - Will allow detection and the ability to disable vendor remote access in the event of a known or suspected malicious communication.
- CIP-003-9 becomes effective on April 1, 2026.



FERC Finalizes Incentive Rate Treatment for Cybersecurity Investments

- Implements Section 40123 of the Infrastructure Investment and Jobs Act of 2021
- Issued April 21, 2023: Order No. 893, a [final rule](#) providing incentive-based rate treatment for utilities making certain voluntary cybersecurity investments in Docket No. RM22-19
 - Establishes incentive-based rate treatments to encourage utilities to invest in advanced cybersecurity technology and participate in cybersecurity threat information sharing programs to benefit consumers.
 - Expenditures must materially improve a utility's cybersecurity posture.
 - Cybersecurity investments eligible for incentives include:
 1. Those on the pre-qualified list; and
 2. Those determined to be eligible by the Commission on a case by case basis, including early compliance with cybersecurity Reliability Standards.
 - Incentive takes the form of a deferred cost recovery that would enable the utility to defer expenses and include the unamortized portion in its rate base.
 - Incentives, with certain exceptions, will remain in effect up to five years from the date on which the expenses are incurred, provided that the investments remain voluntary.



NERC Submitted and Presented Report on Physical Security

- On December 15, 2022 the [Commission directed NERC to study the effectiveness of CIP-014-3](#) in Docket No. RD23-2 and determine whether the standard needs to be improved
- NERC submitted its report on April 14, 2023
 - Concludes that changes to the applicability section of CIP-014-3 are not needed, but recognizes the need for further study given the changing grid.
 - Finds that the Requirement 1 risk assessments are implemented inconsistently. NERC will initiate a project to modify the standard to ensure that entities conduct effective risk assessments of applicable substations.
 - Recommends a risk-based approach to evaluate the appropriate combination of reliability, resiliency, and security measures to mitigate the risks of physical security attacks, and not a minimum level of protections for all substations and associated primary control centers.
 - Proposes a joint technical conference with the Commission to explore these issues and determine the next steps, including potential Reliability Standards modifications.
- On April 20, 2023, Jim Robb, President and CEO of NERC, presented [NERC's evaluation of the Physical Security Reliability Standard](#) in light of recent physical attacks on the BPS
- FERC has asked for comments jointly on the report and on the Joint Federal-State Task Force meeting on security. Comments are due May 15, 2023.
- Chairman supports joint technical conference – stay tuned for details.



Spotlight on Environmental Justice Roundtable and Equity Action Plan

- The Commission held a [Commissioner-led Roundtable on Environmental Justice and Equity](#) on March 29, 2023.
 - Identify and address adverse impacts associated with permitting applications for hydroelectric, natural gas pipeline, liquified natural gas, and electric transmission infrastructure subject to FERC jurisdiction.
- The Commission's two-year [Equity Action Plan](#) aims to reduce barriers to meaningful participation by underserved communities.
 - Details how the Commission will incorporate equity and environmental justice into the Commission's operations in several key areas.
 - Supports the Commission's mission to assist consumers in obtaining reliable, safe, secure, and economically efficient energy services at a reasonable cost through appropriate regulatory and market means, and collaborative efforts.
 - Promotes equity and removal of barriers for underserved communities including environmental justice communities.
- At the April Commission meeting, the Commission issued two Orders on Remand (Docket Nos. CP16-116-002 and CP17-40-016) that include environmental justice examinations for two LNG facilities.
- Conrad Bolson has been appointed Senior Counsel for Environmental Justice and Equality and will lead these efforts.

