Introduction and Chair’s Remarks

NERC Welcome – Gerry Cauley, President and CEO, NERC

NERC Antitrust Compliance Guidelines and Public Announcement

Agenda Items

1. Administrative – Secretary and Patti Metro
   a. Compliance and Certification Committee (CCC) Roster

2. Committee Business
   a. Consent Agenda – (Review) (Patti Metro)
      i. Meeting Agenda – (Approve)
      ii. CCC November 2016 Meeting Minutes – (Approve)
   b. 2017 Nominating Subcommittee Membership – (Approve)

3. Review of CCC Action Items and Work Plan Status – (Review) (Jennifer Flandermeyer)


5. NERC Board of Trustees and Members Representative Committee (MRC) Update, February 2017 Meetings – (Update) (Jennifer Flandermeyer)

6. Board of Trustees Follow-up to Regional Consistency – (Update) (Patti Metro and Ken McIntyre)

7. Independent Audits
   a. Audit of NERC Compliance Monitoring and Enforcement Program (CMEP) and Organization Registration and Certification Program (ORCP) and Standard Processes Manual (SPM) Audit* – (Update) (Matt Gibbons)
b. CCC Role in NERC Internal Audit Oversight Plan of Regional Entities – **(Discuss)** (Mechelle Thomas)

8. **Compliance Guidance**
   a. Nuclear Energy Institute Request to be a Pre-Qualified Organization* – **(Approve)** (Matt Goldberg)
   b. Update on Compliance Guidance Activities* – **(Update)** (Kiel Lyons)

9. **Subcommittee - (Updates)**
   a. Nominating Subcommittee* – (Helen Nalley)
   b. ERO Monitoring Subcommittee (EROMS) – (Ted Hobson)
      i. Self-Certification Status
   c. Compliance Processes and Procedures Subcommittee (CPPS) – (Matt Goldberg)
      i. CCC Procedures Update
   d. Organization Registration and Certification Subcommittee (ORCS) – (Keith Comeaux)
      i. Suggested Rules of Procedures changes to the JRO/CFR process

10. **Focused Discussion on Internal Controls** – **(Discuss)**
    a. Internal controls Update – (Adina Kruppa)
    b. CCC Request for Input on Industry Outreach – (Adina Kruppa and Patti Metro)

11. **NERC Enforcement Update*** – (Ed Kichline and Teri Stasko)

12. **Member Roundtable** – **(Discussion)** (Patti Metro)


14. **Future Meeting Dates** – **(Inform)**
    a. May 17-18, 2017: Salt Lake City, UT (WECC offices)
    b. September 13-14, 2017: Atlanta, GA
    c. November 29-30, 2017: West Palm Beach, FL (FPL offices)

15. Adjourn

*Background materials included.
Antitrust Compliance Guidelines

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

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

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

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

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

III. Activities That Are Permitted

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

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

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

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

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

• Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.

• Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.

• Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.

Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.
Report of February 2017
Member Representatives Committee and Board of Trustee Meetings

Action
Information

Background
These notes are provided by Compliance and Certification Committee (CCC) attendees at the Member Representatives Committee (MRC) and the Board of Trustees (BOT) meetings. The notes are not provided to accurately represent all agenda topics in full.

The North American Electric Reliability Corporation (NERC) MRC and BOT convened their quarterly meetings on February 8-9, 2017.

Board of Trustees Compliance Committee (BOTCC) Meeting Summary:
The following notes represent some of the significant highlights from the meetings. The Agenda package and associated presentation materials are posted here:

BOTCC Agenda Package

BOTCC Presentations

- Chair’s Report:
  - Chair discussed interim executive session meetings, including work on “above and beyond” guidelines that give some discretion related to penalty calculation.
  - Consistency Focus: The committee met with Regional Entity (RE) executives on the topic. In addition, the CCC is collaborating in the effort. The Regional consistency tool will be moving to NERC from the REs.
  - The Chair discussed progress over the past year and noted good progress on transition to risk-based compliance. The backlog of enforcement work is down and self-reporting represents a high number of violations in support of a strong culture of reliability and compliance.
  - The Chair noted they will focus or continue to focus on those violations that have the greatest risk(s) to reliability.
- BOTCC Agenda package includes 2016 Compliance Monitoring Enforcement Program (CMEP) annual report.
- BOTCC was provided an Enforcement update (see presentation materials)
- Small percentage of violations are higher risk (i.e., lack of CIP commitment, vegetation contacts, repeat violations, ineffective change management, ineffective interconnection process, inadequate training of operators on tools and procedures).
- Continued progress on compliance exceptions (although benefits not fully recognized at registered entities as of yet).
- Serious risk violations down significantly (roughly 2 percent of all violations) and the number of violations with observed impact on the Bulk Electric System is down.
- There was a slight uptick on violations in 2016, mostly due to the standards churn (all the new standards that become enforceable annually) yet the majority of the violations are self-identified and minor.
- The CIP V5 standards rollout had about half the bow wave of violations that was seen with V3.
- The CIP V5 standards rollout had about half the bow wave of violations that was seen with V3. NERC developed a more consistent set of risk factors for Inherent Risk Assessments (IRA).
- IRA have been completed for all Reliability Coordinators and additional IRA completed or in progress for Balancing Authorities and Transmission Operators.
- Related to the Compliance Oversight Process, most of the focus in 2016 was related to handling of Multi Region Registered Entities (MRRE). MRRE view the program as a success.
- Possible improvements include increased coordination by the lead region when there are several other Regions involved.
- The recently published Internal Controls guide was discussed.
- NERC continues to look at the internal controls engagement as a separate exercise that represents basically an audit of those controls.
- There was a relatively long discussion about how entities evaluate success with regard to internal controls, should there be a library of controls for entities to use and does the effort simply add a second layer of documentation for yet to be determined benefits.

**Member Representatives Committee Meeting Summary:**
The following notes represent some of the significant highlights from the meetings. The Agenda package and associated presentation materials are posted here:

MRC Agenda Package

MRC Presentations

- The MRC re-elected three Board members to additional three year terms and elected one new Board member (Janice B. Case, Frederick W. Gorbet, Roy Thilly, and Deborah S. Parker, respectively).
- Paul Barber attended his last meeting and offered comments as a retiring member of the Board.
• NERC Management presented information on the integration of Mexico into the Electric Reliability Organization (ERO).
  ▪ Mexico has restructured its power industry.
  ▪ In January, 2017 US and Mexican governments signed bilateral reliability principles.
  ▪ They have already adopted ten standards and are working to stand up an entity certification program.
  ▪ A roadmap to integration is in the February BOT agenda package.
• ERO Strategic Planning Process
  ▪ NERC continuing to refine its process and integrate associated efforts into the timeline (RISC, etc.). NERC has published a calendar that links to the business planning cycle as well as dates of key committee meetings.
  ▪ The plan will be an operational plan, updated every 2 years.
  ▪ The goal is to get approval of the plan in August for alignment with the budget.
  ▪ The Policy Input to this meeting was used to gather recommendations on items that should be included in the long term strategy scope. NERC is evaluating the comments.
• Presentations and Discussions for the MRC (see meeting presentations)
  ▪ Near Term Reliability Assessments
  ▪ GMD
  ▪ Inverter Disconnects During Disturbances
  ▪ Cyber Automated Information Sharing System
• Federal Energy Regulatory Commission (FERC) Update
  ▪ Data and Information Sharing: FAST ACT, FERC protection of data and will validate whether data is CEII if data is requested. Recognized there remain concerns on this topic.
  ▪ Primary Frequency Response (GIA changes) recently finalized.
  ▪ PRC-012-2. FERC approved, but asked questions on limited impact remedial action schemes in follow up.
  ▪ BAL-002-2. FERC approved, but directed NERC to collect data, and to make a change to direct Responsible Entities to notify Reliability Coordinators if the entity was not going to be able to recover during an emergency.

Board of Trustees Meeting Summary:
The following notes represent some of the significant highlights from the meetings. The Agenda package and associated presentation materials are posted here:

BOT Agenda Package
BOT Presentations
• President’s Report:
  ▪ Suggested there may be another opportunity for an additional “paragraph 81” type of effort to remove less risk based beneficial requirements.
  ▪ The ERO’s biggest challenge is the full move to risk-based compliance and effective controls such that reliability and compliance come closer into alignment.
  ▪ There is a good road-map to get to consistency and resolution of concerns.
  ▪ NERC and the Regions have built the staff and analytics to identify issues and address them before they become a problem.
  ▪ Security will continue to be an issue, but it appears that government and industry are converging on solutions.
• The Board approved the following standards:
  ▪ IRO-002-5 Reliability Coordination - Monitoring and Analysis
  ▪ TOP-001-4 Transmission Operations
  ▪ EOP-004-4, EOP-005-3, EOP-006-3, and EOP-008-2
  ▪ CIP-003-7 and its Implementation Plan, Definitions of Transient Cyber Asset and Removable Media
  ▪ VAR-501-WECC-3
  ▪ Texas RE Standards Development Process
• The Board accepted the DER Report, with the primary issues represented as modeling, visibility and level of control. The Policy input responses given to the BOT will guide actions taken in response to the recommendations.
• The Board approved changes to Texas Reliability Entity By-laws.
• The Board received an update on the current administration’s appointments impacting the industry.
  ▪ Each agency has a lead that reports to the executive team.
  ▪ 4000+ appointments.
  ▪ Department of Energy 138 appointments, awaiting senate approval of Rick Perry.
  ▪ There will be a Cyber Czar.
  ▪ Rudy Giuliani is the Cyber Security advisor.

Committee Reports
• Standing Committee and Board Committee oral reports were shortened to 1 or 2 items due to a shortage of time to complete the agenda.
• The CCC received positive feedback in support of NERC’s Enterprise-Wide Risk Committee and the 2017 CCC work plan was approved.
• The NATF will continue with the existing work plan. In addition, NATF will be taking an active role in adopting and addressing the RISC priorities.

Board Committee Reports
• The Corporate Governance and Human Resources Committee approved or performed the following:
  ▪ Board Committee assignments,
  ▪ Management compensation RFP for market analysis,
  ▪ Succession planning across NERC, and
  ▪ Discussion about issuance of an RFP for the assessment survey.

• The Finance and Audit Committee presented audit results, variance analysis, and RE budgets and variances. All reports presented were approved. The Business plan and budgets for 2018 are in progress.
Audits of NERC CMEP/ ORCP and SPM

Matt Gibbons, Manager of Internal Audit and Corporate Risk Management
Compliance and Certification Committee Meeting
March 15-16, 2017
Status CMEP/ORCP:

- Compliance Monitoring Enforcement Program (CMEP)/Organization Registration Certification Program (ORCP) Audit completed in 2016. Internal Audit and Corporate Risk Management will follow up on status of audit recommendations this summer, per its established process.

Status SPM:

- Compliance and Certification Committee (CCC) audit observers selected
- In negotiation with independent auditor
- Audit planning during second quarter of 2017
- Audit fieldwork during third quarter of 2017
- Audit report expected in third or fourth quarter of 2017
Audit Objective:
• Ensure North American Electric Reliability Corporation’s (NERC) compliance with Standards Process Manual (SPM) and Section 300 of NERC Rules of Procedures

Audit Scope:
• NERC activities for the time period of 2014-2016

Audit Team:
• Independent Auditor (serves as audit team lead)
• CCC Observers
• NERC Internal Audit
Questions and Answers
CCC Role in NERC Internal Audit Oversight of Regional Entities

Mechelle Thomas, Director of Internal Audit and Corporate Risk Management Compliance and Certification Committee Meeting March 15-16, 2017
CCC Role in RE Audits

- Scope of North American Electric Reliability Corporation’s (NERC) Internal Audit and Corporate Risk Management (IACRM) audit activities includes Regional Entity (RE) compliance with the Compliance Monitoring Enforcement Program (CMEP).

- Appendix 4A of the NERC Rules of Procedures allows the Compliance and Certification Committee (CCC) participation in RE CMEP audits as an observer at the CCC’s discretion.

- NERC IACRM and the CCC need to develop a plan to:
  - Accommodate the CCC participation in RE CMEP audits while ensuring the flexibility required to complete the annual audit plan.
  - Coordinate logistics of CCC members serving on audit teams including training, confidentiality, and conflict of interest requirements.
  - Obtain CCC input on the audit objectives.
  - Determine method to provide audit results and observations to the CCC.

- IACRM does not have any RE CMEP audits scheduled for 2017.
Questions and Answers
**Agenda Item 8a: Nuclear Energy Institute Request for Pre-Qualified Organization**

**Action**
Approve

**Background**
The Nuclear Energy Institute (NEI) submitted an application to become a pre-qualified organization eligible to submit Implementation Guidance. NEI - NERC Issues Task Force (NITF) was formed in 2012 and represents all operating nuclear reactors in the US. The Task Force is sponsored by the Nuclear Energy Institute, meets quarterly in person at the NEI offices in Washington DC and hosts a monthly teleconference. NEI-NITF has the following active member companies: Dominion, Duke Energy, Energy Northwest, Entergy, Exelon Generation, FENOC, NextEra Energy Resources, PPL Generation, PSEG Nuclear, Southern Company/Southern Nuclear, TVA and Xcel Energy.

**Summary**
The CCC’s Compliance Processes and Procedures Subcommittee (CPPS) reviewed NEI’s application to determine whether NEI meets the four criteria outlined in the Compliance and Certification Committee (CCC) Monitoring Procedures CCC-PP-011-1. Based on NEI’s application, NEI meets the following four criteria in the procedure:

1. Is a known entity on the list of NERC registered entities, or in the alternative, represents a group of registered entities;
2. Is actively involved in the various technical and policy operations of NERC;
3. Has methods to assure technical rigor in the development process; and
4. Possesses the ability to vet content through its organization, providing a high level of confidence to the CCC that the Guidance has been fully vetted.

CPPS is seeking CCC approval of NEI’s application a pre-qualified organization eligible to submit Implementation Guidance.
Compliance Guidance Update

Kiel Lyons, Manager, Compliance Assurance
Compliance and Certification Committee Meeting
March 15-16, 2017
- Implementation Guidance Update
  - 27 submitted
  - 14 Endorsed
  - 5 Not Endorsed
  - 8 Open

- CMEP Practice Guide Update
• Website update
  ▪ Non-endorsed Guidance Tracker (posted Feb. 2017)

• Next Steps
  ▪ Develop guidelines for drafting future Implementation Guidance
  ▪ Outreach on how to develop and submit Implementation Guidance
Questions and Answers
Nominating Subcommittee Update

Helen Nalley, Compliance Director Southern Company
Compliance and Certification Committee
March 15-16, 2017
Vacancies

- NPCC
- RFC
- Merchant Electric Generator – 1 self-nomination received
- (2) Large End-Use Customer
- Canada Federal
- U.S. Federal

2017 Vacancies

- RE-SPP Jennifer Flandermeyer – March, 26, 2017
- RE-SERC Lee Xanthakos – August 13, 2017
- RE-WECC Lisa Milanes – November 11, 2017
- Electricity Marketer Ben Engleby – August 13, 2017
- Federal/Provincial Utility/Power Authority Caroline Dupuis – March 11, 2017
- Merchant Generator Silvia Mitchell Parada – March 11, 2017
- Small End-Use Electricity Customer Kevin Conway – May 4, 2017
Questions and Answers
Focused Discussion on Internal Controls

Action
Discuss

Background
A key strategic activity in the Compliance and Certification Committee’s (CCC) 2017 work plan includes a project, Project 5, related to Program Support Efforts for the Compliance Monitoring and Enforcement Program (CMEP). Specifically the work plan identifies two items related to Project 5:

1. Participate in continued outreach efforts to drive clarity in expectations and processes related to risk, controls and compliance within the risk-based CMEP
2. Hold periodic discussions to identify opportunities for improvement on specific issues and serve as a focus

The Electric Reliability Organization (ERO) Enterprise also recently released revised guidance documents on risk-based compliance monitoring and will continue to focus 2017 industry outreach efforts on internal controls.

Summary
In support of carrying out Project 5, North American Electric Reliability Corporation (NERC) would like the CCC to discuss 2017 industry outreach to determine how NERC and the CCC could address industry needs regarding internal controls. NERC would like the CCC to help support the ERO Enterprise in messaging the importance of internal controls for ensuring reliability of the bulk power system by sharing registered entity lessons learned and experiences about understanding internal controls related to the NERC Reliability Standards, implementing internal controls, sharing internal controls with Regional Entities.

NERC is asking for the CCC’s help to provide input into 2017 outreach by:

1. Identifying industry concerns and questions to inform key messaging objectives,
2. Proposing a recommended outreach event(s), such as an in-person event, webinars, etc., based on industry demand or desire for an event, and
3. Providing CCC support to conduct proposed event(s), including determining event timing and providing input to the agenda and content development.
Internal Controls Update

Adina Kruppa, Compliance Assurance Manager
Compliance and Certification Committee Meeting
March 15-16, 2017
• Guide for Compliance Monitoring
  ▪ Enhanced Inherent Risk Assessments (IRAs) process, focusing on common approach
  ▪ Included development of Compliance Oversight Plans (COPs)

• Guide for Internal Controls
  ▪ Streamlined testing approach for internal controls
  ▪ Clarified how Electric Reliability Organization Enterprise considers internal controls during Internal Controls Evaluation and other Compliance Monitoring Enforcement Program activities
• Understanding internal controls during compliance monitoring activities (e.g., audits)

• How performed
  ▪ Discuss processes, procedures, and activities that help mitigate risk and ensure compliance with Reliability Standards
  ▪ Understand entity operations and ability to maintain future compliance

• Possible outcomes
  ▪ Identify best practices, areas of concern, or recommendations
  ▪ Informs Compliance Oversight Plan (feedback loop)
• Continued oversight, outreach, and education
• Focus on consistent implementation of enhanced processes
Questions and Answers
Enforcement Update

Ed Kichline, Senior Counsel and Director of Enforcement Oversight
Compliance and Certification Committee
March 16, 2017
• Compliance Monitoring and Enforcement Program Annual Report
  ▪ Filed with Federal Energy Regulatory Commission on February 21, 2017
• Petition for Enhancements to Compliance Exception Program
  ▪ Submitted with the Annual Report
• User Guide revisions
  ▪ Self-Report User Guide
  ▪ Mitigation User Guide
• Higher-risk cases continue to be a small percentage of overall caseload. Higher-risk cases included violations indicating the following:
  ▪ Lack of commitment to compliance with CIP standards
  ▪ Vegetation contacts
  ▪ Repeat conduct
  ▪ Ineffective change management, including employee turnover
  ▪ Lack of preparedness for interconnection of new facilities and the enforceability of new requirements
  ▪ Inadequate training of personnel on tools and processes
• 2016 reviews of Self-Logging and Compliance Exception (CE) programs indicate sustained progress and opportunities for improvement.
• Self-logged CEs would no longer be publicly posted
  ▪ Supported by reviews of CE and Self-Logging Programs
• Expanding CE Program to certain moderate risk issues
  ▪ Self-identified
  ▪ No relevant compliance history
  ▪ Parts of risk-based CMEP

• Updates to make them more useful for registered entities
  ▪ Seeking feedback from industry volunteers
Questions and Answers