

Agenda

Board of Trustees

May 14, 2020 | 1:30-3:30 p.m. Eastern
Conference Call

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Call to Order

NERC Antitrust Compliance Guidelines*

Introduction and Chair's Remarks

Consent Agenda – Approve

1. Minutes*
 - a. February 6, 2020 Meeting
2. Committee Membership and Charter Amendments*
 - a. Compliance and Certification Committee Charter Amendments
 - b. Compliance and Certification Committee Membership

Regular Agenda

3. Remarks and Reports
 - a. COVID-19 – Update on ERO Enterprise Response and Lessons Learned
 - b. President's Report
 - c. Report on May 12, 2020 Annual Meeting of NERC Trustees and Regional Entity Boards – **Information**
4. Board Committee Reports
 - a. Corporate Governance and Human Resources
 - b. Compliance
 - c. Finance and Audit
 - i. 2019 Financial Statement Audit Results – **Accept**
 - ii. First Quarter Statement of Activities – **Accept**
 - iii. Renewal of Capital Financing Agreement – **Approve**
 - d. Enterprise-wide Risk

- e. Technology and Security
- f. Nominating
- g. Report by Rob Manning on Standards Quarterly Activities

5. Standards Quarterly Report and Actions*

- a. Project 2016-02 Modifications to CIP Standards (CIP-002-6) – **Adopt**
- b. VAR-001-6 Withdrawal – **Adopt**

6. Other Matters and Reports*

- a. Policy Input and Member Representatives Committee Meeting – **Discussion**
- b. Investment and Funding Strategy for the ERO Secure Evidence Locker and Align Delay Costs – **Approve**
- c. Regional Delegation Agreement – **Approve**
- d. E-ISAC Coronavirus Update – **Review**
- e. Reliability and Security Technical Committee – **Update**
- f. 2020 ERO Enterprise Reliability Indicators – **Update**

7. Committee Reports*

- a. Operating Committee
- b. Planning Committee
- c. Critical Infrastructure Protection Committee
- d. Member Representatives Committee
- e. Personnel Certification Governance Committee
- f. Standards Committee
- g. Reliability Issues Steering Committee
- h. Compliance and Certification Committee
- i. Electricity Subsector Coordinating Council

8. Adjournment

*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.

DRAFT Minutes Board of Trustees

February 6, 2020 | 8:30 a.m.–12:00 p.m. Pacific

westdrift Manhattan Beach, Autograph Collection
1400 Park View Avenue
Manhattan Beach, California 90266

Call to Order

Mr. Roy Thilly, Chair, called to order the duly noticed open meeting of the Board of Trustees (the “Board”) of the North American Electric Reliability Corporation (“NERC” or the “Corporation”) in Manhattan Beach, California on February 6, 2020, at 8:30 a.m. Pacific, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Board Members

Roy Thilly, Chair
Kenneth W. DeFontes, Chair-Elect and Vice Chair
Robert G. Clarke
George S. Hawkins
Suzanne Keenan
Robin E. Manning
Jim Piro
James B. Robb, President and Chief Executive Officer
Jan Schori
Colleen Sidford

NERC Staff

Tina Buzzard, Associate Director
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
Howard Gugel, Vice President, Engineering and Standards
Stan Hoptruff, Vice President, Business Technology
Ed Kichline, Senior Counsel and Director of Enforcement Oversight
Mark Lauby, Senior Vice President and Chief Engineer
Bill Lawrence, Vice President, ERO Enterprise Security Initiatives
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary
Janet Sena, Senior Vice President, External Affairs
Andy Sharp, Vice President, and Interim Chief Financial Officer
Mechelle Thomas, Vice President, Compliance

NERC Antitrust Compliance Guidelines

Mr. Thilly noted the public nature of the meeting and directed the participants’ attention to the NERC Antitrust Compliance Guidelines included with the advance meeting materials. He stated that any additional questions regarding these guidelines should be directed to Ms. Mendonça.

Welcoming Remarks

Mr. Thilly welcomed all of the attendees to the meeting, including new trustee, Jim Piro, and the guests in attendance, Mr. Pedro Pizzaro from Edison International, Chairman Neil Chatterjee from the Federal Energy Regulatory Commission (“FERC”), Mr. Chuck Kosak, from the Department of Energy, Mr. William Fehrman of the Member Executive Committee (“MEC”), and Mr. David Morton, Canada’s Energy and Utility Regulators (“CAMPUT”) Representative to NERC.

Consent Agenda

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

Minutes

The draft minutes for the December 12, 2019 conference call and November 5, 2019 meeting were approved as presented to the Board at this meeting.

Committee Membership and Charter Amendments

Reliability Issues Steering Committee

RESOLVED, that the Board hereby appoints the following individuals to the Reliability Issues Steering Committee (“RISC”) as follows:

Name	Company	Term Ending
Brian Slocum , Vice Chair	ITC Holdings	January 31, 2022
Joe Sowell , At-Large Member	Georgia Transmission Corporation	January 31, 2022
Charles King , At-Large Member	Kansas City Power & Light Co.	January 31, 2022
Priti Patel , At-Large Member	Great River Energy	January 31, 2021
Woody Rickerson , At-Large Member	ERCOT	January 31, 2022
Chris Janick , At-Large Member	Salt River Project	January 31, 2022
Charles Yeung , At-Large Member	Southwest Power Pool, Inc.	January 31, 2022
Mark Ahlstrom , At-Large Member	NextEra Energy Resources, LLC	January 31, 2022
Maury Galbraith , At-Large Member	WIRAB	January 31, 2022
Sylvain Clermont , MRC Member	Hydro-Quebec TransEnergie	January 31, 2022
Jennifer Sterling , MRC Member	Exelon	January 31, 2022
David Zwergel , Reliability and Security Technical Committee Vice Chair	Midcontinent ISO	January 31, 2021

Amy Casuscelli , Standards Committee Chair	Xcel Energy	January 31, 2021
Patti Metro , Compliance & Certification Committee Member	National Rural Electric Cooperative Association	January 31, 2021

Critical Infrastructure Protection Committee

RESOLVED, that the Board hereby appoints the following individuals to the Critical Infrastructure Protection Committee (“CIPC”):

- Carter Manucy (Florida Municipal Power Agency), as the APPA at-large representative to CIPC, with Jack Cashin continuing as the APPA representative on the CIPC Executive Committee.
- John Breckenridge (Kansas City Power & Light Co.), as the MRO Physical Security representative.

Personnel Certification Governance Committee

RESOLVED, that the Board hereby appoints the following individuals to the Personnel Certification Governance Committee (“PCGC”), each for a two-year term ending December 31, 2021:

- Mark Ellis, American Electric Power
- Dave Carlson, Exelon Utilities
- Keith Carman, Tri-State G & T
- Brett Hallborg, BC Hydro
- Michael Hoke, PJM

Regular Agenda

Remarks by Pedro Pizarro, President and CEO, Edison International

Mr. Robb introduced Mr. Pizarro of Edison International. Mr. Pizarro remarked on collaboration with governmental agencies and NERC, emphasizing that partnerships among utilities and governmental entities are an important tool for success. He discussed the increased engagement between NERC and industry under Mr. Robb’s leadership, highlighting industry’s interest in cybersecurity matters.

Mr. Pizarro spoke on the importance of using a risk-based approach to compliance to focus on the greatest risks to reliability of the bulk power system. He discussed how to evaluate wildfire threats, and the evolution of wildfire mitigation plans.

Remarks by Neil Chatterjee, Chairman, FERC

Mr. Thilly introduced Chairman Chatterjee of FERC. Chairman Chatterjee remarked that reliability and security are top priorities for FERC, highlighting the importance of continued cooperation between FERC,

NERC, and the Regional Entities. He discussed assessing and mitigating risks associated with moving real-time operations to the cloud, and risks associated with supply chain management.

Remarks by Chuck Kosak, Deputy Assistant Secretary, U.S. Department of Energy (“DOE”)

Mr. Thilly introduced Mr. Kosak of DOE, noting Mr. Kosak’s experience at the Department of Defense, and as a planner and risk manager. Mr. Kosak remarked on the North American energy resiliency model of: 1) hiring expert scenario developers to evaluate naturally occurring and man-made threats; 2) officers’ use of intelligence data to evaluate plans of adversaries; and 3) executing qualitative analysis to focus on probabilistic threats, allowing for realistic training and exercises.

NIAC Update and Recommendations to the President, William Fehrman, Vice Chair, MEC

Mr. Fehrman provided an update on the National Infrastructure Advisory Council (NIAC), detailing how best to approach responding to a cybersecurity event. He discussed three fundamental recommendations: 1) creating a location where industry and the intelligence agencies can quickly share information and allow for timely decision-making; 2) enabling operators to post issues with vendors, allowing vendors to respond to the issues; and 3) having a single point of entry into the government.

Remarks by David Morton, CAMPUT Representative to NERC

Mr. Thilly introduced Mr. Morton. Mr. Morton recognized retiring Board members Ms. Janice Case, Mr. David Goulding, and Mr. Fred Gorbet; and welcomed Mr. Jim Piro to the Board. Mr. Morton reported that CAMPUT’s annual conference will take place in New Brunswick from May 3-5, 2020 and that Mr. Robb will attend and meet with CAMPUT leadership.

President’s Report

Mr. Robb remarked that 2019 was a transformational year for NERC. He discussed NERC’s Annual Report; security initiatives; and personnel updates, including the appointments of Ms. Mendonça as General Counsel; Mr. Lawrence as Vice President, ERO Enterprise Security Initiatives; and Mr. Cancel as Senior Vice President and Chief Executive Officer of the E-ISAC.

Mr. Robb provided an update on five areas of focus for 2020: 1) expanding risk-based focus in standards, compliance monitoring, and enforcement; 2) accessing and catalyze steps to mitigate known and emerging risks to reliability and security; 3) building a strong E-ISAC-based security capability; 4) strengthening engagement across the reliability and security ecosystem in North America; and 5) capturing effectiveness, efficiency, and continuous improvement opportunities.

Mr. Robb noted that Tim Gallagher stepped down as the ERO Executive Committee (“EC”) co-chair, and that Ms. Sara Patrick is the current EC Co-Chair. Ms. Patrick addressed the increased collaboration among stakeholders and the ongoing transformation for the ERO Enterprise.

Mr. Robb described NERC’s ongoing work with the North American Transmission Forum (NATF) regarding Facility Ratings issues and mitigating supply chain risks.

Report on January 13-14 and February 4, 2020 Closed Sessions and January 14-15 ISO New England Joint Board Meeting

Mr. Thilly reported that on January 13-14 and on February 4 2020, before the open meeting, as is its custom, the Board met in closed session with NERC management to review NERC management activities. In these sessions, the Board discussed confidential matters, including performance management, compensation, and successive planning. The Board also discussed legal issues.

Mr. Thilly reported that the NERC Board of Trustees met with ISO New England leadership on January 14-15, 2020.

Election and Appointment of Board Chair and Chair-Elect/Vice Chair, Board of Trustees Committee Assignments and NERC Officers

Mr. Thilly presented the recommendations for Board officers, NERC officers, and committee assignments. After discussion, and upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board, upon recommendation of the Corporate Governance and Human Resources Committee (“CGHRC”), hereby elects the following officers of the Corporation for 2019:

- Roy Thilly, Chair
- Kenneth W. DeFontes, Chair-Elect/Vice Chair
- James B. Robb, President and Chief Executive Officer

FURTHER RESOLVED, that the Board, upon recommendation of the President and the CGHRC, hereby appoints the following individuals as officers of the Corporation for 2020:

- Sonia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary
- Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
- Mark G. Lauby, Senior Vice President and Chief Engineer
- Janet Sena, Senior Vice President and Director of Policy and External Affairs
- Howard Gugel, Vice President and Director of Engineering and Standards
- Stanley Hoptroff, Vice President, Chief Technology Officer, and Director of Information Technology
- Bill Lawrence, Vice President, ERO Enterprise Security Initiatives
- Andy Sharp, Vice President, Controller, and Interim Chief Financial Officer
- Mechelle Thomas, Vice President and Chief Compliance Officer

FURTHER RESOLVED, that the Board, upon recommendation of the CGHRC, hereby approves the 2019 Board Committee Assignments, as presented to the Board at this meeting.

Corporate Governance and Human Resources

George S. Hawkins, Chair
Robert G. Clarke
Kenneth W. DeFontes
Colleen Sidford
Roy Thilly, *ex officio*

Compliance Committee

Jan Schori, Chair
George S. Hawkins
Robin E. Manning
Jim Piro
Roy Thilly, *ex officio*

Enterprise-wide Risk

Colleen Sidford, Chair
Robert G. Clarke
Suzanne Keenan
Robin E. Manning
Jim Piro
Roy Thilly, *ex officio*

ESCC Observer

Roy Thilly

MEC Liaison

Suzanne Keenan

Standards Liaison

Robin E. Manning

International Liaison

Colleen Sidford

New Member Mentor

Jan Schori

Finance and Audit

Robert G. Clarke, Chair
Suzanne Keenan
Robin E. Manning
Jim Piro
Roy Thilly, *ex officio*

Technology and Security

Suzanne Keenan, Chair
Kenneth W. DeFontes
Robin E. Manning
Jan Schori
Roy Thilly, *ex officio*

Nominating

Kenneth W. DeFontes, Chair
Robert G. Clarke
Suzanne Keenan
Jim Piro
Jan Schori
Colleen Sidford
Roy Thilly, *ex officio*

Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey and Board Committee Self-Assessments

Mr. Thilly reported on the results of the recent Board of Trustees Self-Assessment, Member Representatives Committee (“MRC”) Assessment of the Board of Trustees Effectiveness Survey, and the Board Committee Self-Assessments. No additional comments were provided from the Board.

Board Committee Reports

Corporate Governance and Human Resources Committee

Mr. DeFontes, Committee Chair, reported on the Committee’s open meeting on February 5, 2020. He then presented the 2020 Work Plan Priorities. Mr. Lauby addressed a revision to the Supply Chain language. After discussion, and upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board, upon recommendation of the CGHRC, hereby approves the 2020 Work Plan Priorities, as presented to the Board at this meeting.

Compliance Committee

Ms. Shori, Committee Chair, reported on the executive meetings of the Committee on December 12, 2019 and February 4, 2020; and open meeting of the Committee held on February 5, 2020. She discussed the Committee’s request to include Facility Ratings as a focus area in the 2019-2020 Compliance Committee Work Plan.

Finance and Audit Committee

Mr. Clarke, Committee Chair, reported on the open meeting held on February 5, 2020.

Mr. Clarke presented the 2019 Year-End Unaudited Results of Operations for the Board’s acceptance. Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board, upon recommendation of the Finance and Audit Committee, hereby accepts the 2019 NERC, Combined ERO Enterprise, and Regional Entity Unaudited Results of Operations, as presented to the Board at this meeting.

Enterprise-wide Risk Committee

Mr. Thilly, speaking on behalf of Mr. Goulding, Committee Chair, reported that the Committee met in closed session on February 4, 2020. At its meeting, the Committee reviewed: (i) the status of the 2019 audit plan; (ii) the status of the 2020 audit plan; (iii) the NERC Corporate Risk Register and Heat Map; and (iv) Compliance and Certification Committee (“CCC”) activities.

Technology and Security Committee

Ms. Keenan, Committee Chair, reported that the Committee met in open session on February 5, 2020 to discuss items including: (i) ERO Enterprise Information Technology Strategy and IT Projects; and (ii) ERO Enterprise Security.

Nominating Committee

Mr. Hawkins, Committee Chair, expressed his thanks to the Committee and welcomed Mr. Piro as the new Trustee.

Report by Rob Manning on Standards Quarterly Activities

Mr. Manning reported on the recent Standards Committee meetings, including supply chain, cold weather, and cloud storage activities.

Standards Quarterly Report and Actions

Project 2017-07 Standards Alignment with Registration

Mr. Gugel presented the Project 2017-07 Standards Alignment with Registration, noting that the Reliability Standards were updated to reflect applicability adjustments resulting from the risk-based registration initiative. Upon motion duly made and seconded, the Board approved the following resolutions:

Proposed Reliability Standards

FAC-002-3 – Facility Interconnection Studies

RESOLVED, that the Board hereby adopts the proposed Reliability Standard FAC-002-3, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard FAC-002-2, as presented to the Board at this meeting.

IRO-010-3 – Reliability Coordinator Data Specification and Collection

RESOLVED, that the Board hereby adopts the proposed Reliability Standard IRO-010-3, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard IRO-010-2, as presented to the Board at this meeting.

MOD-031-3 – Demand and Energy Data

RESOLVED, that the Board hereby adopts the proposed Reliability Standard MOD-031-3, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard MOD-031-2, as presented to the Board at this meeting.

MOD-033-2 – Steady-State and Dynamic System Model Validation

RESOLVED, that the Board hereby adopts the proposed Reliability Standard MOD-033-2, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard MOD-033-1, as presented to the Board at this meeting.

NUC-001-4 – Nuclear Plant Interface Coordination

RESOLVED, that the Board hereby adopts the proposed Reliability Standard NUC-001-4, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard NUC-001-3, as presented to the Board at this meeting.

PRC-006-4 – Automatic Underfrequency Load Shedding

RESOLVED, that the Board hereby adopts the proposed Reliability Standard PRC-006-4, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard PRC-006-3, as presented to the Board at this meeting.

TOP-003-4 – Operational Reliability Data

RESOLVED, that the Board hereby adopts the proposed Reliability Standard TOP-003-4, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard TOP-003-3, as presented to the Board at this meeting.

Implementation Plan for Project 2017-07 Standards Alignment with Registration

FURTHER RESOLVED, that the Board hereby approves the associated implementation plan for the proposed Reliability Standards, as presented to the Board at this meeting.

Authorization

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

PRC-024-3 – Frequency and Voltage Protection Settings for Generating

Mr. Gugel presented the proposed Reliability Standard, noting that the revisions address technical issues for inverter-based resources. Upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby adopts the proposed Reliability Standard PRC-024-3, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the associated implementation plan, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard PRC-024-2, as presented to the Board at this meeting.

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

Reliability Standard TPL-007-4 – Transmission System Planned Performance for Geomagnetic Disturbance Events

Mr. Gugel presented the proposed Reliability Standard. Upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby adopts the proposed Reliability Standard TPL-007-4, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the associated implementation plan, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard TPL-007-3, as presented to the Board at this meeting.

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

Regional Reliability Standard BAL-001-TRE-2 – Primary Frequency Response in the ERCOT Region

Mr. Gugel presented the proposed Regional Reliability Standard. Upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby adopts the proposed Regional Reliability Standard BAL-001-TRE-2, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the associated implementation plan, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Regional Reliability Standard BAL-001-TRE-1, as presented to the Board at this meeting.

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

Other Matters and Reports

Policy Input and Member Representatives Committee Meeting

Mr. Thilly noted the discussion of policy input items and technical updates discussed at the MRC meeting.

Reliability and Security Technical Committee Membership

Mr. David Zwergel presented the recommendations for Sector representatives and At-Large representatives to the Reliability and Security Technical Committee (“RSTC”). After discussion, and upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board hereby appoints the following Sector representatives and At-Large representatives to the Reliability and Security Technical Committee (“RSTC”) for the terms listed:

Sector Representatives	Sector Elected Members
1. Investor-owned utility	Greg Stone (Duke Energy) – 2020-2023 Kayla Messamore (Evergy) – 2020-2022
2. State/municipal utility	Saul Rojas (NYPA) – 2020-2023 Chris Shepherd (Gannett Fleming) – 2020-2022
3. Cooperative utility	Marc Child (Great River Energy) – 2020-2023 Ben Engelby (Arizona G&T Cooperatives) – 2020-2022
4. Federal or provincial utility/Federal Power Marketing Administration	Edison Elizeh (Bonneville Power) – 2020-2023 Robert Reinmuller (Hydro One) – 2020-2022
5. Transmission dependent utility	John Stephens (City Utilities of Springfield) – 2020-2023 Carl Turner (Florida Municipal Power) – 2020-2022
6. Merchant electricity generator	Allen Schriver (NextEra Energy) – 2020-2023 Sheranee Nedd (Public Service Enterprise Group) – 2020-2022
7. Electricity Marketer	Kyle Vander Helm (Tenaska, Inc.) – 2020-2023 Jodirah Green (ACES Power) – 2020-2022
8. Large end-use electricity customer	John Hughes (Electricity Consumers Resource Council) – 2020-2023 Venona Greaff (Occidental Chemical) – 2020-2022
9. Small end-use electricity customer	Darryl Lawrence (PA Office of Consumer Advocate) – 2020-2023 David Mulcahy (Modern Energy) – 2020-2022
10. Independent system operator/ regional transmission organization	Wesley Yeomans (NY Independent System Operator) – 2020-2023 Christine Hasha (ERCOT) – 2020-2022
12. State Government	Christine Ericson (Illinois Commerce Commission) – 2020-2023 Cezar Panait (Minnesota Public Utilities Commission) – 2020-2022

At-Large Nominees	Company and Terms
Patrick Doyle	Hydro Quebec – 2020-2023
David Jacobson	Manitoba Hydro – 2020-2023
Sandra Ellis	Pacific Gas & Electric Company – 2020-2023
Rich Hydzik	Avista – 2020-2023
Todd Lucas	Southern Company -2020-2023
Wayne Guttormson	Sask Power – 2020-2022
Lloyd Linke	WAPA, Upper Great Plains Region – 2020-2022
Brian Evans-Mongeon	Utility Service – 2020-2022
Jeff Harrison	Associated Electric Cooperative – 2020-2022
Peter Brandien	ISO NE – 2020-2022

EMP Report Recommendations

Mr. Gugel presented the Electromagnetic Pulse (“EMP”) report recommendations, referencing the materials provided in the advance agenda package. After discussion, and upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board hereby approves the proposed EMP Task Force recommendations as proposed and prioritized by NERC staff.

Supply Chain Recommendations

Mr. Gugel presented the NERC staff recommendation to initiate a project to modify the Supply Chain Standards to include low impact BES Cyber Systems with remote electronic access connectivity. After discussion, and upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board hereby approves NERC staff’s proposed recommendation to initiate a project to modify Reliability Standard CIP-003-8 to include policies for low impact BES Cyber Systems to: (1) detect known or suspected malicious communications for both inbound and outbound communications; (2) determine when active vendor remote access sessions are initiated; and (3) disable active vendor remote access when necessary.

FURTHER RESOLVED, that staff, working with stakeholders, will carefully evaluate the effectiveness and sufficiency of the supply chain standards and related actions and report to the Board every six months on this assignment, including identification of further actions, if any, needed to better address the risks identified on a cost-effective basis in light of the complexity and seriousness to the supply chain cyber threat environment as it evolves.

CCCPP-002 Compliance Monitoring Program for Reliability Standards Applicable to NERC – Retirement; and CCCPP-010 Criteria for Annual Regional Entity Program Evaluation Revisions

Ms. Jennifer Flandermeyer presented the retirement of CCCPP-002 and the revision of CCCPP-010 for the Board’s approval. After discussion, and upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby approves the retirement of the Compliance and Certification Committee (“CCC”) procedure document CCCPP-002, Compliance Monitoring Program for Reliability Standards Applicable to NERC, as presented to the Board at this meeting.

RESOLVED, that the Board hereby approves the revised CCC procedure document CCCPP-010, Criteria for Annual Regional Entity Program Evaluation, as presented to the Board at this meeting.

2019 and 2020 ERO Enterprise Dashboards

Mr. Coleman provided the 2019 ERO Enterprise Dashboard update. He reported on the Reliability Indicators included in the ERO Enterprise Dashboard. Mr. Coleman highlighted the primer, which describes each reliability indicator and key input of data to derive the results, as well as potential mechanisms for improving those results.

Reliability Coordinator Function in the Western Interconnection

Mr. Branden Sudduth, WECC Vice President of Reliability Planning and Performance Analysis, provided an update on recent developments regarding the Reliability Coordinator function in the Western Interconnection. He provided an update on the status of the transition of Reliability Coordinator services, reporting that on December 3, 2019, SPP became the final new Reliability Coordinator (“RC”) of record and Peak Reliability ceased its RC services. Mr. Sudduth discussed WECC’s plans for assurance visits regarding enhanced coordination among the RCs.

Committee Reports

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

Operating Committee

Mr. David Zwergel, Committee Chair, referenced the written report and highlighted certain items, including the Operating Committee’s work to facilitate the transition to the proposed RSTC.

Planning Committee

Mr. Brian Evans-Mongeon, Committee Chair, referenced the written report and highlighted the Committee’s ongoing work regarding Data Reporting Instructions and planning for the implementation of the RSTC.

Critical Infrastructure Protection Committee

Mr. Marc Child, Committee Chair, referenced the written report and highlighted the Committee’s activities regarding cloud computing.

Reliability and Security Technical Committee

Mr. Greg Ford, Committee Chair, referenced the written report provided at the February 5, 2020 MRC meeting.

Member Representatives Committee

Ms. Jennifer Sterling, Committee Vice Chair, summarized the topics that had been discussed at the February 5, 2020 MRC meeting, highlighting the election of Trustees and cloud computing.

Personnel Certification Governance Committee

Mr. Cory Danson, Committee Chair, provided an update on the activities of the Committee, referencing the materials provided in the advance agenda package. He discussed the coordination with NERC staff on the modification to PER-003-2.

Standards Committee

Ms. Amy Casuscelli, Committee Chair, presented the Committee's 2020 Work Plan to the Board. Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board hereby approves the Standards Committee 2020-2022 Strategic Work Plan, substantially in the form presented to the Board at this meeting.

Reliability Issues Steering Committee

Mr. Brian Slocum, Committee Vice Chair, provided an update on the activities of the Committee, referencing the materials provided in the advance agenda package. He highlighted the general qualifications required for nominees to the Committee.

Compliance and Certification Committee

Ms. Jennifer Flandermeyer, Committee Chair, referred to the written report included in the advance agenda package, highlighting the Alignment Working Group activities related to Align. She presented the Committee 2020 Work Plan. Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board hereby approves the CCC 2020 Work Plan, substantially in the form presented to the Board at this meeting.

Electricity Subsector Coordinating Council

Mr. Robb reported on recent Electricity Subsector Coordinating Council activities.

Forum and Group Reports

North American Energy Standards Board (NAESB)

Mr. Jonathan Booe referenced the written report, noting that NERC and NAESB continue to collaborate on items of mutual interest. He reported that NAESB is collaborating with the NATF, including vendor certification in the supply chain.

North American Transmission Forum (NATF)

Mr. Thomas Galloway, NATF President and CEO, referenced the written report and highlighted certain items, including the Forum's collaboration on Facility Ratings and supply chain cyber security assessment. He highlighted the evolution of the NATF Peer Review program, and achieving the milestone of 100 completed peer reviews of reliability and security.

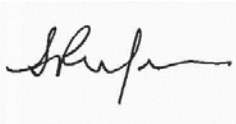
North American Generator Forum (NAGF)

Ms. Heather Morgan referenced the written report provided in the advance agenda. She discussed the NAGF’s participation and support of the NERC Inverter-Based Resource Performance Task Force, and discussed NAGF’s engagement with modifications to PRC-005-6 and NAGF’s submitted comments regarding the Extreme Cold Weather Preparedness Standard Authorization Request (“SAR”).

Adjournment

There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,



Sônia Mendonça
Corporate Secretary

Compliance and Certification Committee (CCC) Charter Amendments

Action

Approve

Background

Section 1301 of the NERC Rules of Procedure provides that the NERC Board of Trustees shall approve the charter of a standing committee. The Federal Energy Regulatory Commission (“Commission”) requires NERC to submit to the Commission for approval revisions to the CCC Charter to ensure the revisions are consistent with the Commission-approved NERC Rules of Procedure. At its March 10, 2020 meeting, the CCC approved proposed amendments to its Charter.

Proposed Revisions to the CCC Charter

Due to the large number of revisions to the CCC Charter, NERC created a change matrix document detailing the substantive revisions to the CCC Charter, see Attachment 1. Below are highlights of the substantive revisions in Attachment 1:

Functions

- Align the CCC’s monitoring role with requirements under the NERC Rules of Procedure.

Membership

- Propose hybrid membership for the CCC allowing for industry sector members, new at-large members, and non-voting members.
- Incorporate by reference the NERC Participant Conduct Policy.

Term

- Redefine the term of membership to three years running from January to December of any calendar year.

Nominating Subcommittee

- Define process for selecting members and filling vacancies for both the full CCC as well as the Nominating Subcommittee.

Attachment A

- Remove Sector 11 (Regional Entities) as a sector membership group due to the creation of at-large membership.

Next Steps

Upon approval by the Board of Trustees, the CCC Charter will be submitted to the Commission for approval.

Compliance Certification Committee Charter Amendments Change Matrix

Section	Change	Summary of Changes
<p><u>Functions</u> (Monitoring responsibility)</p>	<p><u>1. Monitors</u> NERC's adherence to <u>the ROP consistent with the following:</u>¹</p> <p style="text-align: center;">...</p> <p><u>b.</u> Revisions to the ROP related to the CMEP, Registration program, and Certification program to the NERC Board; and,</p> <p><u>c.</u> <u>Compliance and Enforcement process or procedural</u> issues.</p> <p><u>3. a.</u> Sections <u>4025 and 405 of the ROP</u> for Compliance Monitoring and Enforcement, including but not limited to the uniform CMEP (Appendix 4C), the Sanction Guidelines (Appendix 4B), <u>as well as the establishment of criteria for use in annual evaluations of the Regional Entity CMEP Implementation.</u></p>	<ul style="list-style-type: none"> Clarify that in addition to explicit revisions to the NERC ROP, the CCC also provides for balanced discussion and comments around CMEP processes and procedural questions. Incorporate Section 402 (NERC Oversight of the Regional Entity Compliance Monitoring and Enforcement Programs) of the NERC ROP into the charter. Section 402 provides: "NERC shall annually evaluate the goals, tools, and procedures of each Regional Entity Compliance Monitoring and Enforcement Program to determine the effectiveness of each Regional Entity Compliance Monitoring and Enforcement Program, using criteria developed by the NERC Compliance and Certification Committee."

¹ Monitoring by the CCC is ongoing and does not preclude, interfere with or replace, in whole or in part, the NERC Board's responsibility to conduct and provide such reviews of these programs as required by Federal Energy Regulatory Commission (the Commission) regulations, 18 C.F.R. § 39.3.c: "The Electric Reliability Organization shall submit an assessment of its performance three years from the date of certification by the Commission, and every five years thereafter."

	<p><u>6.</u> At its discretion, participates as an observer in participating with NERC Internal Audit, including but not limited to the Regional Entity audits conducted pursuant to Appendix 4A of the ROP.</p> <p><u>7.</u> Actively supports the Standards Committee to ensure NERC monitor compliance with the NERC ROP <u>as related to Reliability Standards development, directly and through support of the NERC Standards Committee;</u></p>	<ul style="list-style-type: none"> • Clarify that the CCC participates in audits of the Regional Entities outside of the CMEP (Appendix 4A) (i.e., the ORCP). • Clarify the nature of CCC support to the Standards Committee.
<p><u>Functions</u> (Mediator)</p>	<p>5. As directed by the NERC Board, serves as the mediator for any disagreements <u>or disputes</u> between NERC and the Regional Entities concerning NERC performance audits of Regional Entities'Entity's compliance programs². When directed by the <u>NERC</u> Board to serve as mediator, the committee<u>Committee</u> chair will appoint three disinterested members of the committee<u>Committee</u> to meet with representatives of NERC and the Regional Entity to attempt to resolve the matter. <u>The appointed members shall be disinterested parties, shall not be registered in the Regional Entity associated with the disagreement, or, shall not otherwise have any conflicts prohibiting the member from playing a role in the disagreement or dispute.</u></p>	<ul style="list-style-type: none"> • Clarify requirements to avoid conflicts in mediations. • Clarify support for Reliability Standards as expressly relating to development in accordance with the NERC ROP.

² [CCCP-006, NERC Compliance and Certification Committee Mediation Procedures](#)

<p><u>Membership</u></p>	<p><u>When selecting individuals to recommend for Committee membership, the Committee will seek to engage individuals who, in aggregate, provide the Committee with a level and breadth of expertise to achieve its goals and fulfill its scope and responsibilities while respecting other important factors such as industry sector, Region, interconnection, and country. Individuals with industry experience in compliance management, enforcement matters and legal or auditing expertise is desired.</u></p> <p><u>Membership is based on a hybrid model consisting of the following types of membership:</u></p> <ul style="list-style-type: none"> • <u>Industry sector members;</u> • <u>At large members; and,</u> • <u>Non-voting members.</u> 	<ul style="list-style-type: none"> • Identify factors that will be balanced in selected members.
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<p><u>Membership</u> (Interim Approval of Membership) (Sector 11) (Reference to the NERC Bylaws in listing individual sectors)</p>	<p><i>Interim Approval</i> <i>Upon approval of the committee, individuals identified and selected by the Nominating Subcommittee for membership on the committee may serve as members on an interim basis pending their appointment by the Board.</i></p>	<p>Eliminate interim approval Removal of Sector 11 given the creation of at-large membership.</p>
<p><u>Membership Selection</u></p>	<p><i><u>It is expected that CCC members will be from organizations that are NERC members, but it is not required.</u></i></p> <p><i><u>Members are appointed to the CCC upon approval of the NERC Board and, serve on the CCC at the pleasure of the NERC Board.</u></i></p> <hr/> <p><i><u>1. Affiliates</u></i></p> <p><i><u>A company, including its affiliates, may not have more than one member on the CCC. Any CCC member who is aware of a membership conflict of this nature is obligated to notify the CCC secretary within 10 business days. The CCC secretary will in turn report the conflict to the Committee Chair.</u></i></p> <p><i><u>Members impacted by such a conflict, such as through a merger of organizations, may confer among themselves to determine which member should resign from the CCC and notify the secretary and chair; however, if they are within the same industry sector and cannot reach an amicable solution to determine who will remain, the Nominating Subcommittee will review the qualifications of</u></i></p>	

each member and will determine which member shall continue to serve, subject to NERC Board approval.

2. Nominating Subcommittee

The Nominating Subcommittee will consist of five members. To the extent practicable, the Nominating Subcommittee will be reflective of diversity of sectors and representation. Additional expectations are outlined in Section 4 of this Charter.

3. Non-Voting Members

The Committee Chair, Nominating Subcommittee Chair or CCC secretary will coordinate with entities entitled to non-voting membership to identify representatives for the non-voting seats.

<p><u>Membership</u> (At-Large)</p>	<p><u>At-large is a designation for individuals who are appointed to ensure that final configuration of the Committee best reflects the perspectives of the whole membership of the industry. At-large membership is intended to balance the needs of the Committee and to ensure performance of its responsibilities under the ROP. Those responsibilities require diverse perspectives representing Interconnections, regional views, country-specific views and expertise.</u></p> <p><u>To the extent practicable, the Committee will balance the following criteria to select at-large members:</u></p> <ol style="list-style-type: none"> <u>1. Geographic diversity from all Interconnections and ERO Enterprise Regional Entities;</u> <u>2. High-level understanding and perspective on reliability risks based on experience at an organization in the sector; and,</u> <u>3. Experience and expertise from an organization in the sector relevant to the Committee purview.</u> 	<ul style="list-style-type: none"> • Develop criteria for selection of at-large membership • Incorporate information regarding membership and affiliate organizations including the procedure for the informing the Committee of any conflicts regarding affiliates
<p><u>Membership</u> (NERC staff)</p>	<p>The Director of Compliance Assurance shall<u>NERC will designate an executive sponsor and a secretary who will</u> not be a member<u>members</u> of the committee<u>Committee</u> or vote on committee<u>Committee</u> business. The Director of Compliance Assurance<u>The executive sponsor</u> and the secretary shall be recused from participating in any committee<u>Committee</u> activity that involves monitoring of NERC’s adherence to ROP or <u>any</u> activity that the Director of Compliance Assurance oversees.<u>they oversee.</u> If the NERC staff coordinator<u>secretary</u> has been recused from participating in a Committee activity, the chair shall appoint</p>	<ul style="list-style-type: none"> • Eliminate NERC staff title references.

	another member of the committee <u>Committee</u> as acting secretary for any meetings or other activities from which the NERC staff coordinator <u>secretary</u> is recused.	
<u>Membership</u> (Observers)	<p><u>At the Chair’s discretion, observers may participate in public, non-confidential meetings of the full Committee and subcommittees; however, they cannot vote.</u></p> <p><u>To the extent practicable, observers will be noted in meeting minutes. However, observers are required to comply with applicable Member Expectations in NERC committees.</u></p>	<ul style="list-style-type: none"> • Outline role of observers in proceedings.
<u>Membership</u> (Term)	<p><u>All terms will have a standard length of three years effective by calendar year. To the extent practicable, member terms will be staggered such that approximately one-third of the Committee is subject to reappointment or replacement each year.</u></p> <p><u>Terms shorter than three years may be required for several reasons:</u></p> <ul style="list-style-type: none"> • <u>If two members are simultaneously selected to a sector that did not have any existing members, to stagger their terms, one member will be assigned a one-year term and the second member will be assigned a two-year term.</u> • <u>If a member is selected to fill a vacant member position, the term will end when the term for that vacant position ends.</u> 	<ul style="list-style-type: none"> • Describe term duration.

	<u>There is no limitation on the number of times a member may be reappointed.</u>	
<u>Membership</u> (Expectations)	<u>Adhere to NERC Antitrust Guidelines and Participant Conduct Policy;</u>	<ul style="list-style-type: none"> • Added to Member Expectations
<u>Membership</u> (Proxies)	<p>4. <u>Proxies can only be a person who is a member registered in the same industry sector, or an officer, employee, agent or representative of a member either registered in the same sector or representing a similar position as an at-large member.</u></p> <p><u>A proxy may attend and vote during a Committee meeting provided the member notifies the secretary of the proxy.</u> Such notification will be in writing (electronic medium is acceptable). <u>The proxy representatives and their affiliation should be named in the correspondence.</u></p>	
<u>Meetings</u> (Action without a meeting)	<p><u>Any action required or permitted to be taken at a regular meeting may be taken without a meeting at the request of the Chair.</u></p> <p><u>Such action without a meeting will be performed by mail or electronic ballot (e.g., telephone, email, or Internet) and will be recorded in the minutes as a roll call ballot. The secretary</u></p>	<ul style="list-style-type: none"> • Describe procedures for action without meeting, including the number of members that must be present, who may initiate meeting and the procedure regarding the results of the meeting.

will announce the action required at least seven days before the date on which voting commences.

As time permits, members should be allowed a window of 10 business days to vote. The secretary will document the results of such an action within 10 business days of the close of the voting period. Such action must meet the regular meeting quorum and voting requirements above.

Approval of such action requires an affirmative vote by two-thirds of the Committee members eligible to vote.

This vote will be recorded in the minutes of the next regularly scheduled meeting as a roll call ballot.

<p><u>Officers and Staff-Executive Committee</u> (Secretary) <u>Officers and Staff</u> (Incumbents) <u>Officers and Staff</u> (Continued sector representation) (Executive Committee)</p>	<p><u>Officers shall be selected as follows:</u></p> <p><u>The CCC Nominating Subcommittee will recommend a chair and a vice chair from among the members for a vote by the Committee at a meeting as required. The term of the chair and the vice chair will begin on January 1.</u></p> <p><u>The incumbent chair and vice chair shall not vote on the selection of the incoming chair and vice-chair. The chair and vice chair shall not be representatives of the same sector. As the chair and vice chair shall continue to act as representative of the sectors, the administrative roles and responsibilities of the Committee shall be performed independently of the sectors they represent. Appointment of the chair and vice chair shall be subject to approval of the NERC Board.</u></p> <p><u>The Committee Chair and vice chair are voting members of the Committee.</u></p> <p><u>The A member of the NERC staff coordinator will serve as the committee's secretary of the Committee. The secretary will do the following:</u></p> <ol style="list-style-type: none"> <u>1. Manage the day-to-day operations and business of the Committee;</u> <u>2. Facilitate effective administration of Committee procedures;</u> 	<ul style="list-style-type: none"> • Clarify roles of Secretary, Chair and Vice-Chair • Describe the role of the Executive Committee.
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3. Prepare and distribute the notices of the Committee meetings, prepare the meeting agenda, and prepare and distribute the minutes of the Committee meetings; and,
4. Act as the Committee’s parliamentarian.

The incumbent chair and vice chair shall not vote on the selection of the incoming chair and vice-chair. The chair and vice chair shall not have been representatives of the same sector. As the chair and vice chair shall continue to act as representative of the sectors, the administrative roles and responsibilities of the chair and vice-chair must be performed independently of the sectors they represent. Selection of the chair and vice chair shall not be subject to approval of the NERC Board.

Executive Officers as Sector Representatives

~~The chair and vice chair are selected from the membership of the committee and, in addition to their chair or vice chair responsibilities, will continue to serve as a member for the sector for which they were appointed to the committee.~~

Committee

The CCC shall have an executive committee of at least four members as follows:

- Chair;
- Vice-chair;
- Past Chair;

- Chair and Vice Chair of all subcommittees under the purview of the full Committee; and,
- Additional members as deemed necessary by the Committee Chair.

The Executive Committee is authorized to act on the Committee's behalf between regular meetings on matters where urgent actions are crucial and full Committee discussions are not practical.

Ultimate Committee responsibility resides with its full membership whose decisions cannot be overturned by the Executive Committee, and which retains the authority to ratify, modify, or annul Executive Committee actions.

<p><u>Nominating Subcommittee</u> (Functions)</p>	<ul style="list-style-type: none"> • <u>Manage, when required, the process to recommend the CCC chair and/or vice chair.</u> 	<ul style="list-style-type: none"> • Added an additional function regarding the process of recommending chair and/or vice chair
<p><u>Nominating Subcommittee</u> (Appointment of Nominating Subcommittee Members)</p> <p><u>(Vacancies)</u></p>	<p><u>Appointment of Nominating Subcommittee Members</u> <u>The Nominating Subcommittee will consist of five members nominated by the Committee Chair and approved by the Committee. The chair of the Nominating Subcommittee will be selected by the Committee chair from among the five Nominating Subcommittee members annually. Members of the Nominating Subcommittee will serve concurrently with the term of the Committee chair that selects the Nominating Subcommittee members.</u></p> <p><u>Vacancies on the Nominating Subcommittee</u> <u>The Committee Chair will nominate, and the full Committee will approve, a CCC member to fill a vacancy on the Nominating Subcommittee.</u></p>	<ul style="list-style-type: none"> • Clarify selection process for Nominating Subcommittee members. • Define role of chair in filling vacancies.

<p><u>Nominating Subcommittee</u> (Appointment of Members)</p>	<p><u>Prospective members of the Committee may be identified via any means the Committee finds acceptable, including:</u></p> <ol style="list-style-type: none"> <u>1. Solicited or unsolicited nomination by a recognized industry group or association;</u> <u>2. General open solicitation by the Committee for nomination(s);</u> <u>3. Self-nomination;</u> <u>4. Recent list of nominations available to the Nominating Subcommittee that it deems to be valid;</u> <u>5. Directed solicitation by the Committee to an individual or individuals; or,</u> <u>6. Referral by the NERC Board or other NERC body or Committee.</u> <p><u>The Nominating Subcommittee may give preference to candidates nominated by organizations generally considered by the industry as representative of a broad cross-section of the industry sector in question, such as an industry trade association.</u></p> <p><u>The Nominating Subcommittee will convert any sector vacancy to an at-large position to fill that seat until the end of the term when there is no qualified sector candidate from a nomination pool.</u></p> <p><u>The Nominating Subcommittee will present the recommended Committee membership slate to the full CCC and then to the NERC Board for appointment. The NERC Board may appoint the entire recommended Committee</u></p>	<ul style="list-style-type: none"> • Revise member appointment process.
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	<p><u>slate or individual members, as needed, to meet membership balance and to fill vacancies.</u></p> <p><u>The Nominating Subcommittee process will be detailed in a support CCC Process and Procedure document (CCCPP).</u></p>	
<p><u>Nominating Subcommittee</u> (Member Vacancies)</p>	<p><u>The Committee Chair will refer any general membership vacancy to the Nominating Subcommittee. The Nominating Subcommittee may request the Secretary to prepare a new solicitation for nominations to fill the vacancy.</u></p>	

<p><u>Subordinate Groups</u> (Subcommittees)</p>	<p><u>The Committee may establish subcommittees to which the CCC may delegate some of CCC’s functions. The CCC will approve the scope of each subcommittee it forms. The Committee Chair will appoint the subcommittee officers (typically a chair and a vice chair) for a specific term (generally two years). There is no limit to the number of terms that can be served by appointed subcommittee leadership. The subcommittee will work within its assigned scope and be accountable for the responsibilities assigned to it by the committee. The formation of a subcommittee, due to the permanency of the subcommittee, will be approved by the NERC Board.</u></p> <p>The committee chair will appoint the subcommittee officers (typically a chair and a vice chair) for a specific term (generally of two years). The subcommittee officers may be reappointed for up to two additional terms.</p>	
<p><u>Subordinate Groups</u> (Working Groups)</p>	<p><u>The Committee may delegate specific continuing functions to a working group. The CCC will approve the scope of each working group that it forms. The Committee Chair or delegates will appoint the working group officers (typically a chair and a vice chair) for a specific term (generally two years). The CCC will conduct a “sunset” review of each working group every year. The working group will be accountable for the responsibilities assigned to it by the CCC or subcommittee and will work within its assigned scope. The CCC should consider promoting to a subcommittee any working group that is required to work longer than one term.</u></p>	

<p><u>Subordinate Groups</u> (Task Forces)</p>	<p><u>The Committee may assign specific work to a task force. The CCC will approve the scope of each task force it forms. The chair of the CCC will appoint the task force officers (typically a chair and a vice chair). Each task force will have a finite duration, normally less than one year. The CCC will review the task force scope at the end of the expected duration and at each subsequent meeting of the CCC until the task force is retired. Action of the CCC is required to continue the task force past its defined duration. The CCC should consider promoting to a working group any task force that is required to work longer than one year.</u></p>	
<p><u>Subordinate Groups</u> (Organization Roster)</p>	<p><u>Rosters will be maintained for all members, both full Committee members and appointed members, for the subcommittees only as these subordinate groups are Board approved.</u></p> <p>Each member of a subordinate group, and its officers, will be appointed by the chair of the sponsoring committee or group.</p>	
<p><u>Subordinate Groups</u> (Misc.)</p>	<p>Subcommittees, working groups, and taskforces will conduct business in a manner consistent with all applicable sections of this manual and <u>Charter</u>, Robert’s Rules of Order, <u>and Participant Conduct Policy.</u></p>	<ul style="list-style-type: none"> • Add Participant Conduct Policy to member expectations.

	<p><u>CCC documents relating to the topics in the NERC ROP will require NERC Board approval.</u></p>	<ul style="list-style-type: none"> • Mandate Board approval of CCC documents relating to the topics in the NERC ROP
<p><u>Meeting Procedures</u></p>	<p><u>Voting Procedures for Motions</u></p> <ul style="list-style-type: none"> • <u>The default procedure is a voice vote.</u> • <u>If the chair believes the voice vote is not conclusive, the chair may call for a show of hands.</u> • <u>The chair will not specifically ask those who are abstaining to identify themselves when voting by voice or a show of hands.</u> • <u>The committee may conduct a roll-call vote in those situations that need a record of each member’s vote.</u> • <u>The committee must approve conducting a roll call vote for the motion.</u> • <u>The secretary will call each member’s name.</u> • <u>Members answer “yes,” or “no,” but may answer “present” if they wish to abstain from voting.</u> <p><u>Minutes</u></p> <ul style="list-style-type: none"> • <u>Meeting minutes are a record of what the committee did, not what its members said.</u> • <u>Minutes should list discussion points where appropriate but should usually not attribute comments to individuals. It is acceptable to cite the chair’s directions, summaries, and assignments.</u> • <u>Do not list the person who seconds a motion.</u> • <u>Do not record (or even ask for) abstentions.</u> 	

	<ul style="list-style-type: none"> • <u>All Committee members are afforded the opportunity to provide alternative views on an issue. The meeting minutes will provide an exhibit to record minority positions. The chair shall report both the majority and any minority positions in presenting results to the NERC Board.</u> 	
<p><u>Attachment A</u></p>		<p>Deletion of Sector 11 – Regional Entities</p> <p>Addition of At-Large Position to the CCC Membership Structure Chart</p>

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Compliance and Certification Committee Charter

Filed with FERC on XXX XX, 2020, in Docket No. RR19-XX-000.

XXX XX, 2020

RELIABILITY | RESILIENCE | SECURITY



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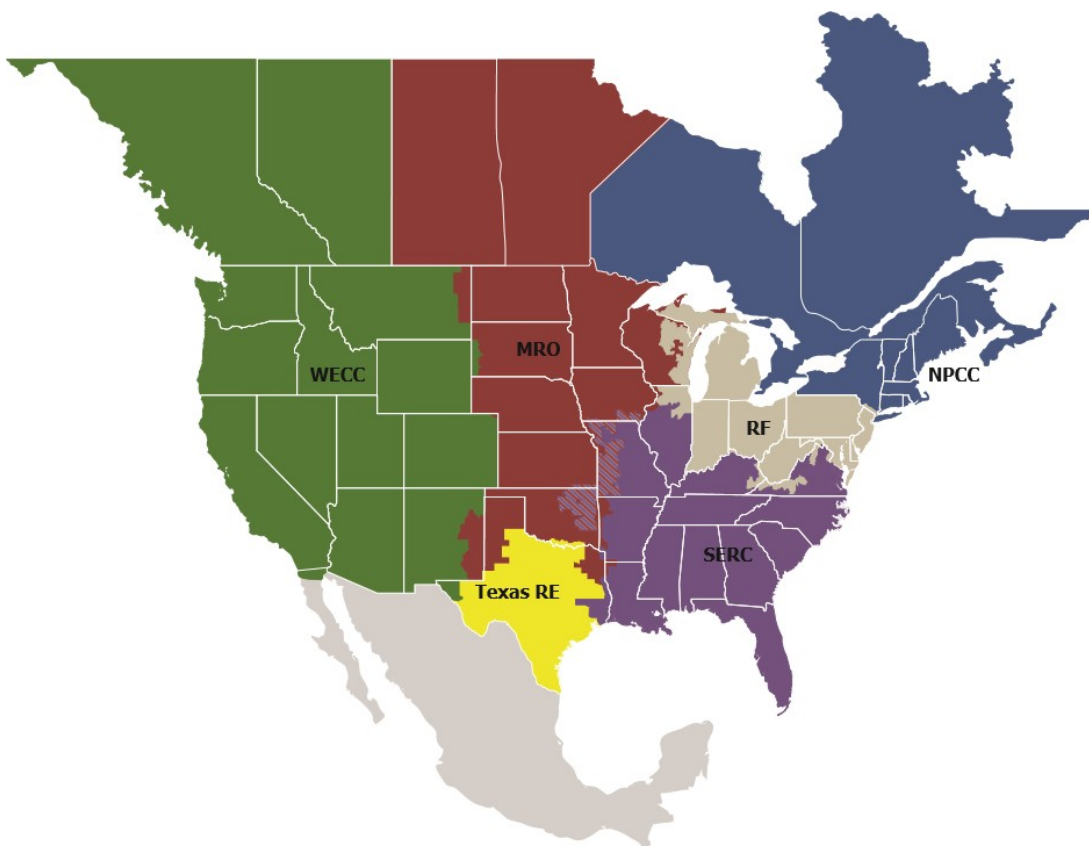
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Preface

Electricity is a key component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six Regional Entities (REs), is a highly reliable and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Reliability | Resilience | Security
Because nearly 400 million citizens in North America are counting on us

The North American BPS is divided into six RE boundaries as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one Region while associated Transmission Owners/Operators participate in another.



MRO	Midwest Reliability Organization
NPCC	Northeast Power Coordinating Council
RF	ReliabilityFirst
SERC	SERC Reliability Corporation
Texas RE	Texas Reliability Entity
WECC	Western Electricity Coordinating Council

Purpose

As a North American Electric Reliability Corporation (NERC) Board of Trustees (Board)-appointed stakeholder Committee serving and reporting directly to the NERC Board, the Compliance and Certification Committee (Committee or CCC) will engage with, support, and advise the NERC Board and NERC regarding the NERC Compliance Monitoring and Enforcement Program (CMEP), Organization Registration program (Registration program), Organization Certification program (Certification program), and the Reliability Standards development program in accordance with the NERC Rules of Procedure (ROP).

Chapter 1: CCC Functions

To fulfill its mission, the CCC performs the following functions:

1. Organizes and conducts Committee meetings with NERC staff regarding all facets of the CMEP, Registration, and Certification programs;¹
2. Provides balanced discussion, comments and recommendations to the NERC Board and NERC staff on the following:
 - a. Stakeholders' perceptions² of the policies, practices, and effectiveness of the CMEP, Registration program, and Certification program;
 - b. Revisions to the ROP related to the CMEP, Registration program, and Certification program to the NERC Board; and
 - c. Compliance and Enforcement process or procedural issues.
3. Monitors NERC's adherence to the ROP consistent with the following:³
 - a. Sections 402 and 405 of the ROP for Compliance Monitoring and Enforcement, including but not limited to the uniform CMEP (Appendix 4C), the Sanction Guidelines (Appendix 4B), as well as the establishment of criteria for use in annual evaluations of the Regional Entity CMEP implementation⁴.
 - b. Section 506 of the ROP for Organization Registration and Certification, including but not limited to the Organization Registration and Certification Manual (Appendix 5A).
 - c. Section 300 of the ROP regarding the Reliability Standards development process except for appeals of substantive or procedural action or inaction associated with a Reliability Standard or the Reliability Standards process as defined in the appeals section of the Reliability Standards Development Procedure. Committee members who have participated in the development process for a Reliability Standard shall not participate in the Committee's monitoring of that process.
4. Acts as the hearing body⁵ for any contest regarding findings of or penalties or sanctions for violation(s) of Reliability Standard(s) where NERC is the Compliance Enforcement Authority as described in Section 408 of the NERC ROP;
5. As directed by the NERC Board, serves as the mediator for any disagreements or disputes between NERC and the Regional Entities concerning NERC performance audits of Regional Entity's compliance programs⁶. When directed by the NERC Board to serve as mediator, the Committee Chair will appoint three members of the Committee to meet with representatives of NERC and the Regional Entity to attempt to resolve the matter. The appointed members shall be disinterested parties, shall not be registered in the Regional Entity associated with the disagreement, or, shall not otherwise have any conflicts prohibiting the member from playing a role in the disagreement or dispute.

¹ Meetings are conducted under Chapter 4 of this Charter

² CCCPP: Program for Monitoring Stakeholder's Perceptions

³ Monitoring by the CCC is ongoing and does not preclude, interfere with or replace, in whole or in part, the NERC Board's responsibility to conduct and provide such reviews of these programs as required by Federal Energy Regulatory Commission (the Commission) regulations, 18 C.F.R. § 39.3.c: "The Electric Reliability Organization shall submit an assessment of its performance three years from the date of certification by the Commission, and every five years thereafter."

⁴ CCCPP: Criteria for Annual Regional Entity Program Evaluation

⁵ CCCPP: NERC Compliance and Certification Committee Hearing Procedures

⁶ CCCPP: NERC Compliance and Certification Committee Mediation Procedures

6. At its discretion, participates as an observer participating with NERC Internal Audit, including but not limited to the Regional Entity audits conducted pursuant to Appendix 4A of the ROP⁷;
7. Actively monitor compliance with the NERC ROP as related to Reliability Standards development, directly and through support of the NERC Standards Committee; and,
8. Undertakes assignments from the NERC Board or the NERC Board's Compliance Committee related to CMEP, Organization Registration and Certification, and Reliability Standards development.

⁷ CCCPP: CCC Participation in NERC's Audits of Regional Entity CMEP Programs in Accordance with Appendix 4A of the NERC Rules of Procedure

Chapter 2: Membership

Expertise

When selecting individuals to recommend for Committee membership, the Committee will seek to engage individuals who, in aggregate, provide the Committee with a level and breadth of expertise to achieve its goals and fulfill its scope and responsibilities while respecting other important factors such as industry sector, Region, interconnection, and country. Members with industry experience in compliance management, enforcement matters and legal, or auditing expertise is desired.

Representation

Membership is based on a hybrid model consisting of the following types of memberships:

- Industry Sector members;
- At-large members; and,
- Non-voting members.

Industry Sector Members

Two members will be nominated to fulfill each of the following membership sectors:

- Sector 1 - Investor-owned utility;
- Sector 2 - State/Municipal utility;
- Sector 3 - Cooperative Utility;
- Sector 4 - Federal or Provincial Utility/Power Marketing Administration;
- Sector 5 - Transmission-dependent Utility;
- Sector 6 - Merchant Electricity Generator;
- Sector 7 - Electricity Marketer;
- Sector 8 - Large End Use Electricity Customer;
- Sector 9 - Small End Use Electricity Customer;
- Sector 10 - ISO/RTO; and,
- Sector 12 - Government Representatives.

At-Large Members

At-large is a designation for individuals who are appointed to ensure that final configuration of the Committee best reflects the perspectives of the whole membership of the industry. At-large membership is intended to balance the needs of the Committee and to ensure performance of its responsibilities under the ROP. Those responsibilities require diverse perspectives representing Interconnections, regional views, country-specific views and expertise. To the extent practicable, the Committee will balance the following criteria to select at-large members:

1. Geographic diversity from all Interconnections and ERO Enterprise Regional Entities;
2. High-level understanding and perspective on reliability risks based on experience at an organization in a sector; and,
3. Experience and expertise from an organization in the sector relevant to the Committee purview.

Membership Selection

It is expected that CCC members will be from organizations that are NERC members, but it is not required.

Members are appointed to the CCC upon approval of the NERC Board and serve on the CCC at the pleasure of the NERC Board.

1. Affiliates

A company, including its affiliates, may not have more than one member on the CCC. Any CCC member who is aware of a membership conflict of this nature is obligated to notify the CCC secretary within 10 business days. The CCC secretary will in turn report the conflict to the Committee Chair.

Members impacted by such a conflict, such as through a merger of organizations, may confer among themselves to determine which member should resign from the CCC and notify the secretary and Chair; however, if they are within the same industry sector and cannot reach an amicable solution to determine who will remain, the Nominating Subcommittee will review the qualifications of each member and will determine which member shall continue to serve, subject to NERC Board approval.

2. Nominating Subcommittee

The Nominating Subcommittee will consist of five members. To the extent practicable, the Nominating Subcommittee will be reflective of diversity of sectors and representation. Additional expectations are outlined in Section 4 of this Charter.

3. Non-Voting Members

The Committee Chair, Nominating Subcommittee Chair or CCC secretary will coordinate with entities entitled to non-voting membership to identify representatives for the non-voting seats.

4. International Representation

The Nominating Subcommittee, described below, will endeavor to attract and engage individuals with suitable qualifications and expertise in adequate numbers to satisfy Article VIII, Section 4 of the Bylaws. To the extent practicable, recognized Canadian organizations, such as the Canadian Electricity Association and Canada's Energy and Utility Regulators, will be consulted for assistance in ensuring Canadian participation.

Member Expectations

Committee members are expected to represent the interests of their sector or a broad industry view to the best of their ability and judgment. In addition to the duties, rights, and privileges described elsewhere in this Charter, Committee members will:

1. Act consistently with the procedures in this Charter and Robert's Rules of Order during meetings;
2. Adhere to NERC Antitrust Guidelines and Participant Conduct Policy;
3. Demonstrate and provide expertise in support of Committee activities;
4. Adjudicate in a fair and unbiased manner that meets applicable legal and due process requirements when participating in hearing procedures conducted under the NERC ROP Section 408;
5. Solicit comments and opinions from constituents and groups of constituents or trade organizations represented by the member and convey them to the Committee;
6. Respond promptly to all Committee requests, including requests for reviews, comments, and votes on issues before the Committee;
7. Arrange for a proxy to attend and vote at Committee meetings in the member's absence; and,
8. Respond promptly to all requests to register for Committee meetings.

Term of Membership

All terms will have a standard length of three years effective by calendar year. To the extent practicable, member terms will be staggered such that approximately one-third of the Committee is subject to reappointment or replacement each year.

Terms shorter than three years may be required for several reasons:

- If two members are simultaneously selected to a sector that did not have any existing members, to stagger their terms, one member will be assigned a one-year term and the second member will be assigned a two-year term.
- If a member is selected to fill a vacant member position, the term will end when the term for that vacant position ends.

There is no limitation on the number of times a member may be reappointed.

Vacancies and Proxies

1. Created by the Member

In the event a member can no longer serve on the Committee, that member will submit a written resignation to the Committee Chair or the secretary.

2. Requested by the Chair

The Chair may request any Committee member who ceases to participate in the Committee or to fulfill the membership duties described in the Membership Expectations section of this Charter to submit a resignation or to request continuation of membership with an explanation of extenuating circumstances. If a written response is not received within 30 days of the Chair's request, the lack of response will be considered a resignation.

3. Requested by the Board

Committee members serve at the pleasure of the NERC Board. The NERC Board may initiate a request for a Committee member to resign.

4. Proxies

Proxies can only be a person who is a member registered in the same sector or an officer, agent or representative of a member either registered in the same sector or representing a similar position as an at-large member.

A proxy may attend and vote during a Committee meeting provided the member notifies the secretary of the proxy. Such notification will be in writing (electronic medium is acceptable). The proxy representatives and their affiliation should be named in the correspondence.

Conflict of Interest

No Committee member may have a conflict of interest that would impair his or her ability to fulfill obligations under this Charter. Any Committee member who knows of any form of membership conflict, such as working for an entity affiliated with that of another Committee member, is obligated to notify the Committee Chair within ten (10) business days of obtaining that knowledge.

Chapter 3: Nominating Subcommittee

Functions

In addition to the duties, rights, and privileges described elsewhere in this Charter, members of the Nominating Subcommittee will:

1. Prepare a slate of Committee officer candidates for submission to the NERC Board for appointment;
2. Prepare a slate of recommended individuals to fill designated Committee vacancies (sector or at-large) as required; and,
3. Manage, when required, the process to recommend the Committee Chair and/or Vice Chair.

Appointment of Nominating Subcommittee Members

The Nominating Subcommittee will consist of five members nominated by the Committee Chair and approved by the Committee. The Chair of the Nominating Subcommittee will be selected by the Committee Chair from among the five Nominating Subcommittee members annually. Members of the Nominating Subcommittee will serve concurrently with the term of the Committee Chair that selects the Nominating Subcommittee members.

Vacancies on the Nominating Subcommittee

The Committee Chair will nominate, and the full Committee will approve, a CCC member to fill a vacancy on the Nominating Subcommittee.

Appointment Process for CCC Members

Prospective members of the Committee may be identified via any means the Committee finds acceptable, including:

1. Solicited or unsolicited nomination by a recognized industry group or association;
2. General open solicitation by the Committee for nomination(s);
3. Self-nomination;
4. Recent list of nominations available to the Nominating Subcommittee that it deems to be valid;
5. Directed solicitation by the Committee to an individual or individuals; or,
6. Referral by the NERC Board or other NERC body or Committee.

The Nominating Subcommittee may give preference to candidates nominated by organizations generally considered by the industry as representative of a broad cross-section of the industry sector in question, such as an industry trade association.

The Nominating Subcommittee will convert any sector vacancy to an at-large position to fill that seat until the end of the term when there is no qualified sector candidate from a nomination pool.

The Nominating Subcommittee will present the recommended Committee membership slate to the full CCC and then to the NERC Board for appointment. The NERC Board may appoint the entire recommended Committee slate or individual members, as needed, to meet membership balance and to fill vacancies.

The Nominating Subcommittee process will be detailed in a supporting CCC Process and Procedure document (CCCPP).

Member Vacancies

The Committee Chair will refer any general membership vacancy to the Nominating Subcommittee. The Nominating Subcommittee may request the Secretary to prepare a new solicitation for nominations to fill the vacancy.

Chapter 4: Meetings

In the absence of specific provisions in this Charter, all Committee meetings will follow Roberts Rules of Order.

Quorum

1. Two-thirds Requirement

The quorum necessary for transacting business at meetings of the Committee is two-thirds of the members currently on the Committee's roster.

2. Lack of Quorum

If a quorum is not present at the beginning of the meeting, the Committee may not take any actions requiring a vote by the Committee; however, the Chair may, with the consent of the majority of members present, elect to allow discussion of the agenda items.

Voting

Actions by members of the Committee will be the affirmative vote of two-thirds of the votes present at any meeting at which a quorum is present.

Voting may take place during regularly scheduled in-person meetings or may take place via electronic mail or conference call.

Open Meetings

NERC Committee meetings will be open to the public, except as noted below under Confidential Sessions. Meetings are conducted in person.

Confidential Sessions

At the discretion of the Committee Chair, a meeting or portion of a meeting may have attendance limited based on confidentiality of the information to be disclosed at the meeting. Such limitations should be applied sparingly and on a non-discriminatory basis. All hearings of compliance matters will be confidential sessions. Confidential Information will only be disclosed as provided by Section 1500 of the NERC ROP. Confidentiality agreements may also be applied, as necessary, to protect Confidential Information.

Majority and Minority Views

All members of the Committee will be given the opportunity to provide alternative views on an issue. The results of Committee actions, including recorded minutes, will reflect the majority as well as any minority views of the Committee members. The Chair will communicate both the majority and any minority views in presenting results to the NERC Board.

Action without a Meeting

Any action required or permitted to be taken at a regular meeting may be taken without a meeting at the request of the Chair.

Such action without a meeting will be performed by mail or electronic ballot (e.g., telephone, email, or Internet) and will be recorded in the minutes as a roll call ballot. The secretary will announce the action required at least seven days before the date on which voting commences.

As time permits, members should be allowed a window of 10 business days to vote. The secretary will document the results of such an action within 10 business days of the close of the voting period. Such action must meet the regular meeting quorum and voting requirements above.

Approval of such action requires an affirmative vote by two-thirds of the Committee members eligible to vote. This vote will be recorded in the minutes of the next regularly scheduled meeting as a roll call ballot.

Chapter 5: Officers and Executive Committee

Officers

The Committee will have one secretary and two officers – one Chair and one Vice Chair.

Officers shall be selected as follows:

The CCC Nominating Subcommittee will recommend a Chair and a Vice Chair from among the members for a vote by the Committee at a meeting as required. The term of the Chair and the Vice Chair will begin on January 1.

The incumbent Chair and Vice Chair shall not vote on the selection of the incoming Chair and Vice Chair. The Chair and Vice Chair shall not be representatives of the same sector. As the Chair and Vice Chair shall continue to act as representative of the sectors, the administrative roles and responsibilities of the Committee shall be performed independently of the sectors they represent. Appointment of the Chair and Vice Chair shall be subject to approval of the NERC Board.

The Committee Chair and Vice Chair are voting members of the Committee.

Secretary

A member of the NERC staff will serve as the secretary of the Committee. The secretary will do the following:

- Manage the day-to-day operations and business of the Committee;
- Facilitate effective administration of Committee procedures;
- Prepare and distribute the notices of the Committee meetings, prepare the meeting agenda, and prepare and distribute the minutes of the Committee meetings; and,
- Act as the Committee’s parliamentarian.

Chair

The Chair will direct and provide general supervision of Committee activities, including the following:

- Coordinate the schedule of all Committee meetings, including approval of meeting duration and location;
- Develop Committee agendas and rule on any deviation, addition, or deletion from a published agenda;
- Preside at and manage Committee meetings, including the nature and length of discussion, recognition of speakers and proxies, motions, and voting;
- Lead or direct the conduct of any hearings and the preparation of any adjudicatory documents by the Committee under Section 408 of the NERC ROP;
- Ensure actions and undertakings by the Committee under the NERC ROP Section 408 meet all applicable legal and due process requirements;
- Act as spokesperson for the Committee at forums inside and outside of NERC; and
- Attend meetings of the NERC Board when necessary to report to the NERC Board on Committee activities.

Vice Chair

The Vice Chair will assume the responsibilities of the Chair under the following conditions:

- At the discretion of the Chair (for brief periods of time);

- When the Chair is absent or temporarily unable to perform the Chair’s duties; or,
- When the Chair is permanently unavailable or unable to perform the Chair’s duties. In the case of a permanent change, the Vice Chair will continue to serve until a new Chair is nominated and appointed by the NERC Board.

Executive Committee

The CCC shall have an Executive Committee of at least four members as follows:

- Chair;
- Vice Chair;
- Past Chair;
- Chair and Vice Chair of all subcommittees under the purview of the full Committee; and,
- Additional members as deemed necessary by the Committee Chair.

The Executive Committee is authorized to act on the Committee’s behalf between regular meetings on matters where urgent actions are crucial and full Committee discussions are not practical.

Ultimate Committee responsibility resides with its full membership whose decisions cannot be overturned by the Executive Committee, and which retains the authority to ratify, modify, or annul Executive Committee actions.

NERC Staff

NERC will designate an executive sponsor and a secretary who will not be members of the Committee or vote on Committee business. The executive sponsor and the secretary shall be recused from participating in any Committee activity that involves monitoring of NERC’s adherence to ROP or any activity that they oversee. If the secretary has been recused from participating in a Committee activity, the Chair shall appoint another member of the Committee as acting secretary for any meetings or other activities from which the secretary is recused.

Observers

At the Chair’s discretion, observers may participate in public, non-confidential meetings of the full Committee and subcommittees; however, they cannot vote.

To the extent practicable, observers will be noted in meeting minutes. However, observers are required to comply with applicable Member Expectations in NERC Committees.

Chapter 6: Subordinate Groups

Committee Organization

The CCC organizational structure will be arranged as allowed in the NERC Bylaws to support a superior-subordinate hierarchy that is ordered as follows: a committee, a subcommittee, a working group, and a task force, with a committee being primary and a task force being quaternary.

The Committee may establish subcommittees, working groups, and task forces as necessary. The Committee Chair may also form any of these subordinate groups on behalf of the Committee. The Committee will be the responsible sponsor of all subordinate subcommittees, working groups, or task forces it may create, or that its subordinate subcommittees and working groups may create. The Committee will keep the NERC Board informed of all groups subordinate to the Committee.

Officers of the subordinate groups will be appointed by the Chair of the CCC.

Subcommittees, working groups, and taskforces will conduct business in a manner consistent with all applicable sections of this manual and Robert's Rules of Order.

Subcommittees

The Committee may establish subcommittees to which the CCC may delegate some of CCC's functions. The CCC will approve the scope of each subcommittee it forms. The Committee Chair will appoint the subcommittee officers (typically a Chair and a Vice Chair) for a specific term (generally two years). There is no limit to the number of terms that can be served by appointed subcommittee leadership. The subcommittee will work within its assigned scope and be accountable for the responsibilities assigned to it by the Committee. The formation of a subcommittee, due to the permanency of the subcommittee, will be approved by the NERC Board.

Working Groups

The Committee may delegate specific continuing functions to a working group. The CCC will approve the scope of each working group that it forms. The Committee Chair or delegates will appoint the working group officers (typically a Chair and a Vice Chair) for a specific term (generally two years). The CCC will conduct a "sunset" review of each working group every year. The working group will be accountable for the responsibilities assigned to it by the CCC or subcommittee and will work within its assigned scope. The CCC should consider promoting to a subcommittee any working group that is required to work longer than one term.

Task Forces

The Committee may assign specific work to a task force. The CCC will approve the scope of each task force it forms. The Chair of the CCC will appoint the task force officers (typically a Chair and a Vice Chair). Each task force will have a finite duration, normally less than one year. The CCC will review the task force scope at the end of the expected duration and at each subsequent meeting of the CCC until the task force is retired. Action of the CCC is required to continue the task force past its defined duration. The CCC should consider promoting to a working group any task force that is required to work longer than one year.

Subordinate Group Membership and Representation

The membership of each subcommittee, working group, and task force should be established to address the need for expertise and balance of interests. Each group's membership requirements will be defined within the group's approved scope.

As a general guide, the broader the group's scope, the more emphasis there should be on balancing of interests. Therefore, subcommittees would be expected to have the broadest representation of appropriate industry sectors,

while a task force may be more focused on simply having the necessary expertise, and a working group may be somewhere between.

To the extent subordinate group membership is of a representative nature, recommendations for staffing of the group should be provided in a manner consistent with the principles outlined in the staffing of a Committee, including the use of an open nominations process. Canadian representatives should be recommended by the Canadian Electricity Association.

Preference may also be given to representatives recommended by broadly-based industry associations.

To the extent that subordinate group membership is based on providing requisite expertise, the Chair of the Committee may appoint members based on the relevant technical qualifications.

Rosters will be maintained for all members, both full Committee members and appointed members, for the subcommittees only as these subordinate groups are Board approved.

Procedures

Subcommittees, working groups, and taskforces will conduct business in a manner consistent with all applicable sections of this Charter, the subordinate group's scope, Robert's Rules of Order, and Participant Conduct Policy.

CCC documents relating to the topics in the NERC ROP will require NERC Board approval.

Chapter 7: Hearings

General

The CCC will conduct hearings, as necessary, to fulfill its function of serving as the hearing body for any contest between NERC and a Regional Entity regarding NERC findings, penalties, or sanctions for violation(s) of Reliability Standard(s) by the Regional Entity as described in Section 408 of the NERC ROP.

Hearing Procedure

Unless specifically identified otherwise elsewhere in this Charter, the Committee's hearing procedure shall follow the hearing procedure mandated and approved by jurisdictional authorities for use by NERC and the Regional Entities in the CMEP.

Hearing Panel

The Committee shall not have a standing hearing panel. When a hearing is to be conducted, the Committee shall select five members to serve as the adjudicatory panel for that hearing. Members serving on the panel shall be selected by vote of a valid quorum of the Committee. Voting members of the Committee at arm's length from parties to the hearing may be nominated or volunteer to stand for selection to the hearing panel. One or more alternates may also be selected, as the Committee deems appropriate for the circumstances. A member may serve on more than one panel concurrently. A panel is disbanded upon conclusion of the hearing proceedings for which it was formed.

Chapter 8: Meeting Procedures

Voting Procedures for Motions

- The default procedure is a voice vote.
- If the Chair believes the voice vote is not conclusive, the Chair may call for a show of hands.
- The Chair will not specifically ask those who are abstaining to identify themselves when voting by voice or a show of hands.
- The Committee may conduct a roll-call vote in those situations that need a record of each member's vote.
- The Committee must approve conducting a roll call vote for the motion.
- The secretary will call each member's name.
- Members answer "yes," or "no," but may answer "present" if they wish to abstain from voting.

Minutes

- Meeting minutes are a record of what the Committee did, not what its members said.
- Minutes should list discussion points where appropriate but should usually not attribute comments to individuals. It is acceptable to cite the Chair's directions, summaries, and assignments.
- Do not list the person who seconds a motion.
- Do not record (or even ask for) abstentions.
- All Committee members are afforded the opportunity to provide alternative views on an issue. The meeting minutes will provide an exhibit to record minority positions. The Chair shall report both the majority and any minority positions in presenting results to the NERC Board.

Appendix A

CCC Membership Structure

Primary Sector	Sub-Sector	Number of Members	Full Voting	Non-Voting
1. Investor-owned Utility		2	X	
2. State/Municipal Utility		2	X	
3. Cooperative Utility		2	X	
4. Federal or Provincial Utility/Power Marketing Administration		2	X	
5. Transmission-dependent Utility		2	X	
6. Merchant Electricity Generator		2	X	
7. Electricity Marketer		2	X	
8. Large End Use Electricity Customer		2	X	
9. Small End Use Electricity Customer		2	X	
10. Independent System Operator (ISO)/Regional Transmission Organization (RTO)		2	X	
12. Government Representatives	U.S. State	2	X	
	U.S. Federal	2		X
	Canadian Provincial	1		X
	Canadian Federal	1		X
At-Large Position		6	X	
Total		32		

Compliance and Certification Committee (CCC) Membership

Action

Approve

Overview

The Compliance and Certification Committee (CCC) is recommending that the Board of Trustees (Board) approve the re-appointment of the CCC Chair and Vice Chair, and the appointment of one new CCC member. The CCC Chair and Vice Chair appointments are each for a two-year term, the new CCC member appointment is for a three-year term. Upon Board approval, all terms begin in June 2020.

Below are the names of the proposed appointments:

- CCC Chair - Jennifer Flandermeyer – Evergy, representing Investor Owned Utility
- CCC Vice Chair - Scott Tomashefsky – Northern California Power Utility, representing State/Municipal Utility
- New Committee Member - Silvia Parada-Mitchell – NextEra Energy Resources, representing Merchant Electricity Generator

Reliability Standard CIP-002-6 – Cyber Security – BES Cyber System Categorization

Action

Adopt the following standard documents and authorize staff to file with applicable regulatory authorities:

- **Reliability Standard CIP-002-6 – Cyber Security – BES Cyber System Categorization**
[\[CIP-002-6 Standard\]](#) [\[Redlined to last approved\]](#)
- Implementation Plan
[\[Implementation Plan\]](#)
- Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs)
[\[VRFs and VSLs\]](#)
- Retirements

CIP-002-5.1a – Cyber Security – BES Cyber System Categorization

Background

Project 2016-02 was initiated to (1) address the Federal Energy Regulatory Commission (Commission) directives contained in Order No. 822 and (2) consider the Version 5 Transition Advisory Group (V5TAG) issues identified in the Critical Infrastructure Protection (CIP) V5 Issues for Standard Drafting Team Consideration (V5TAG Transfer Document).

The V5TAG, which consisted of representatives from NERC, Regional Entities, and industry stakeholders, was formed to issue guidance regarding possible methods to achieve compliance with the CIP Version 5 standards and to support industry's implementation activities. In addition, the V5TAG identified certain issues with the CIP Reliability Standards that would be better addressed through revisions to the CIP Reliability Standards. The V5TAG developed the [CIP Version 5 Transition Advisory Group Issues for Consideration](#) document to provide recommendations for modifications for a standard drafting team's (SDT's) consideration. Among other issues, the V5TAG recommended clarification of the phrase "used to perform the functional obligations of the Transmission Operator (TOP)" in CIP-002-5.1a, Attachment 1, Criterion 2.12.

Summary

The Project 2016-02 SDT proposes modifications to CIP-002-5.1a, Attachment 1, Criterion 2.12 to clarify the applicability of requirements to a Control Center owned by a Transmission Owner (TO) that performs the functional obligations of a TOP. The proposed criterion establishes an average MVA line loading based on voltage class for BES Transmission Lines operated between 100 and 499 kV. The aggregate weighted value of the BES Transmission Lines must exceed 6000 to meet the minimum threshold established in Criterion 2.12. The aggregate weighted value is calculated by summing the "weight value per line" shown in the associated table for each BES Transmission Line monitored and controlled by the Control Center or backup Control Center. If the Control Center monitors and controls BES Transmission Lines that exceed the 6000 aggregate weighted value, the BES Cyber Systems associated with the Control Center should be

identified as medium impact. If the BES Transmission Lines monitored and controlled by the Control Center do not exceed the 6000 aggregate weighted value, the Control Center should be categorized as an asset containing low impact BES Cyber Systems pursuant to Criterion 3.1.

Standard Development Process

Proposed CIP-002-6 was posted for a 45-day formal comment period and initial ballot on September 14 to October 30, 2017. The initial ballot received a 66.78 percent approval and 86.48 percent quorum. The SDT revised the standard based on comments received and posted for an additional 45-day formal comment period and ballot from March 16 to April 30, 2018. This additional ballot received a 93.31 percent approval and 81.27 percent quorum.¹

The Project 2016-02 SDT posted CIP-002-6 for an additional 45-day formal comment period and ballot from June 3 to July 17, 2019. The additional ballot passed with 87.39 percent approval and 86.11 quorum. Based on comments received, the SDT determined to revise CIP-002-6 and conduct another 45-day formal comment period and additional ballot from November 1 to December 16, 2019. This additional ballot received 95.98 percent approval and 81.89 percent quorum. The SDT conducted a final ballot March 26 to April 6, 2020, and received 96.28 approval and 87.92 quorum.

Minority Issues

None.

Pertinent FERC Directives

None.

Cost Effectiveness

The SDT sought stakeholder input on the cost effectiveness of the proposed standard during formal commenting. The majority of the stakeholders agree that the proposed revisions provide a cost-effective means of addressing industry concerns as outlined in the Standard Authorization Request.

Additional Information

A link to the project history and files is included here for reference:

[Link to CIP-002-6 Project Page.](#)

¹ From August 23 to October 9, 2018, the Project 2016-02 SDT posted for formal comment and ballot a version of CIP-002-6 reflecting revisions recommended by the Project 2015-09 – Establish and Communicate System Operating Limits SDT. Based on comments received during that posting, the Project 2016-02 SDT determined to not pursue the changes further and referred them back to the Project 2015-09 team for appropriate action.

Withdrawal of Proposed Reliability Standard VAR-001-6 – Voltage and Reactive Control

Action

Withdraw the following Reliability Standard and authorize staff to make the necessary filings with applicable regulatory authorities:

- Reliability Standard – VAR-001-6 – Voltage and Reactive Control
[\[VAR-001-6 Standard\]](#)

Background

On May 9, 2019, the NERC Board of Trustees (Board) approved the retirement of 77 Reliability Standards requirements developed under Project 2018-03 Standards Efficiency Review Retirements.¹ These 77 Reliability Standard requirements were identified through NERC's Standards Efficiency Review as being duplicative to other requirements, administrative in nature, or otherwise unnecessary for reliability.

Specifically, the Board: (1) approved the retirement of 10 Reliability Standards in their entirety, without replacement; and (2) adopted seven revised Reliability Standards in which individual requirements from the currently effective versions are proposed for retirement. Additionally, the Board approved the withdrawal of one Reliability Standard that was pending regulatory approval at the time.

On June 7, 2019, NERC Staff filed the retirement proposals with the Federal Energy Regulatory Commission (FERC) for approval. On June 20, 2019, the retirement proposals were filed with the applicable regulatory authorities in Canada.

On January 23, 2020, FERC issued a Notice of Proposed Rulemaking (NOPR) proposing to approve 74 of the 77 retirement proposals submitted by NERC. FERC sought additional information regarding the two requirements proposed for retirement in proposed Reliability Standard FAC-008-4. Additionally, FERC proposed to remand proposed Reliability Standard VAR-001-6. In proposed Reliability Standard VAR-001-6, NERC proposed to retire Requirement R2 of the currently effective standard.

NERC submitted comments on the NOPR on April 6, 2020. FERC has not yet issued a final rule in this proceeding.

Summary

Staff recommends withdrawing proposed Reliability Standard VAR-001-6 in light of FERC's NOPR proposal to remand the standard.

In proposed Reliability Standard VAR-001-6, NERC proposed to retire Requirement R2 on the basis that the requirement is redundant to other Reliability Standard requirements and is not

¹ See Minutes of the NERC Board of Trustees May 9, 2019 Meeting at 7-10 (item 5.b), https://www.nerc.com/gov/bot/Agenda%20highlights%20and%20Minutes%202013/Board_Open_Meeting_Final_Minutes-May-9-2019.pdf.

necessary for reliability. In the NOPR, FERC expresses concern with the proposed retirement of Requirement R2, stating that “it is the only requirement that explicitly requires transmission operators to schedule reactive resources.”² FERC further states, “While Reliability Standards TOP-001-4 and TOP-002-4 address situations involving the possible need to schedule reactive resources, they are not adequate substitutes for the explicit obligation in Requirement R2 of Reliability Standard VAR-001-5 requiring transmission operators to schedule enough reactive resources to regulate voltage levels under all system conditions.”³ FERC therefore proposes to remand VAR-001-6 to retain Requirement R2.

The effect of withdrawing proposed Reliability Standard VAR-001-6 is that currently effective version VAR-001-5 would remain in place (including Requirement R2).

Standards Development Process

Section 4.17 of the NERC Standard Processes Manual, Appendix 3A of the NERC Rules of Procedure provides that the Board has an independent right to withdraw a Reliability Standard. “Withdrawal” refers to the discontinuation of a Reliability Standard, Interpretation, Variance or definition that has been approved by the Board of Trustees and (1) has not been filed with Applicable Governmental Authorities, or (2) has been filed with, but not yet approved by, Applicable Governmental Authorities.

Pertinent FERC Directives

None.

Unresolved Minority Issues

Not applicable.

Cost Effectiveness

Not applicable.

Additional Information

Links to the project history and files, FERC filings, and NOPR is included here for reference:

[\[Project 2018-03 Standards Efficiency Review Retirements\]](#)

[\[NERC Petition to FERC for Approval of IRO/TOP/VAR Standards Efficiency Review Retirements\]](#)

[\[NERC Petition to FERC for Approval of INT/FAC/PRC/MOD Standards Efficiency Review Retirements\]](#)

[\[FERC January 23, 2020 NOPR\]](#)

[\[NERC April 6, 2020 Comments on January 23, 2020 NOPR\]](#)

² Notice of Proposed Rulemaking, *Electric Reliability Organization Proposal to Retire Requirements in Reliability Standards under the NERC Standards Efficiency Review*, 170 FERC ¶ 61,032 at P38 (2020) (“NOPR”).

³ *Id.* at P 39.

**Investment and Funding Strategy for the ERO Secure Evidence Locker
and Align Delay Costs**

Action

Approve

Summary

The Board of Trustees (Board) will consider approval of the investment in the ERO Secure Evidence Locker (ERO SEL) and anticipated Align delay costs and the financing approach as recommended to the Board by the Finance and Audit Committee, as well as the timeline recommendation for both the implementation of Release 1 of the Align Tool and the ERO SEL.

Approval of the *Pro Forma* Amended and Restated Delegation Agreement between the North American Electric Reliability Corporation and the Regional Entities

Action

- Approve revisions to the *pro forma* Amended and Restated Delegation Agreement (“RDA”) between the North American Electric Reliability Corporation (“NERC”) and the Regional Entities.
- Authorize NERC senior management to enter into individualized RDAs, adapted from the revised, *pro forma* RDA, with each Regional Entity to incorporate Regional Entity-specific deviations.

Attachment 1: Redline of the *pro forma* RDA.

Attachment 2: Redline of Exhibit B to the *pro forma* RDA.

Background

The currently effective RDAs between NERC and the Regional Entities terminate on December 31, 2020.

The proposed revisions to the *pro forma* RDA reflect the ERO Enterprise’s improved activities and relationships, over the last five years operating under section 215 of the Federal Power Act. The primary mission of a Regional Entity is to conduct delegated functions or delegation-related activities without a conflict of interest as provided for in FERC Order No. 672. The governance structure of each Regional Entity ensures that appropriate safeguards are in place for Regional Entities to perform their oversight role with adequate independence.

NERC posted a draft of the revised, *pro forma* RDA for 14 days from March 25, 2020 to April 8, 2020, providing stakeholders with an opportunity to submit comments. NERC did not receive any comments on the proposed revisions to the *pro forma* RDA.

Overview of Revisions to the *Pro Forma* RDA and Exhibit B – Governance

Recitals

NERC proposes to eliminate maps of Regional Entity boundaries in **Exhibit A – Regional Boundaries** to the *pro forma* RDA. In lieu of the maps, NERC proposes to describe the boundaries of Regional Entity footprints in **Exhibit A – Regional Boundaries**. The precision of the current maps vary and may provide misleading information about Regional Entity boundaries. Assignment of registered entities to a specific Regional Entity is more clearly reflected in the NERC Compliance Registry.

Representations - Independence

The Regional Entities have taken steps to provide independent director representation on their boards through pending or approved bylaw revisions. As a result, NERC proposes to specify that Regional Entities can form an independent board “or a hybrid board consisting of” a combination

of independent and balanced stakeholder board “members.” NERC proposes to eliminate the reference to “balanced stakeholder board” as well as the references to this governance structure from the Federal Power Act, Commission regulations, and Commission rules concerning certification of the ERO. A parallel change is made in **Exhibit B – Governance**.

NERC also proposes a new provision noting that each Regional Entity executing the RDA commits to maintaining independent members to perform oversight obligations related to governing a Regional Entity. These obligations include (A) nominating independent board members, (B) compensating the chief executive officer, (C) implementing the compliance monitoring and enforcement program, (D) retaining fair and reasonable compensation for independent board members, and (E) retaining appropriate conflict of interest and recusal policies for board members and staff alike. NERC notes that these oversight obligations are consistent with independence principles that were developed by NERC, in consultation with the Regional Entities. NERC proposes that future renewal of the RDAs will require ongoing review of how the Regional Entities implement the independence principles.

Delegation of Authority

NERC proposes to remove language describing Regional Entities as affiliated with registered entities and/or performing registered functions. With the dissolution of the Southwest Power Pool, Inc. Regional Entity as well as the Florida Reliability Coordinating Council, Inc. Regional Entity, this language is no longer applicable.

Enforcement of Compliance with Reliability Standards

NERC proposes to prohibit stakeholders from leading a Regional Entity board compliance committee. No stakeholder can lead a board compliance committee because a Regional Entity should be able to act as the Compliance and Enforcement Agent for every entity in its footprint. Compliance and enforcement activities should be overseen by regional entity staff and/or directors without conflict. Board oversight of these activities should be led by independent members of the governing board. To the extent there is a compliance committee of the board, it should consist of a majority of independent board members and be chaired by an independent director. This proposal does not prohibit the participation of stakeholder directors in such committees provided there are reasonable and appropriate recusal procedures in place.

Funding

NERC proposes to remove language associated with prohibiting a Regional Entity from offsetting penalty monies it receives where the penalty monies was received “from an operational function or division or affiliate entity of a Regional Entity.” This language was previously applicable to Regional Entities that were affiliated with registered entities and/or that performed registered functions.

Term

NERC proposes to clarify that the RDAs may be terminated earlier than the end of the stated five-year term so long as the terminating Party provides written notice to terminate no later than one year prior to the then effective expiration of the Term.

Next Steps

If approved by the Board, NERC will enter into individual RDAs with each of the six Regional Entities. Each individualized RDA will be presented for approval by the respective Regional Entity board. NERC will file the *pro forma* RDA, the accompanying exhibits, and the individualized RDAs with the Commission for approval.

After notice and opportunity for comment, the Commission may approve (with or without modifications) or reject the RDAs. Only if the Commission approves the RDAs will they become effective.

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND [REGIONAL ENTITY]**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) Effective as of January 1, ~~2016~~2021, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the Bulk-Power System, and [REGIONAL ENTITY], an organization established to develop and enforce Reliability Standards within the geographic boundaries ~~identified~~described in **Exhibit A** to this Agreement, and for other purposes. NERC and [REGIONAL ENTITY] may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824o) (hereafter “the Act”), which, among other things, provides for the establishment of an Electric Reliability Organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the Bulk-Power System;

WHEREAS, the Commission has adopted regulations for the implementation of the Act, which are set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39 (the “ERO Regulations”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the Bulk-Power System, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the ERO Regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities (“Regional Entities”) such as [REGIONAL ENTITY], provided that:

(A) The Regional Entity is governed by —

- ~~(i)~~ an independent board;
- ~~(ii)(i) a balanced stakeholder board;~~ or
- ~~(iii)(ii)~~ a hybrid board consisting of a combination of independent and balanced stakeholder board members.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of Bulk-Power System reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, [REGIONAL ENTITY] [is/is not] organized on an Interconnection-wide basis and therefore [is/is not] entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through [REGIONAL ENTITY] to carry out certain of its activities in furtherance of its responsibilities as the ERO under the Act;

WHEREAS, NERC has concluded that [REGIONAL ENTITY] meets all requirements of the Act, the ERO Regulations, and the NERC Rules of Procedure as approved by the Commission (“NERC Rules of Procedure”) necessary to qualify for delegation; and

WHEREAS, NERC and [REGIONAL ENTITY], having operated under a predecessor agreement to this Agreement, have negotiated this amended and restated Agreement so as to incorporate the benefits of their mutual experience and lessons learned while operating under the predecessor agreement and thereby provide for the more efficient and effective execution of

their respective responsibilities in a transparent manner that is pursuant to Section 215 of the Act and the ERO Regulations;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and [REGIONAL ENTITY] agree as follows:

1. Definitions. The capitalized terms used in this Agreement shall be defined as set forth in the Act, the ERO Regulations, the NERC Rules of Procedure, or the NERC Glossary of Terms Used in Reliability Standards, or, if not so defined, shall be defined as set forth in this Section 1 or elsewhere in the text of this Agreement:

(a) Breach means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) Cross-Border Regional Entity means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) Delegated Authority means the authority delegated by NERC to [REGIONAL ENTITY] to propose and enforce Reliability Standards, consistent with Section 4(d) and the boundaries ~~described~~identified in **Exhibit A** pursuant to the Act and to undertake related activities set forth in this Agreement in furtherance of these delegated functions in accordance with the Act, the ERO Regulations and this Agreement.

2. Representations.

(a) For purposes of its Delegated Authority, [REGIONAL ENTITY] hereby represents and warrants to NERC that:

(i) [REGIONAL ENTITY] is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. [REGIONAL ENTITY] is governed in accordance with its bylaws by [select appropriate: an independent board or a hybrid board consisting of /a balanced stakeholder board/ a combination of independent and balanced stakeholder ~~board members~~]. Pursuant to these bylaws, no two industry sectors can control any [REGIONAL ENTITY] decision and no single industry sector can veto any [REGIONAL

ENTITY] decision. The relevant criteria for the establishment of such bylaws are attached hereto in **Exhibit B**. No other [REGIONAL ENTITY] corporate governance documents shall be inconsistent with the criteria in **Exhibit B**.

~~(i)~~ [REGIONAL ENTITY] has and shall retain during the term of this Agreement a governing board with a sufficient number of independent members to perform certain oversight obligations, including those relating to: (A) nomination of independent governing board members, (B) compensation for the Regional Entity chief executive officer, and, (C) compliance monitoring and enforcement program implementation. [REGIONAL ENTITY] has and shall retain, during the term of this agreement, fair and reasonable compensation for independent governing board members. [REGIONAL ENTITY] has and shall retain, during the term of this agreement, appropriate conflict of interest and recusal policies with respect to their employees, non-independent and independent governing board members and will avoid any conflicts of interest, including but not limited to, significant commercial relationships with registered entities. Each Regional Entity's implementation of these requirements has been documented and accepted by NERC based on principles developed in consultation with the Regional Entities and such implementation will be reviewed in connection with renewal of this Agreement.

(ii)

~~(ii)(iii)~~ [REGIONAL ENTITY] has developed a standards development procedure, which provides the process that [REGIONAL ENTITY] may use to develop Regional Reliability Standards [and Regional Variances, if the regional entity is organized on an Interconnection-wide basis] that are proposed to NERC for adoption.

~~(iii)(iv)~~ As set forth in **Exhibit D** hereto, [REGIONAL ENTITY] has adopted the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure, which provides for the enforcement of Reliability Standards for the registered entities assigned to the within-[REGIONAL ENTITY] as reflected on NERC's geographic boundaries as shown in **Exhibit A** Compliance Registry.

(b) NERC hereby represents and warrants to [REGIONAL ENTITY] that:

(i) NERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement

and fulfilling its obligations hereunder; and

(ii) NERC has been certified as the ERO by the Commission pursuant to the Act.

(iii) NERC shall comply with its Certificate of Incorporation, Bylaws and Rules of Procedure, as from time to time adopted, approved or amended.

3. General Covenants.

(a) During the term of this Agreement, [REGIONAL ENTITY] shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend its Regional Entity Rules without NERC approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) [REGIONAL ENTITY] shall provide NERC with a copy of its Regional Entity Rules upon request by NERC. NERC shall maintain on its public website the currently effective versions of all Regional Entity bylaws and Regional Entity standard development procedures.

(c) During the term of this Agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 17 and 18 of this Agreement, NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations or programs of [REGIONAL ENTITY] under this Agreement without first obtaining the consent of [REGIONAL ENTITY], which consent shall not be unreasonably withheld or delayed.

(d) During the term of this Agreement, NERC and [REGIONAL ENTITY] shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

(e) For purposes of this Agreement, NERC shall collaborate with the Regional Entities in the development of guidance, policies and procedures, and oversight parameters as contemplated by this Agreement. In the event that collaboration is not successful on any such matter, the NERC President may issue a directive with respect to such matter pursuant to Section 8 herein, and such directive shall be binding upon [REGIONAL ENTITY].

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of [REGIONAL ENTITY] in this Agreement, [REGIONAL ENTITY's] corporate governance documents, the [REGIONAL ENTITY's] standards development process, and the compliance monitoring and enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to [REGIONAL ENTITY] for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries and such other scope set forth in **Exhibit A**, ~~provided, that [REGIONAL ENTITY] shall not monitor and enforce compliance with Reliability Standards for [REGIONAL ENTITY] or an affiliated entity with respect to reliability functions for which [REGIONAL ENTITY] or an affiliate is a Registered Entity.~~ Any exclusions from this delegation of authority to [REGIONAL ENTITY] within, or additions to this delegation of authority to [REGIONAL ENTITY] beyond, the geographic boundaries set forth in **Exhibit A** are stated in **Exhibit A**.

~~(b) In circumstances where [REGIONAL ENTITY] or an affiliated entity is a Registered Entity, [REGIONAL ENTITY] shall enter into an agreement with another Regional Entity or NERC for the other Regional Entity or NERC to monitor and enforce [REGIONAL ENTITY's] or affiliate's compliance with Reliability Standards. Such agreements are subject to NERC and Commission approval.~~

~~(e)(b)~~ Nothing in this Agreement shall prohibit [REGIONAL ENTITY] from entering into an arrangement between one or more other Regional Entities to perform compliance monitoring and enforcement activities outside of its region, on behalf of NERC and/or other Regional Entities, for Registered Entities that have registered functions monitored by more than one Regional Entity, subject to approval by NERC.

~~(d)(c)~~ For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified in **Exhibit A** that is within the United States. Any delegation of authority by Applicable Governmental Authorities in Canada or Mexico shall be governed by the law of such authority or a separate agreement and is outside the scope of this Agreement; provided, however, that both [REGIONAL ENTITY] and NERC shall endeavor to ensure that this Agreement and any such separate agreement are compatible.

~~(e)(d)~~ As a condition to this delegation of authority and subject to the provisions of

Section 17 of this Agreement, [REGIONAL ENTITY] shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Development and Proposal of Reliability Standards.

(a) In connection with its Delegated Authority, [REGIONAL ENTITY] shall be entitled to:

(i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords [REGIONAL ENTITY] reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards [and Regional Variances, if Regional Entity is organized on an Interconnection-wide basis] through [REGIONAL ENTITY]'s process. [REGIONAL ENTITY]'s process shall be consistent with the NERC Rules of Procedure and Commission directives. Any changes to [REGIONAL ENTITY]'s process shall be submitted to the NERC Board of Trustees for approval and upon approval, be submitted to the Commission for approval. Proposals approved through [REGIONAL ENTITY]'s process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule of Procedure 312.3 as it may be amended from time to time. The NERC Board of Trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) of this Agreement if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed Regional Reliability Standard or Regional Variance and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. [REGIONAL ENTITY] may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be applicable on an

Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the Regional Entity organized on an Interconnection-wide basis shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the Interconnection-wide Regional Entity during NERC's review of the proposal.

6. Enforcement of Compliance with Reliability Standards.

(a) In connection with its delegated authority pursuant to this Agreement, [REGIONAL ENTITY] shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the boundaries set forth in **Exhibit A** through the compliance monitoring and enforcement program set forth in **Exhibit D**. NERC and [REGIONAL ENTITY] agree that this compliance monitoring and enforcement program meets all applicable requirements of the Act, Order No. 672 of the Commission, and the ERO Regulations, including, inter alia, the requirement for an audit program pursuant to Section 39.7(a) of the ERO Regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the ERO Regulations and the requirements for due process. [REGIONAL ENTITY] may not change its compliance monitoring and enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed, and the approval of the Commission. Subject to the rights and limitations specified in Sections 17 and 18 of this Agreement, [REGIONAL ENTITY] agrees to comply with the NERC Rules of Procedure, with any directives issued pursuant to Section 8(c) of this Agreement, and with any guidance and directions issued by the NERC Board of Trustees or a Board committee pursuant to Section 8(d) of this Agreement, in implementing this program.

(b) [REGIONAL ENTITY] shall maintain a program of proactive monitoring and enforcement of compliance with Reliability Standards, in accordance with the NERC Compliance Monitoring and Enforcement Program and the annual ERO Compliance Monitoring and Enforcement Program Implementation Plan.

(c) [REGIONAL ENTITY] shall report promptly to NERC information regarding noncompliance with a Reliability Standard, and its eventual disposition by [REGIONAL ENTITY], as set forth in, and subject to the confidentiality and disclosure provisions of, the NERC Rules of Procedure, the NERC Compliance Monitoring and Enforcement Program, this

Agreement, compliance and enforcement program procedures and guidance that NERC may from time to time develop and the ERO Regulations. NERC shall promptly forward such report to the Commission, as required by the ERO Regulations, or as the Commission shall from time to time direct. NERC and [REGIONAL ENTITY] shall cooperate in filing such periodic summary reports and analyses as the Commission shall from time to time direct.

(d) All dispositions by [REGIONAL ENTITY] of noncompliance with Reliability Standards shall be reported to NERC for review. NERC shall develop and implement policies and procedures for the review and, where appropriate, approval of dispositions of noncompliance.

(e) As part of its compliance monitoring and enforcement program, [REGIONAL ENTITY] shall maintain a conflict of interest policy that assures the integrity and independence of such program, including the integrity and independence of the persons or decision-making bodies making final determinations in compliance enforcement actions under Section 5.0 of the NERC Compliance Monitoring and Enforcement Program. [Subject to Section 2. \(a\) \(i\), A](#) [Regional Entity] may have stakeholders ~~lead or~~ participate in ~~its~~ board compliance committee so long as integrity and independence are assured through reasonable and appropriate recusal procedures.

(f) [For Regional Entities with such agreements: [REGIONAL ENTITY] may also perform compliance monitoring and enforcement activities outside of the boundaries shown in **Exhibit A**, on behalf of a Regional Entity that is unable to perform such activities with respect to one or more registered entities within its footprint due to a conflict of interest. Such activities shall be performed pursuant to a contract between [REGIONAL ENTITY] and other such Regional Entity that is approved by both NERC and the Commission.]

7. Delegation-Related Activities.

NERC will engage [REGIONAL ENTITY] on its behalf to carry out certain of its activities that are in furtherance of Bulk-Power System reliability and NERC's responsibilities as the ERO under the Act or in support of the Delegated Authority, as specified in the NERC Rules of Procedure and listed in **Exhibit E**. NERC may from time to time develop policies or procedures, which shall be used by [REGIONAL ENTITY] in the performance of the delegation-related activities. These delegation-related activities shall include, but are not limited to, those described in subsections (a) through (g), each of which shall be considered a statutory activity:

(a) **Certification of Bulk-Power System Entities.** The NERC Board of Trustees shall

set criteria for certification in accordance with the NERC Rules of Procedure. Certifications shall be issued in accordance with the NERC Rules of Procedure.

(b) Registration of owners, operators, and users of the Bulk-Power System as responsible for compliance with requirements of Reliability Standards.

(i) The NERC Board of Trustees shall develop criteria for registration of owners, operators, and users of the Bulk-Power System as Registered Entities and shall apply the registration criteria to register owners, operators and users of the Bulk-Power System as Registered Entities.

(ii) NERC shall maintain a registration database of Registered Entities, based on data and information provided by [REGIONAL ENTITY] and other Regional Entities. [REGIONAL ENTITY] shall provide timely and accurate information relating to registrations to NERC, as needed, to enable NERC to maintain a registration database that is accurate and up-to-date and to enable NERC to satisfy its monthly reporting obligation.

(iii) The NERC Board of Trustees Compliance Committee shall hear and decide appeals from owners, operators and users of the Bulk-Power System contesting registration, in accordance with the NERC Rules of Procedure. If the NERC Board of Trustees Compliance Committee upholds the decision to register an owner, operator, or user, NERC shall defend the decision in any subsequent appeal of the decision by the Registered Entity to the Commission.

(c) Reliability Assessment and Performance Analysis. [REGIONAL ENTITY] shall develop assessments of the reliability of the Bulk-Power System, or ensure that data and information are collected, analyzed and provided to NERC in support of the development of reliability assessments, in accordance with the NERC Rules of Procedure. [REGIONAL ENTITY] shall also develop and maintain, and collect data in support of the development and maintenance of, reliability performance metrics and assessments of risks to the Reliable Operation of the Bulk-Power System, in accordance with the NERC Rules of Procedure and NERC directives, and policies and procedures related to data-gathering, quality control, forms, and reporting mechanisms that NERC may from time to time develop.

(d) Event Analysis and Reliability Improvement. [REGIONAL ENTITY] shall conduct event analysis pursuant to the NERC Rules of Procedure, applicable governmental regulations, and policies and procedures that NERC may from time to time develop. NERC and

[REGIONAL ENTITY] shall coordinate event analysis to support the effective and efficient use of their collective resources, consistency in event analysis, and timely delivery of event analysis reports. In collaboration with NERC, [REGIONAL ENTITY] shall disseminate to the electric industry lessons learned and other information obtained or resulting from event analysis.

(e) **Training and Education.** [REGIONAL ENTITY] may provide training and education to Registered Entities, as it deems necessary, in support of its performance of delegated functions and related activities under this Agreement. NERC may also provide training and education programs to Registered Entities on topics relating to NERC's responsibilities as the ERO.

(f) **Situation Awareness.** [REGIONAL ENTITY] shall gather and assess situation awareness information provided by Registered Entities pursuant to the NERC Rules of Procedure, applicable governmental regulations, and policies and procedures that NERC may from time to time develop, and shall provide other data, information and assistance to NERC in support of NERC's activities in monitoring present conditions, and responding to events, on the Bulk-Power System.

(g) **Critical Infrastructure Security.** [REGIONAL ENTITY] shall collaborate with NERC in its efforts to coordinate electric industry activities to promote critical infrastructure protection of the Bulk-Power System in North America.

8. Oversight of Performance of Delegated Functions and Related Activities.

This Section 8 sets forth processes and procedures which the Parties intend shall be used in NERC's oversight of [REGIONAL ENTITY]'s performance of its Delegated Authority and related activities pursuant to this Agreement. It is the intent of NERC and [REGIONAL ENTITY] that matters relating to NERC's oversight of [REGIONAL ENTITY]'s performance of its Delegated Authority and related activities shall be established or resolved by collaboration between NERC and [REGIONAL ENTITY] and, where applicable, other Regional Entities, to the maximum extent possible, consistent with the construct that NERC and the Regional Entities are operating together in a collaborative manner to carry out the responsibilities of the ERO under Section 215 of the Act and the ERO Regulations.

(a) (i) NERC shall develop, in collaboration with [REGIONAL ENTITY] and other Regional Entities, performance goals, performance reports, measures and other parameters

(including, without limiting the scope of such goals, financial performance goals), which shall be used to measure NERC's and [REGIONAL ENTITY]'s performance of their respective functions and related activities. The performance goals, measures and parameters and the form of performance reports shall be approved by the NERC President and shall be made public. [REGIONAL ENTITY] shall provide data, information and reports to NERC, in accordance with established schedules, to enable NERC to calculate [REGIONAL ENTITY]'s performance to the agreed-upon goals, measures and parameters.

(ii) NERC shall use the performance goals, measures and parameters, and performance reports to evaluate [REGIONAL ENTITY]'s performance of its delegated functions and related activities and to provide advice and direction to [REGIONAL ENTITY] on performance improvements. The performance goals, measures and other parameters, and the values of such goals, measures and parameters, shall be reviewed by NERC, [REGIONAL ENTITY] and the other Regional Entities, revised if appropriate, and made public, on the same timeline as the annual business planning and budgeting process described in Section 9 of this Agreement.

(iii) At the request of the President of NERC, [REGIONAL ENTITY] shall be required to develop, submit for NERC approval, and implement action plans to address, areas of its performance that are reasonably determined by NERC, based on analysis of [REGIONAL ENTITY]'s performance against the performance goals, measures and parameters, or performance of specific activities, to be unsatisfactory, *provided*, that prior to requiring [REGIONAL ENTITY] to adopt and implement an action plan or other remedial action, NERC shall issue a notice to [REGIONAL ENTITY] of the need and basis for an action plan or other remedial action and provide an opportunity for [REGIONAL ENTITY] to submit a written response contesting NERC's evaluation of [REGIONAL ENTITY]'s performance and the need for an action plan. [REGIONAL ENTITY] may request that the President of NERC reconsider the request, and thereafter may request that the NERC Board of Trustees review and reconsider the request. NERC and [REGIONAL ENTITY] shall work collaboratively as needed in the development and implementation of [REGIONAL ENTITY]'s action plan. A final action plan submitted by [REGIONAL ENTITY] to NERC shall be made public unless the President of NERC makes a written determination that the action plan or specific portions of the plan should be maintained as non-public.

(b) NERC shall make available to [REGIONAL ENTITY] standardized training and education programs, which shall be designed taking into account input from [REGIONAL ENTITY] and other Regional Entities, for [REGIONAL ENTITY] personnel on topics relating to the delegated functions and related activities.

(c) (i) NERC may issue directives to [REGIONAL ENTITY] concerning the manner in which [REGIONAL ENTITY] shall perform its delegated functions and related activities under this Agreement. The NERC Rules of Procedure, or any other ERO Rule requiring approval of the Commission, shall not be considered “directives.” NERC shall initiate the development of a directive through a collaborative process with [REGIONAL ENTITY] and, if applicable, other Regional Entities to which the directive will apply. Any directive developed through the collaborative process shall be approved by, and issued under the signature of, the NERC President.

(ii) If after a period of time that is reasonable under the circumstances, NERC and [REGIONAL ENTITY] and, if applicable, other Regional Entities, are unable to reach agreement on the contents of the directive, NERC may issue the directive with the approval of and under the signature of the NERC President.

(iii) Upon issuance of a directive by the NERC President, it shall be binding upon, and shall be complied with by, [REGIONAL ENTITY], subject to reasonable time periods for adoption, implementation, and funding of any necessary resources. Upon request by [REGIONAL ENTITY], the NERC Board of Trustees (or a committee of the Board to which the Board delegates appropriate authority) shall review and shall confirm, revise or revoke any directive that was issued by the NERC President without [REGIONAL ENTITY]’s agreement, *provided*, that [REGIONAL ENTITY] shall request such review within thirty (30) days following issuance of the directive by the NERC President unless good cause can be shown for a later request.

(iv) NERC and [REGIONAL ENTITY] and, if applicable, other Regional Entities, shall collaborate in deciding whether a directive (whether issued pursuant to paragraph (ii) or paragraph (iii)) shall be made public. If no agreement is reached by the date of issuance as to whether the directive shall be made public, the NERC President shall decide whether the directive will be made public, *provided*, that it is the intent of the Parties that the NERC President shall apply a presumption that directives should be made public, unless the NERC President

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makes a written determination stating a specific reason for maintaining a particular directive as non-public.

(d) In addition to the issuance of directives pursuant to subsection (c), the NERC Board of Trustees (or a Board committee to which the Board has delegated authority) may issue guidance or directions as to the manner in which [REGIONAL ENTITY], and, if applicable, other Regional Entities, shall perform delegated functions and related activities. The NERC Board of Trustees or Board committee shall also establish reasonable time periods for the implementation of any such guidance or directions, taking into account the impact on the reliability of the Bulk-Power System and the need for funding of additional resources. Any such guidance or directions shall be stated in writing and shall be public, unless the NERC Board of Trustees or Board committee makes a written determination stating a specific reason for maintaining particular guidance or directions as non-public. [REGIONAL ENTITY], either individually or in conjunction with other Regional Entities, may request that the NERC Board of Trustees or Board committee reconsider or revise the guidance or direction.

(e) NERC shall conduct collaborative reviews with [REGIONAL ENTITY], either individually or in conjunction with one or more other Regional Entities, that provide for the exchange of information on practices, experiences, and lessons learned in the implementation of the delegated functions.

(f) NERC shall perform reviews and audits of [REGIONAL ENTITY] on a reasonable periodicity to determine [REGIONAL ENTITY]'s compliance with this Agreement, any policies or procedures established by NERC, NERC's Rules of Procedure, the Compliance Monitoring and Enforcement Program, Commission requirements, and directives that are in effect pursuant to Section 8(c) and to monitor the implementation of guidance and directions issued by the NERC Board of Trustees pursuant to Section 8(d). All such periodic reviews and audits shall comply with the NERC Rules of Procedure and Commission directives.

(g) The Commission and the Commission staff shall have full access to action plans and remedial actions, directives, directions and guidance, and audits and reviews issued or conducted pursuant to subsections (a)(iii), (c)(iv), (d) and (f), respectively, that are maintained as non-public.

9. Funding. [REGIONAL ENTITY] and NERC shall ensure, subject to Commission

approval in accordance with the ERO Regulations, that the delegated functions and related activities described in Sections 5, 6 and 7 and listed in **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) [REGIONAL ENTITY] shall develop, through a collaborative process with NERC, and propose, an annual business plan and budget, in accordance with ERO Regulations, Commission orders and NERC business planning and budgeting policies and instructions. [REGIONAL ENTITY]'s proposed business plan and budget shall describe the activities necessary for, and provide a budget with adequate resources for, [REGIONAL ENTITY] to carry out its Delegated Authority under this Agreement, including the functions and activities described in Sections 5, 6 and 7 and listed in **Exhibit E**. [REGIONAL ENTITY]'s business plan and budget shall show the funding sources and amounts to fund the proposed budget, including as applicable assessments to end users, penalty monies, and other sources of funds.

(b) [REGIONAL ENTITY] and NERC agree that the portion of [REGIONAL ENTITY]'s approved budget for the functions and activities described in Sections 5, 6 and 7 and listed in **Exhibit E** that is to be funded by assessments, will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on Net Energy for Load, or through such other formula as is proposed by [REGIONAL ENTITY] and approved by NERC and the Commission. If [REGIONAL ENTITY] proposes to use a formula other than Net Energy for Load beginning in the following year, [REGIONAL ENTITY] shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission by May 15 for approval, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and [REGIONAL ENTITY] to the Commission pursuant to the ERO Regulations for such year.

(c) NERC shall determine that the assessments to fund the costs for its statutory functions in its Commission-approved budget are first allocated fairly among the Interconnections and regions according to the applicability of this work to those Interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a Net Energy for Load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide [REGIONAL ENTITY] with the form or forms for business plan and budget submittal, and any accompanying instructions, in accordance with the schedule for preparation of the business plan and budget developed by NERC and the Regional Entities.

(e) [REGIONAL ENTITY] shall submit its proposed annual business plan and budget for carrying out its Delegated Authority functions and related activities described in Sections 5, 6 and 7 and listed in **Exhibit E**, as well as for all other activities of [REGIONAL ENTITY], to NERC for review and approval in accordance with the annual schedule for the preparation of business plans and budgets which shall be developed collaboratively by NERC and the Regional Entities, as more fully described in **Exhibit E**.

(f) NERC shall fund [REGIONAL ENTITY]'s performance of its Delegated Authority and related activities in accordance with [REGIONAL ENTITY]'s Commission-approved business plan and budget, in the amount of [REGIONAL ENTITY]'s assessments to end users approved by the Commission. **Exhibit E** sets forth the procedures and timing for billing and collecting [REGIONAL ENTITY]'s approved assessments from end users and other entities and payment of the approved assessment amount to [REGIONAL ENTITY], unless otherwise modified and approved by NERC and the Commission. NERC shall not impose any material obligation or requirement regarding the Delegated Authority upon [REGIONAL ENTITY] that has not been provided for in an approved business plan and budget or an approved amended or supplemental business plan and budget, without [REGIONAL ENTITY]'s consent.

(g) NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC and [REGIONAL ENTITY] fiscal year budget with the actual results at the NERC and Regional Entity levels. [REGIONAL ENTITY] shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(h) [REGIONAL ENTITY] shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) [REGIONAL ENTITY] shall submit audited financial statements annually, including supporting materials, in a form provided by NERC, by no later than the date reasonably required and designated in writing by NERC to enable NERC to assemble and file the required annual budget to actual true up filing with the Commission.

(j) **Exhibit E** to this Agreement sets forth the mechanism through which [REGIONAL ENTITY] shall offset penalty monies it receives ~~(other than penalty monies received from an operational function or division or affiliated entity of [REGIONAL ENTITY])~~ against its next year's annual budget for carrying out functions under this Agreement, ~~and the mechanism by which [REGIONAL ENTITY] shall transmit to NERC any penalty monies received from an operational function or division or affiliated entity of [REGIONAL ENTITY].~~ *Provided*, that, subject to approval by NERC and the Commission, [REGIONAL ENTITY] may propose and implement an alternative use of penalty monies to that set forth in **Exhibit E**.

10. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. [REGIONAL ENTITY] may not delegate in whole or in part its Delegated Authority to any other entity without NERC's express consent; provided, however, that nothing in this provision shall prohibit [REGIONAL ENTITY] from contracting with other entities to assist it in carrying out its Delegated Authority, provided [REGIONAL ENTITY] retains control and responsibility for such Delegated Authority.

11. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; *provided however*, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this Section 11, or if a Breach is not capable of being cured within the period provided for herein, the

nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 18 of this Agreement to resolve a dispute as to whether a Breach has occurred or been cured. The provisions of this Section 11 will survive termination of this Agreement.

12. Term and Termination.

(a) This Agreement shall become effective on [January 1, ~~2016~~2021] (the “Effective Date”).

(b) The term of this Agreement shall be five (5) years from the Effective Date (“Term”), prior to which time NERC shall conduct an audit pursuant to the audit requirements of the NERC Rules of Procedure to ensure that [REGIONAL ENTITY] continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If [REGIONAL ENTITY] meets such requirements, this Agreement may be renewed for another five (5) year term with Commission approval. This Agreement may be renewed for successive additional five (5) year renewal terms, with Commission approval, provided that prior to the end of each renewal term, NERC shall conduct an audit pursuant to the audit requirements of the NERC Rules of Procedure to ensure that [REGIONAL ENTITY] continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. Provided, that either Party may terminate this Agreement ~~as of the end of a term~~ by providing written notice to terminate no later than one year prior to the then effective expiration of the Term. In such event, this Agreement shall terminate upon the expiration of then effective Term, unless otherwise mutually agreed to by the Parties.

(c) In the event of the termination of this Agreement, the Parties shall work to provide for a transition of [REGIONAL ENTITY]’s Delegated Authority to NERC or to another eligible entity and to provide for the resolution of any wind-up costs associated with termination of this Agreement.

(d) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a

regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by [REGIONAL ENTITY] and NERC.

(e) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 13), No Third Party Beneficiaries (Section 14) and Confidentiality (Section 15) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

13. Limitation of Liability. [REGIONAL ENTITY] and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and [REGIONAL ENTITY] shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of [REGIONAL ENTITY]'s or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that [REGIONAL ENTITY] or NERC is found liable for gross negligence or intentional misconduct, in which case [REGIONAL ENTITY] or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

14. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to, any third party, except as otherwise specifically provided herein and in Section 15(c).

15. Confidentiality.

(a) During the course of the Parties' performance under this Agreement, a Party may receive proprietary, business sensitive, or critical infrastructure information ("Confidential Information") necessary to fulfill its respective obligations in connection with this Agreement. The Parties agree that their mutual objective under this provision is to provide appropriate protection for Confidential Information, while maintaining the ability to conduct their respective business activities.

(b) No obligation of confidentiality shall apply to any information that the recipient: (i) already possesses without obligation of confidentiality; (ii) develops independently; or (iii) rightfully receives without any obligation of confidentiality from a third party.

(c) The Parties may transfer or exchange such Confidential Information with and between the other Regional Entities as third-party beneficiaries of the terms of this Agreement, provided the Parties and the other Regional Entities as third-party beneficiaries continue to maintain the confidentiality of such information.

(d) Except as set forth herein and within the NERC Rules of Procedure, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party or specified third-party beneficiary of this Agreement, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel. Unless prohibited from doing so under the NERC Rules of Procedure, the recipient shall provide the Party or specified third-party beneficiary of this Agreement that provided the Confidential Information with prompt notice of a request or requirement for disclosure of the Confidential Information in order to enable such issuing Party or specified third-party beneficiary of this Agreement to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party or specified third-party beneficiary of this Agreement waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In the event of any inconsistency or conflict between the provisions of this Section 15 and the provisions of Section 1500 of the NERC Rules of Procedure, the provisions of Section

1500 of the NERC Rules of Procedure shall control.

(e) Each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein.

(f) This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement, nor does it prohibit permitted disclosures as set forth in the NERC Rules of Procedure.

16. Amendment. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

17. Amendments to the NERC Rules of Procedure. NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations, or programs of [REGIONAL ENTITY] under this Agreement without first obtaining the consent of [REGIONAL ENTITY], which consent shall not be unreasonably withheld or delayed. To the extent [REGIONAL ENTITY] does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 18 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules of Procedure. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of [REGIONAL ENTITY] under this Agreement, [REGIONAL ENTITY] shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by [REGIONAL ENTITY] to NERC and the Commission, or at such other time as may be mutually agreed by [REGIONAL ENTITY] and NERC.

18. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and [REGIONAL ENTITY] (including disputes relating to NERC's performance of its obligations under this Agreement and/or disputes relating to [REGIONAL ENTITY]'s performance of its obligations under this Agreement) which cannot be resolved through discussions between representatives of the Parties in the normal course of operations, the Parties

shall use the following procedures (“Dispute Resolution”) to attempt to resolve the dispute. [REGIONAL ENTITY] shall not suspend performance of any delegated function, and the Parties shall continue to make reasonable, good faith efforts to comply with their obligations under this Agreement, during the pendency of Dispute Resolution. All notices required to be sent pursuant to this Dispute Resolution procedure shall be sent in accordance with Section 19 of this Agreement. This Dispute Resolution procedure is separate from and in addition to all other processes provided for in this Agreement.

(a) The Party invoking Dispute Resolution shall send a notice to the other Party describing the dispute, stating the invoking Party’s position with respect to the dispute, stating that the Party is invoking Dispute Resolution, and naming the Party’s designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the invoking Party.

(b) Within three (3) business days after receipt of the notice invoking Dispute Resolution, the receiving Party shall send a notice to the invoking Party acknowledging receipt of the notice invoking Dispute Resolution, stating the receiving Party’s position with respect to the dispute, and naming the Party’s designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the receiving Party.

(c) During the period commencing three (3) business days and ending twenty (20) business days after the date of the receiving Party’s notice, the designated representatives shall engage in good faith negotiations to attempt to resolve the dispute, provided, that the designated representatives may agree prior to the end of such twenty (20) business day period that the process should move to the next step of Dispute Resolution.

(d) If the designated representatives are unable to arrive at a resolution of the dispute by the end of the time period described in subsection (c), they shall notify the chief executive officers of their respective Parties. The chief executive officers of the Parties shall thereafter engage in good faith negotiations to attempt to resolve the dispute during the period of twenty (20) business days immediately following the time period described in subsection (c), provided, that the chief executive officers may agree prior to the end of such twenty (20) business day period that negotiations are at impasse and the process may move to the next step as described in subsection (f). Upon mutual agreement of the Parties, the twenty (20) business day period may

be extended to pursue ongoing good faith negotiations.

(e) If a resolution of the dispute is achieved by the Parties, it shall be memorialized in a writing that is acceptable in form and substance to each party and is signed by the designated representative or chief executive officer on behalf of each Party.

(f) If the Parties are unable to resolve the dispute pursuant to the process described in subsections (a) through (e), then either Party may invoke any other available dispute resolution mechanism, including, without limitation, filing a complaint or petition with the Commission requesting resolution of the dispute by the Commission, or filing a complaint for relief in a court having jurisdiction over Parties and the subject matter of the dispute in accordance with Section 20. Provided, however, that: (i) it is the intent of the Parties that unresolved disputes shall be presented to and resolved by the Commission if the Commission has and accepts jurisdiction over the subject matter of the dispute, (ii) the Parties may, by mutual agreement, attempt to resolve the dispute through arbitration, mediation, or other process involving resort to an impartial neutral, and (iii) it is the intent of the Parties that resolution of disputes through Commission proceedings, arbitration, mediation, or other use of an impartial neutral, is preferred over resort to judicial proceedings.

(g) This Section 18 shall not apply to compliance enforcement actions against individual Registered Entities.

19. Notice. All notices, demands, requests, and other communications required, permitted by, or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand, email or overnight courier:

If to NERC:

If to [REGIONAL ENTITY]:

North American Electric Reliability
Corporation
1325 G Street NW, Suite 600
Washington, DC 20005
Attn: General Counsel
Email: legal@nerc.net

Attn:
Email:

20. Governing Law. When not in conflict with or preempted by federal law, this Agreement

will be governed by and construed in accordance with the laws of Georgia without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in Georgia. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in Georgia for the purpose of hearing and determining any action not heard and determined by the Commission.

21. Headings. The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

22. Savings Clause. Nothing in this Agreement shall be construed to preempt or limit any authority that [REGIONAL ENTITY] may have to adopt reliability requirements or take other actions to maintain reliability of the Bulk-Power System within the geographic boundaries described in **Exhibit A** that are outside the Delegated Authority, as long as such reliability requirements and actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

23. Entire Agreement. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

24. Execution of Counterparts. This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the Effective Date.

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

[REGIONAL ENTITY]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

**AMENDED AND RESTATED DELEGATION AGREEMENT BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND [REGIONAL ENTITY]**

AMENDED AND RESTATED DELEGATION AGREEMENT (“Agreement”) Effective as of January 1, 2021, between the North American Electric Reliability Corporation (“NERC”), an organization certified by the Federal Energy Regulatory Commission (“Commission”) pursuant to Section 215(c) of the Federal Power Act to establish and enforce Reliability Standards for the Bulk-Power System, and [REGIONAL ENTITY], an organization established to develop and enforce Reliability Standards within the geographic boundaries described in **Exhibit A** to this Agreement, and for other purposes. NERC and [REGIONAL ENTITY] may be individually referred to herein as “Party” or collectively as “Parties.”

WITNESSETH

WHEREAS, Subtitle A of the Electricity Modernization Act of 2005 added Section 215 to the Federal Power Act (16 U.S.C. § 824o) (hereafter “the Act”), which, among other things, provides for the establishment of an Electric Reliability Organization (“ERO”) to develop and enforce Reliability Standards applicable to all owners, operators, and users of the Bulk-Power System;

WHEREAS, the Commission has adopted regulations for the implementation of the Act, which are set forth at Chapter I, Title 18, Code of Federal Regulations, Part 39 (the “ERO Regulations”);

WHEREAS, the Commission has certified NERC as the ERO that will, in accordance with the Act, establish and enforce Reliability Standards for the Bulk-Power System, subject to certain delegation provisions described below;

WHEREAS, the Act recognizes the international interdependency of electric reliability within North America and envisions the ERO and such applicable Regional Entities as international organizations;

WHEREAS, the Act and Section 39.8 of the ERO Regulations provide for the delegation by the ERO of authority to propose and enforce Reliability Standards to regional entities (“Regional Entities”) such as [REGIONAL ENTITY], provided that:

(A) The Regional Entity is governed by —

- (i) an independent board; or
- (ii) a hybrid board consisting of a combination of independent and balanced stakeholder members.

(B) The Regional Entity otherwise satisfies the provisions of Section 215(c)(1) and (2) of the Act; and

(C) The agreement promotes effective and efficient administration of Bulk-Power System reliability;

WHEREAS, certain Regional Entities are organized on an Interconnection-wide basis and are therefore entitled to the presumption set forth in the Act that: “[t]he ERO and the Commission shall rebuttably presume that a proposal for delegation to a Regional Entity organized on an Interconnection-wide basis promotes effective and efficient administration of bulk power system reliability and should be approved”;

WHEREAS, the Act further provides that the ERO shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Reliability Standard or modification to a Reliability Standard to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest;

WHEREAS, [REGIONAL ENTITY] [is/is not] organized on an Interconnection-wide basis and therefore [is/is not] entitled to the rebuttable presumptions accorded such an entity;

WHEREAS, NERC will work through [REGIONAL ENTITY] to carry out certain of its activities in furtherance of its responsibilities as the ERO under the Act;

WHEREAS, NERC has concluded that [REGIONAL ENTITY] meets all requirements of the Act, the ERO Regulations, and the NERC Rules of Procedure as approved by the Commission (“NERC Rules of Procedure”) necessary to qualify for delegation; and

WHEREAS, NERC and [REGIONAL ENTITY], having operated under a predecessor agreement to this Agreement, have negotiated this amended and restated Agreement so as to incorporate the benefits of their mutual experience and lessons learned while operating under the predecessor agreement and thereby provide for the more efficient and effective execution of their respective responsibilities in a transparent manner that is pursuant to Section 215 of the

Act and the ERO Regulations;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, NERC and [REGIONAL ENTITY] agree as follows:

1. **Definitions.** The capitalized terms used in this Agreement shall be defined as set forth in the Act, the ERO Regulations, the NERC Rules of Procedure, or the NERC Glossary of Terms Used in Reliability Standards, or, if not so defined, shall be defined as set forth in this Section 1 or elsewhere in the text of this Agreement:

(a) **Breach** means (i) the failure of a Party to perform or observe any material term, condition or covenant of the Agreement or (ii) a representation in Section 2 of the Agreement shall have become materially untrue.

(b) **Cross-Border Regional Entity** means a Regional Entity that encompasses a part of the United States and a part of Canada or Mexico.

(c) **Delegated Authority** means the authority delegated by NERC to [REGIONAL ENTITY] to propose and enforce Reliability Standards, consistent with Section 4(d) and the boundaries described in **Exhibit A** pursuant to the Act and to undertake related activities set forth in this Agreement in furtherance of these delegated functions in accordance with the Act, the ERO Regulations and this Agreement.

2. **Representations.**

(a) For purposes of its Delegated Authority, [REGIONAL ENTITY] hereby represents and warrants to NERC that:

(i) [REGIONAL ENTITY] is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder. [REGIONAL ENTITY] is governed in accordance with its bylaws by [select appropriate: an independent board or a hybrid board consisting of a combination of independent and balanced stakeholder members]. Pursuant to these bylaws, no two industry sectors can control any [REGIONAL ENTITY] decision and no single industry sector can veto any [REGIONAL ENTITY] decision. The relevant criteria for the establishment of such bylaws are attached hereto in **Exhibit B**. No other [REGIONAL ENTITY]

corporate governance documents shall be inconsistent with the criteria in **Exhibit B**.

(ii) [REGIONAL ENTITY] has and shall retain during the term of this Agreement a governing board with a sufficient number of independent members to perform certain oversight obligations, including those relating to: (A) nomination of independent governing board members, (B) compensation for the Regional Entity chief executive officer, and, (C) compliance monitoring and enforcement program implementation. [REGIONAL ENTITY] has and shall retain, during the term of this agreement, fair and reasonable compensation for independent governing board members. [REGIONAL ENTITY] has and shall retain, during the term of this agreement, appropriate conflict of interest and recusal policies with respect to their employees, non-independent and independent governing board members and will avoid any conflicts of interest, including but not limited to, significant commercial relationships with registered entities. Each Regional Entity's implementation of these requirements has been documented and accepted by NERC based on principles developed in consultation with the Regional Entities and such implementation will be reviewed in connection with renewal of this Agreement.

(iii) [REGIONAL ENTITY] has developed a standards development procedure, which provides the process that [REGIONAL ENTITY] may use to develop Regional Reliability Standards [and Regional Variances, if the regional entity is organized on an Interconnection-wide basis] that are proposed to NERC for adoption.

(iv) As set forth in **Exhibit D** hereto, [REGIONAL ENTITY] has adopted the NERC Compliance Monitoring and Enforcement Program, Appendix 4C to the NERC Rules of Procedure, which provides for the enforcement of Reliability Standards for the registered entities assigned to the [REGIONAL ENTITY] as reflected on NERC's Compliance Registry.

(b) NERC hereby represents and warrants to [REGIONAL ENTITY] that:

(i) NERC is and shall remain during the term of this Agreement validly existing and in good standing pursuant to all applicable laws relevant to this Agreement and that no applicable law, contract or other legal obligation prevents it from executing this Agreement and fulfilling its obligations hereunder; and

(ii) NERC has been certified as the ERO by the Commission pursuant to the Act.

(iii) NERC shall comply with its Certificate of Incorporation, Bylaws and Rules of Procedure, as from time to time adopted, approved or amended.

3. General Covenants.

(a) During the term of this Agreement, [REGIONAL ENTITY] shall maintain and preserve its qualifications for delegation pursuant to the Act and shall not amend its Regional Entity Rules without NERC approval, which shall not be unreasonably withheld or delayed and which shall, in the case of a Regional Entity organized on an Interconnection-wide basis, be governed by the presumptions provided for in Section 215(d)(2) and (e)(4)(C) of the Act, and be subject to any required Commission approval.

(b) [REGIONAL ENTITY] shall provide NERC with a copy of its Regional Entity Rules upon request by NERC. NERC shall maintain on its public website the currently effective versions of all Regional Entity bylaws and Regional Entity standard development procedures.

(c) During the term of this Agreement, NERC shall maintain its qualification and status as the ERO pursuant to the Act and, subject to the provisions of Sections 17 and 18 of this Agreement, NERC shall not adopt amendments to the NERC Rules of Procedure that conflict with the rights, obligations or programs of [REGIONAL ENTITY] under this Agreement without first obtaining the consent of [REGIONAL ENTITY], which consent shall not be unreasonably withheld or delayed.

(d) During the term of this Agreement, NERC and [REGIONAL ENTITY] shall adhere to and require that all participants in their respective activities under this Agreement follow and comply with the NERC Antitrust Compliance Guidelines.

(e) For purposes of this Agreement, NERC shall collaborate with the Regional Entities in the development of guidance, policies and procedures, and oversight parameters as contemplated by this Agreement. In the event that collaboration is not successful on any such matter, the NERC President may issue a directive with respect to such matter pursuant to Section 8 herein, and such directive shall be binding upon [REGIONAL ENTITY].

4. Delegation of Authority.

(a) Based upon the representations, warranties and covenants of [REGIONAL ENTITY] in this Agreement, [REGIONAL ENTITY's] corporate governance documents, the [REGIONAL ENTITY's] standards development process, and the compliance monitoring and

enforcement program set forth in **Exhibit D**, NERC hereby delegates authority, pursuant to Section 215(e)(4) of the Act, to [REGIONAL ENTITY] for the purpose of proposing Reliability Standards to NERC, as set forth in Section 5 of this Agreement, and enforcing Reliability Standards, as set forth in Section 6 of this Agreement, within the geographic boundaries and such other scope set forth in **Exhibit A**. Any exclusions from this delegation of authority to [REGIONAL ENTITY] within, or additions to this delegation of authority to [REGIONAL ENTITY] beyond, the geographic boundaries set forth in **Exhibit A** are stated in **Exhibit A**.

(b) Nothing in this Agreement shall prohibit [REGIONAL ENTITY] from entering into an arrangement between one or more other Regional Entities to perform compliance monitoring and enforcement activities outside of its region, on behalf of NERC and/or other Regional Entities, for Registered Entities that have registered functions monitored by more than one Regional Entity, subject to approval by NERC.

(c) For Cross-Border Regional Entities, the authority delegated by this Agreement shall extend only to the portion of the region identified in **Exhibit A** that is within the United States. Any delegation of authority by Applicable Governmental Authorities in Canada or Mexico shall be governed by the law of such authority or a separate agreement and is outside the scope of this Agreement; provided, however, that both [REGIONAL ENTITY] and NERC shall endeavor to ensure that this Agreement and any such separate agreement are compatible.

(d) As a condition to this delegation of authority and subject to the provisions of Section 17 of this Agreement, [REGIONAL ENTITY] shall comply with the applicable provisions of NERC's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards, as from time to time adopted, approved, or amended.

5. Development and Proposal of Reliability Standards.

(a) In connection with its Delegated Authority, [REGIONAL ENTITY] shall be entitled to:

(i) propose Reliability Standards, Regional Variances, or modifications thereof to NERC, which shall be considered by NERC through an open and inclusive process for proposing and adopting Reliability Standards that affords [REGIONAL ENTITY] reasonable notice and opportunity to be heard; and

(ii) develop Regional Reliability Standards [and Regional Variances, if

Regional Entity is organized on an Interconnection-wide basis] through [REGIONAL ENTITY]'s process. [REGIONAL ENTITY]'s process shall be consistent with the NERC Rules of Procedure and Commission directives. Any changes to [REGIONAL ENTITY]'s process shall be submitted to the NERC Board of Trustees for approval and upon approval, be submitted to the Commission for approval. Proposals approved through [REGIONAL ENTITY]'s process shall be reviewed by the NERC Board of Trustees after NERC provides notice and an opportunity for interested persons to comment. In the case of a proposal from a Regional Entity organized on an Interconnection-wide basis, comments shall be limited to the factors identified in NERC Rule of Procedure 312.3 as it may be amended from time to time. The NERC Board of Trustees shall promptly thereafter consider such proposed Regional Reliability Standard or Regional Variance, applying the rebuttable presumption described in subsection 5(b) of this Agreement if the proposed Regional Reliability Standard or Regional Variance is from a Regional Entity organized on an Interconnection-wide basis, and either approve the proposed Regional Reliability Standard or Regional Variance and submit it to the Commission for approval, or disapprove it in writing setting forth its reasons. [REGIONAL ENTITY] may appeal any disapproval of a proposed Regional Reliability Standard or Regional Variance to the Commission.

(b) Pursuant to Section 215(d)(3) of the Act, NERC shall rebuttably presume that a proposal from a Regional Entity organized on an Interconnection-wide basis for a Regional Reliability Standard or Regional Variance or modification thereof to be applicable on an Interconnection-wide basis is just, reasonable, and not unduly discriminatory or preferential, and in the public interest. Any person challenging such proposal from the Regional Entity organized on an Interconnection-wide basis shall have the burden of proof. NERC shall not find that this presumption has been rebutted except based upon substantial evidence that has been disclosed to, and been subject to comment by, the Interconnection-wide Regional Entity during NERC's review of the proposal.

6. Enforcement of Compliance with Reliability Standards.

(a) In connection with its delegated authority pursuant to this Agreement, [REGIONAL ENTITY] shall enforce Reliability Standards (including Regional Reliability Standards and Regional Variances) within the boundaries set forth in **Exhibit A** through the compliance monitoring and enforcement program set forth in **Exhibit D**. NERC and [REGIONAL ENTITY] agree that this compliance monitoring and enforcement program meets all applicable requirements

of the Act, Order No. 672 of the Commission, and the ERO Regulations, including, inter alia, the requirement for an audit program pursuant to Section 39.7(a) of the ERO Regulations, the assessment of penalties pursuant to Section 39.7(c) through 39.7(g) of the ERO Regulations and the requirements for due process. [REGIONAL ENTITY] may not change its compliance monitoring and enforcement program set forth in **Exhibit D** absent NERC's approval, which shall not be unreasonably withheld or delayed, and the approval of the Commission. Subject to the rights and limitations specified in Sections 17 and 18 of this Agreement, [REGIONAL ENTITY] agrees to comply with the NERC Rules of Procedure, with any directives issued pursuant to Section 8(c) of this Agreement, and with any guidance and directions issued by the NERC Board of Trustees or a Board committee pursuant to Section 8(d) of this Agreement, in implementing this program.

(b) [REGIONAL ENTITY] shall maintain a program of proactive monitoring and enforcement of compliance with Reliability Standards, in accordance with the NERC Compliance Monitoring and Enforcement Program and the annual ERO Compliance Monitoring and Enforcement Program Implementation Plan.

(c) [REGIONAL ENTITY] shall report promptly to NERC information regarding noncompliance with a Reliability Standard, and its eventual disposition by [REGIONAL ENTITY], as set forth in, and subject to the confidentiality and disclosure provisions of, the NERC Rules of Procedure, the NERC Compliance Monitoring and Enforcement Program, this Agreement, compliance and enforcement program procedures and guidance that NERC may from time to time develop and the ERO Regulations. NERC shall promptly forward such report to the Commission, as required by the ERO Regulations, or as the Commission shall from time to time direct. NERC and [REGIONAL ENTITY] shall cooperate in filing such periodic summary reports and analyses as the Commission shall from time to time direct.

(d) All dispositions by [REGIONAL ENTITY] of noncompliance with Reliability Standards shall be reported to NERC for review. NERC shall develop and implement policies and procedures for the review and, where appropriate, approval of dispositions of noncompliance.

(e) As part of its compliance monitoring and enforcement program, [REGIONAL ENTITY] shall maintain a conflict of interest policy that assures the integrity and independence of such program including the integrity and independence of the persons or decision-making bodies making final determinations in compliance enforcement actions under Section 5.0 of the NERC Amended and Restated Pro Forma Regional Delegation Agreement

Compliance Monitoring and Enforcement Program. Subject to Section 2. (a) (i), [Regional Entity] may have stakeholders participate in a board compliance committee so long as integrity and independence are assured through reasonable and appropriate recusal procedures.

(f) [For Regional Entities with such agreements: [REGIONAL ENTITY] may also perform compliance monitoring and enforcement activities outside of the boundaries shown in **Exhibit A**, on behalf of a Regional Entity that is unable to perform such activities with respect to one or more registered entities within its footprint due to a conflict of interest. Such activities shall be performed pursuant to a contract between [REGIONAL ENTITY] and other such Regional Entity that is approved by both NERC and the Commission.]

7. Delegation-Related Activities.

NERC will engage [REGIONAL ENTITY] on its behalf to carry out certain of its activities that are in furtherance of Bulk-Power System reliability and NERC's responsibilities as the ERO under the Act or in support of the Delegated Authority, as specified in the NERC Rules of Procedure and listed in **Exhibit E**. NERC may from time to time develop policies or procedures, which shall be used by [REGIONAL ENTITY] in the performance of the delegation-related activities. These delegation-related activities shall include, but are not limited to, those described in subsections (a) through (g), each of which shall be considered a statutory activity:

(a) **Certification of Bulk-Power System Entities.** The NERC Board of Trustees shall set criteria for certification in accordance with the NERC Rules of Procedure. Certifications shall be issued in accordance with the NERC Rules of Procedure.

(b) **Registration of owners, operators, and users of the Bulk-Power System as responsible for compliance with requirements of Reliability Standards.**

(i) The NERC Board of Trustees shall develop criteria for registration of owners, operators, and users of the Bulk-Power System as Registered Entities in the NERC Rules of Procedure and shall apply the registration criteria to register owners, operators and users of the Bulk-Power System as Registered Entities.

(ii) NERC shall maintain a registration database of Registered Entities, based on data and information provided by [REGIONAL ENTITY] and other Regional Entities. [REGIONAL ENTITY] shall provide timely and accurate information relating to registrations to NERC, as needed, to enable NERC to maintain a registration database that is accurate and up-to-

date and to enable NERC to satisfy its monthly reporting obligation.

(iii) The NERC Board of Trustees Compliance Committee shall hear and decide appeals from owners, operators and users of the Bulk-Power System contesting registration, in accordance with the NERC Rules of Procedure. If the NERC Board of Trustees Compliance Committee upholds the decision to register an owner, operator, or user, NERC shall defend the decision in any subsequent appeal of the decision by the Registered Entity to the Commission.

(c) **Reliability Assessment and Performance Analysis.** [REGIONAL ENTITY] shall develop assessments of the reliability of the Bulk-Power System, or ensure that data and information are collected, analyzed and provided to NERC in support of the development of reliability assessments, in accordance with the NERC Rules of Procedure. [REGIONAL ENTITY] shall also develop and maintain, and collect data in support of the development and maintenance of, reliability performance metrics and assessments of risks to the Reliable Operation of the Bulk-Power System, in accordance with the NERC Rules of Procedure and NERC directives, and policies and procedures related to data-gathering, quality control, forms, and reporting mechanisms that NERC may from time to time develop.

(d) **Event Analysis and Reliability Improvement.** [REGIONAL ENTITY] shall conduct event analysis pursuant to the NERC Rules of Procedure, applicable governmental regulations, and policies and procedures that NERC may from time to time develop. NERC and [REGIONAL ENTITY] shall coordinate event analysis to support the effective and efficient use of their collective resources, consistency in event analysis, and timely delivery of event analysis reports. In collaboration with NERC, [REGIONAL ENTITY] shall disseminate to the electric industry lessons learned and other information obtained or resulting from event analysis.

(e) **Training and Education.** [REGIONAL ENTITY] may provide training and education to Registered Entities, as it deems necessary, in support of its performance of delegated functions and related activities under this Agreement. NERC may also provide training and education programs to Registered Entities on topics relating to NERC's responsibilities as the ERO.

(f) **Situation Awareness.** [REGIONAL ENTITY] shall gather and assess situation awareness information provided by Registered Entities pursuant to the NERC Rules of Procedure, applicable governmental regulations, and policies and procedures that NERC may

from time to time develop, and shall provide other data, information and assistance to NERC in support of NERC's activities in monitoring present conditions, and responding to events, on the Bulk-Power System.

(g) **Critical Infrastructure Security.** [REGIONAL ENTITY] shall collaborate with NERC in its efforts to coordinate electric industry activities to promote critical infrastructure protection of the Bulk-Power System in North America.

8. Oversight of Performance of Delegated Functions and Related Activities.

This Section 8 sets forth processes and procedures which the Parties intend shall be used in NERC's oversight of [REGIONAL ENTITY]'s performance of its Delegated Authority and related activities pursuant to this Agreement. It is the intent of NERC and [REGIONAL ENTITY] that matters relating to NERC's oversight of [REGIONAL ENTITY]'s performance of its Delegated Authority and related activities shall be established or resolved by collaboration between NERC and [REGIONAL ENTITY] and, where applicable, other Regional Entities, to the maximum extent possible, consistent with the construct that NERC and the Regional Entities are operating together in a collaborative manner to carry out the responsibilities of the ERO under Section 215 of the Act and the ERO Regulations.

(a) (i) NERC shall develop, in collaboration with [REGIONAL ENTITY] and other Regional Entities, performance goals, performance reports, measures and other parameters (including, without limiting the scope of such goals, financial performance goals), which shall be used to measure NERC's and [REGIONAL ENTITY]'s performance of their respective functions and related activities. The performance goals, measures and parameters and the form of performance reports shall be approved by the NERC President and shall be made public. [REGIONAL ENTITY] shall provide data, information and reports to NERC, in accordance with established schedules, to enable NERC to calculate [REGIONAL ENTITY]'s performance to the agreed-upon goals, measures and parameters.

(ii) NERC shall use the performance goals, measures and parameters, and performance reports to evaluate [REGIONAL ENTITY]'s performance of its delegated functions and related activities and to provide advice and direction to [REGIONAL ENTITY] on performance improvements. The performance goals, measures and other parameters, and the values of such goals, measures and parameters, shall be reviewed by NERC, [REGIONAL

ENTITY] and the other Regional Entities, revised if appropriate, and made public, on the same timeline as the annual business planning and budgeting process described in Section 9 of this Agreement.

(iii) At the request of the President of NERC, [REGIONAL ENTITY] shall be required to develop, submit for NERC approval, and implement action plans to address, areas of its performance that are reasonably determined by NERC, based on analysis of [REGIONAL ENTITY]'s performance against the performance goals, measures and parameters, or performance of specific activities, to be unsatisfactory, *provided*, that prior to requiring [REGIONAL ENTITY] to adopt and implement an action plan or other remedial action, NERC shall issue a notice to [REGIONAL ENTITY] of the need and basis for an action plan or other remedial action and provide an opportunity for [REGIONAL ENTITY] to submit a written response contesting NERC's evaluation of [REGIONAL ENTITY]'s performance and the need for an action plan. [REGIONAL ENTITY] may request that the President of NERC reconsider the request, and thereafter may request that the NERC Board of Trustees review and reconsider the request. NERC and [REGIONAL ENTITY] shall work collaboratively as needed in the development and implementation of [REGIONAL ENTITY]'s action plan. A final action plan submitted by [REGIONAL ENTITY] to NERC shall be made public unless the President of NERC makes a written determination that the action plan or specific portions of the plan should be maintained as non-public.

(b) NERC shall make available to [REGIONAL ENTITY] standardized training and education programs, which shall be designed taking into account input from [REGIONAL ENTITY] and other Regional Entities, for [REGIONAL ENTITY] personnel on topics relating to the delegated functions and related activities.

(c) (i) NERC may issue directives to [REGIONAL ENTITY] concerning the manner in which [REGIONAL ENTITY] shall perform its delegated functions and related activities under this Agreement. The NERC Rules of Procedure, or any other ERO Rule requiring approval of the Commission, shall not be considered "directives." NERC shall initiate the development of a directive through a collaborative process with [REGIONAL ENTITY] and, if applicable, other Regional Entities to which the directive will apply. Any directive developed through the collaborative process shall be approved by, and issued under the signature of, the NERC President.

(ii) If after a period of time that is reasonable under the circumstances, NERC and [REGIONAL ENTITY] and, if applicable, other Regional Entities, are unable to reach agreement on the contents of the directive, NERC may issue the directive with the approval of and under the signature of the NERC President.

(iii) Upon issuance of a directive by the NERC President, it shall be binding upon, and shall be complied with by, [REGIONAL ENTITY], subject to reasonable time periods for adoption, implementation, and funding of any necessary resources. Upon request by [REGIONAL ENTITY], the NERC Board of Trustees (or a committee of the Board to which the Board delegates appropriate authority) shall review and shall confirm, revise or revoke any directive that was issued by the NERC President without [REGIONAL ENTITY]'s agreement, *provided*, that [REGIONAL ENTITY] shall request such review within thirty (30) days following issuance of the directive by the NERC President unless good cause can be shown for a later request.

(iv) NERC and [REGIONAL ENTITY] and, if applicable, other Regional Entities, shall collaborate in deciding whether a directive (whether issued pursuant to paragraph (ii) or paragraph (iii)) shall be made public. If no agreement is reached by the date of issuance as to whether the directive shall be made public, the NERC President shall decide whether the directive will be made public, *provided*, that it is the intent of the Parties that the NERC President shall apply a presumption that directives should be made public, unless the NERC President makes a written determination stating a specific reason for maintaining a particular directive as non-public.

(d) In addition to the issuance of directives pursuant to subsection (c), the NERC Board of Trustees (or a Board committee to which the Board has delegated authority) may issue guidance or directions as to the manner in which [REGIONAL ENTITY], and, if applicable, other Regional Entities, shall perform delegated functions and related activities. The NERC Board of Trustees or Board committee shall also establish reasonable time periods for the implementation of any such guidance or directions, taking into account the impact on the reliability of the Bulk-Power System and the need for funding of additional resources. Any such guidance or directions shall be stated in writing and shall be public, unless the NERC Board of Trustees or Board committee makes a written determination stating a specific reason for maintaining particular guidance or directions as non-public. [REGIONAL ENTITY], either

individually or in conjunction with other Regional Entities, may request that the NERC Board of Trustees or Board committee reconsider or revise the guidance or direction.

(e) NERC shall conduct collaborative reviews with [REGIONAL ENTITY], either individually or in conjunction with one or more other Regional Entities, that provide for the exchange of information on practices, experiences, and lessons learned in the implementation of the delegated functions.

(f) NERC shall perform reviews and audits of [REGIONAL ENTITY] on a reasonable periodicity to determine [REGIONAL ENTITY]'s compliance with this Agreement, any policies or procedures established by NERC, NERC's Rules of Procedure, the Compliance Monitoring and Enforcement Program, Commission requirements, and directives that are in effect pursuant to Section 8(c) and to monitor the implementation of guidance and directions issued by the NERC Board of Trustees pursuant to Section 8(d). All such periodic reviews and audits shall comply with the NERC Rules of Procedure and Commission directives.

(g) The Commission and the Commission staff shall have full access to action plans and remedial actions, directives, directions and guidance, and audits and reviews issued or conducted pursuant to subsections (a)(iii), (c)(iv), (d) and (f), respectively, that are maintained as non-public.

9. Funding. [REGIONAL ENTITY] and NERC shall ensure, subject to Commission approval in accordance with the ERO Regulations, that the delegated functions and related activities described in Sections 5, 6 and 7 and listed in **Exhibit E** have reasonable and adequate funding and resources by undertaking the following:

(a) [REGIONAL ENTITY] shall develop, through a collaborative process with NERC, and propose, an annual business plan and budget, in accordance with ERO Regulations, Commission orders and NERC business planning and budgeting policies and instructions. [REGIONAL ENTITY]'s proposed business plan and budget shall describe the activities necessary for, and provide a budget with adequate resources for, [REGIONAL ENTITY] to carry out its Delegated Authority under this Agreement, including the functions and activities described in Sections 5, 6 and 7 and listed in **Exhibit E**. [REGIONAL ENTITY]'s business plan and budget shall show the funding sources and amounts to fund the proposed budget, including as applicable assessments to end users, penalty monies, and other sources of funds.

(b) [REGIONAL ENTITY] and NERC agree that the portion of [REGIONAL ENTITY]'s approved budget for the functions and activities described in Sections 5, 6 and 7 and listed in **Exhibit E** that is to be funded by assessments, will be equitably allocated among end users within the geographic boundaries described in **Exhibit A** and recovered through a formula based on Net Energy for Load, or through such other formula as is proposed by [REGIONAL ENTITY] and approved by NERC and the Commission. If [REGIONAL ENTITY] proposes to use a formula other than Net Energy for Load beginning in the following year, [REGIONAL ENTITY] shall submit the proposed formula to NERC in sufficient time that NERC may review and approve the proposed formula and file it with the Commission by May 15 for approval, and the proposed formula shall be effective for the following year if approved by the Commission on or before the date the Commission approves the annual business plan and budget submitted by NERC and [REGIONAL ENTITY] to the Commission pursuant to the ERO Regulations for such year.

(c) NERC shall determine that the assessments to fund the costs for its statutory functions in its Commission-approved budget are first allocated fairly among the Interconnections and regions according to the applicability of this work to those Interconnections and regions, and then equitably among the end users of the applicable interconnections and regions as appropriate. Allocation on a Net Energy for Load basis will be presumed to satisfy this equitability requirement.

(d) NERC shall provide [REGIONAL ENTITY] with the form or forms for business plan and budget submittal, and any accompanying instructions, in accordance with the schedule for preparation of the business plan and budget developed by NERC and the Regional Entities.

(e) [REGIONAL ENTITY] shall submit its proposed annual business plan and budget for carrying out its Delegated Authority functions and related activities described in Sections 5, 6 and 7 and listed in **Exhibit E**, as well as for all other activities of [REGIONAL ENTITY], to NERC for review and approval in accordance with the annual schedule for the preparation of business plans and budgets which shall be developed collaboratively by NERC and the Regional Entities, as more fully described in **Exhibit E**.

(f) NERC shall fund [REGIONAL ENTITY]'s performance of its Delegated Authority and related activities in accordance with [REGIONAL ENTITY]'s Commission-approved business plan and budget, in the amount of [REGIONAL ENTITY]'s assessments to end users

approved by the Commission. **Exhibit E** sets forth the procedures and timing for billing and collecting [REGIONAL ENTITY]'s approved assessments from end users and other entities and payment of the approved assessment amount to [REGIONAL ENTITY], unless otherwise modified and approved by NERC and the Commission. NERC shall not impose any material obligation or requirement regarding the Delegated Authority upon [REGIONAL ENTITY] that has not been provided for in an approved business plan and budget or an approved amended or supplemental business plan and budget, without [REGIONAL ENTITY]'s consent.

(g) NERC shall develop, in consultation with the Regional Entities, a reasonable and consistent system of accounts, with a level of detail and record keeping comparable to the Commission's Uniform System of Accounts and sufficient to allow the Commission to compare each Commission-approved NERC and [REGIONAL ENTITY] fiscal year budget with the actual results at the NERC and Regional Entity levels. [REGIONAL ENTITY] shall follow NERC's prescribed system of accounts except to the extent that NERC permits a departure from the prescribed system of accounts. NERC shall make an informational filing with the Commission describing any such waiver it permits and providing an explanation supporting the permitted departure.

(h) [REGIONAL ENTITY] shall submit unaudited quarterly interim financial statements in form provided by NERC no later than 20 days after the end of the fiscal quarter (March 31, June 30, September 30, and December 31).

(i) [REGIONAL ENTITY] shall submit audited financial statements annually, including supporting materials, in a form provided by NERC, by no later than the date reasonably required and designated in writing by NERC to enable NERC to assemble and file the required annual budget to actual true up filing with the Commission.

(j) **Exhibit E** to this Agreement sets forth the mechanism through which [REGIONAL ENTITY] shall offset penalty monies it receives against its next year's annual budget for carrying out functions under this Agreement. *Provided*, that, subject to approval by NERC and the Commission, [REGIONAL ENTITY] may propose and implement an alternative use of penalty monies to that set forth in **Exhibit E**.

10. Assignment. This Agreement may be assigned by either Party only with the prior written consent of the other, which consent shall be granted or withheld in such non-assigning Party's sole

discretion, subject to approval by the Commission. Any assignment under this Agreement shall not relieve a Party of its obligations, nor shall a Party's obligations be enlarged, in whole or in part, by reason thereof. [REGIONAL ENTITY] may not delegate in whole or in part its Delegated Authority to any other entity without NERC's express consent; provided, however, that nothing in this provision shall prohibit [REGIONAL ENTITY] from contracting with other entities to assist it in carrying out its Delegated Authority, provided [REGIONAL ENTITY] retains control and responsibility for such Delegated Authority.

11. Default and Cure. Upon a Breach, the non-breaching Party shall give written notice of such Breach to the breaching Party (the "Default Notice"). Subject to a suspension of the following deadlines as specified below, the breaching Party shall have thirty (30) calendar days from receipt of the Default Notice within which to cure such Breach; *provided however*, that if such Breach is not capable of cure within thirty (30) calendar days, the breaching Party shall commence such cure within thirty (30) calendar days after notice and continuously and diligently complete such cure within ninety (90) calendar days from receipt of the Default Notice; and, if cured within such time, the Breach specified in such notice shall cease to exist. Subject to the limitation specified in the following sentence, if a Breach is not cured as provided in this Section 11, or if a Breach is not capable of being cured within the period provided for herein, the nonbreaching Party shall have the right to declare a default and terminate this Agreement by written notice at any time until cure occurs, and be relieved of any further obligation hereunder. The deadlines for cure and the right to declare a default and terminate this Agreement shall be suspended during the pendency of any efforts or proceedings in accordance with Section 18 of this Agreement to resolve a dispute as to whether a Breach has occurred or been cured. The provisions of this Section 11 will survive termination of this Agreement.

12. Term and Termination.

(a) This Agreement shall become effective on [January 1, 2021] (the "Effective Date").

(b) The term of this Agreement shall be five (5) years from the Effective Date ("Term"), prior to which time NERC shall conduct an audit pursuant to the audit requirements of the NERC Rules of Procedure to ensure that [REGIONAL ENTITY] continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. If [REGIONAL ENTITY] meets such requirements, this Agreement may be renewed

for another five (5) year term with Commission approval. This Agreement may be renewed for successive additional five (5) year renewal terms, with Commission approval, provided that prior to the end of each renewal term, NERC shall conduct an audit pursuant to the audit requirements of the NERC Rules of Procedure to ensure that [REGIONAL ENTITY] continues to meet all applicable statutory and regulatory requirements necessary to maintain its eligibility for delegation. Provided, that either Party may terminate this Agreement by providing written notice to terminate no later than one year prior to the then effective expiration of the Term. In such event, this Agreement shall terminate upon the expiration of then effective Term, unless otherwise mutually agreed to by the Parties.

(c) In the event of the termination of this Agreement, the Parties shall work to provide for a transition of [REGIONAL ENTITY]'s Delegated Authority to NERC or to another eligible entity and to provide for the resolution of any wind-up costs associated with termination of this Agreement.

(d) If any provision of this Agreement, or the application thereof to any person, entity or circumstance, is held by a court or regulatory authority of competent jurisdiction to be invalid, void, or unenforceable, or if a modification or condition to this Agreement is imposed by a regulatory authority exercising jurisdiction over this Agreement, the Parties shall endeavor in good faith to negotiate such amendment or amendments to this Agreement as will restore the relative benefits and obligations of the signatories under this Agreement immediately prior to such holding, modification or condition. If either Party finds such holding, modification or condition unacceptable and the Parties are unable to renegotiate a mutually acceptable resolution, either Party may unilaterally terminate this Agreement. Such termination shall be effective one year following written notice by either Party to the other Party and to the Commission, or at such other time as may be mutually agreed by [REGIONAL ENTITY] and NERC.

(e) Notwithstanding any termination of this Agreement, provisions contained in Limitation of Liability (Section 13), No Third Party Beneficiaries (Section 14) and Confidentiality (Section 15) shall survive this Agreement in accordance with their terms until sixty (60) days following the expiration of any applicable statute of limitations.

13. Limitation of Liability. [REGIONAL ENTITY] and NERC agree not to sue each other or their directors, officers, employees, and persons serving on their committees and subgroups based on

any act or omission of any of the foregoing in the performance of duties pursuant to this Agreement or in conducting activities under the authority of Section 215 of the Act, other than seeking a review of such action or inaction by the Commission. NERC and [REGIONAL ENTITY] shall not be liable to one another for any damages whatsoever, including without limitation, direct, indirect, incidental, special, multiple, consequential (including attorneys' fees and litigation costs), exemplary, or punitive damages arising out of or resulting from any act or omission associated with the performance of [REGIONAL ENTITY]'s or NERC's responsibilities under this Agreement or in conducting activities under the authority of Section 215 of the Act, except to the extent that [REGIONAL ENTITY] or NERC is found liable for gross negligence or intentional misconduct, in which case [REGIONAL ENTITY] or NERC shall not be liable for any indirect, incidental, special, multiple, consequential (including without limitation attorneys' fees and litigation costs), exemplary, or punitive damages.

14. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any duty to, any standard of care with reference to, or any liability to, any third party, except as otherwise specifically provided herein and in Section 15(c).

15. Confidentiality.

(a) During the course of the Parties' performance under this Agreement, a Party may receive proprietary, business sensitive, or critical infrastructure information ("Confidential Information") necessary to fulfill its respective obligations in connection with this Agreement. The Parties agree that their mutual objective under this provision is to provide appropriate protection for Confidential Information, while maintaining the ability to conduct their respective business activities.

(b) No obligation of confidentiality shall apply to any information that the recipient: (i) already possesses without obligation of confidentiality; (ii) develops independently; or (iii) rightfully receives without any obligation of confidentiality from a third party.

(c) The Parties may transfer or exchange such Confidential Information with and between the other Regional Entities as third-party beneficiaries of the terms of this Agreement, provided the Parties and the other Regional Entities as third-party beneficiaries continue to maintain the confidentiality of such information.

(d) Except as set forth herein and within the NERC Rules of Procedure, the Parties agree to keep in confidence and not to copy, disclose, or distribute any Confidential Information or any part thereof, without the prior written permission of the issuing Party or specified third-party beneficiary of this Agreement, unless disclosure is required by subpoena, law, or other directive of a court, administrative agency, or arbitration panel. Unless prohibited from doing so under the NERC Rules of Procedure, the recipient shall provide the Party or specified third-party beneficiary of this Agreement that provided the Confidential Information with prompt notice of a request or requirement for disclosure of the Confidential Information in order to enable such issuing Party or specified third-party beneficiary of this Agreement to (a) seek an appropriate protective order or other remedy, (b) consult with the recipient with respect to taking steps to resist or narrow the scope of such request or legal process, or (c) waive compliance, in whole or in part, with the terms of this Section. In the event a protective order or other remedy is not obtained or the issuing Party or specified third-party beneficiary of this Agreement waives compliance with the provisions, the recipient agrees to furnish only that portion of the Confidential Information which the recipient's counsel advises is legally required and to exercise best efforts to obtain assurance that confidential treatment will be accorded to such Confidential Information. In the event of any inconsistency or conflict between the provisions of this Section 15 and the provisions of Section 1500 of the NERC Rules of Procedure, the provisions of Section 1500 of the NERC Rules of Procedure shall control.

(e) Each Party shall ensure that its officers, trustees, directors, employees, subcontractors and subcontractors' employees, and agents to whom Confidential Information is exposed are under obligations of confidentiality that are at least as restrictive as those contained herein.

(f) This confidentiality provision does not prohibit reporting and disclosure as directed by NERC, as set forth in Section 6 of this Agreement, nor does it prohibit permitted disclosures as set forth in the NERC Rules of Procedure.

16. Amendment. Neither this Agreement nor any of the terms hereof, may be amended unless such amendment is made in writing, signed by the Parties, and filed with and approved by the Commission.

17. Amendments to the NERC Rules of Procedure. NERC shall not adopt amendments to the

NERC Rules of Procedure that conflict with the rights, obligations, or programs of [REGIONAL ENTITY] under this Agreement without first obtaining the consent of [REGIONAL ENTITY], which consent shall not be unreasonably withheld or delayed. To the extent [REGIONAL ENTITY] does not consent, NERC shall have the right to invoke the dispute resolution provisions of Section 18 and, if such effort fails to resolve the dispute, to petition the Commission to adopt the amendment to the NERC Rules of Procedure. To the extent that the Commission issues an order amending or materially affecting the rights or obligations of [REGIONAL ENTITY] under this Agreement, [REGIONAL ENTITY] shall have the option, exercisable no later than 60 days after issuance of such order, to terminate this Agreement. Such termination shall be effective one year following written notice by [REGIONAL ENTITY] to NERC and the Commission, or at such other time as may be mutually agreed by [REGIONAL ENTITY] and NERC.

18. Dispute Resolution. In the event a dispute arises under this Agreement between NERC and [REGIONAL ENTITY] (including disputes relating to NERC's performance of its obligations under this Agreement and/or disputes relating to [REGIONAL ENTITY]'s performance of its obligations under this Agreement) which cannot be resolved through discussions between representatives of the Parties in the normal course of operations, the Parties shall use the following procedures ("Dispute Resolution") to attempt to resolve the dispute. [REGIONAL ENTITY] shall not suspend performance of any delegated function, and the Parties shall continue to make reasonable, good faith efforts to comply with their obligations under this Agreement, during the pendency of Dispute Resolution. All notices required to be sent pursuant to this Dispute Resolution procedure shall be sent in accordance with Section 19 of this Agreement. This Dispute Resolution procedure is separate from and in addition to all other processes provided for in this Agreement.

(a) The Party invoking Dispute Resolution shall send a notice to the other Party describing the dispute, stating the invoking Party's position with respect to the dispute, stating that the Party is invoking Dispute Resolution, and naming the Party's designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the invoking Party.

(b) Within three (3) business days after receipt of the notice invoking Dispute Resolution, the receiving Party shall send a notice to the invoking Party acknowledging receipt of

the notice invoking Dispute Resolution, stating the receiving Party's position with respect to the dispute, and naming the Party's designated representative for negotiating a resolution of the dispute. The designated representative shall have authority to resolve the dispute on behalf of the receiving Party.

(c) During the period commencing three (3) business days and ending twenty (20) business days after the date of the receiving Party's notice, the designated representatives shall engage in good faith negotiations to attempt to resolve the dispute, provided, that the designated representatives may agree prior to the end of such twenty (20) business day period that the process should move to the next step of Dispute Resolution.

(d) If the designated representatives are unable to arrive at a resolution of the dispute by the end of the time period described in subsection (c), they shall notify the chief executive officers of their respective Parties. The chief executive officers of the Parties shall thereafter engage in good faith negotiations to attempt to resolve the dispute during the period of twenty (20) business days immediately following the time period described in subsection (c), provided, that the chief executive officers may agree prior to the end of such twenty (20) business day period that negotiations are at impasse and the process may move to the next step as described in subsection (f). Upon mutual agreement of the Parties, the twenty (20) business day period may be extended to pursue ongoing good faith negotiations.

(e) If a resolution of the dispute is achieved by the Parties, it shall be memorialized in a writing that is acceptable in form and substance to each party and is signed by the designated representative or chief executive officer on behalf of each Party.

(f) If the Parties are unable to resolve the dispute pursuant to the process described in subsections (a) through (e), then either Party may invoke any other available dispute resolution mechanism, including, without limitation, filing a complaint or petition with the Commission requesting resolution of the dispute by the Commission, or filing a complaint for relief in a court having jurisdiction over Parties and the subject matter of the dispute in accordance with Section 20. Provided, however, that: (i) it is the intent of the Parties that unresolved disputes shall be presented to and resolved by the Commission if the Commission has and accepts jurisdiction over the subject matter of the dispute, (ii) the Parties may, by mutual agreement, attempt to resolve the dispute through arbitration, mediation, or other process involving resort to an impartial neutral, and (iii) it is the intent of the Parties that resolution of disputes through

Commission proceedings, arbitration, mediation, or other use of an impartial neutral, is preferred over resort to judicial proceedings.

(g) This Section 18 shall not apply to compliance enforcement actions against individual Registered Entities.

19. **Notice.** All notices, demands, requests, and other communications required, permitted by, or provided for in this Agreement shall be given in writing to a Party at the address set forth below, or at such other address as a Party shall designate for itself in writing in accordance with this Section, and shall be delivered by hand, email or overnight courier:

If to NERC:

If to [REGIONAL ENTITY]:

North American Electric Reliability
Corporation
1325 G Street NW, Suite 600
Washington, DC 20005
Attn: General Counsel
Email: legal@nerc.net

Attn:
Email:

20. **Governing Law.** When not in conflict with or preempted by federal law, this Agreement will be governed by and construed in accordance with the laws of Georgia without giving effect to the conflict of law principles thereof. The Parties recognize and agree not to contest the exclusive or primary jurisdiction of the Commission to interpret and apply this Agreement; provided however that if the Commission declines to exercise or is precluded from exercising jurisdiction of any action arising out of or concerning this Agreement, such action shall be brought in any state or federal court of competent jurisdiction in Georgia. All Parties hereby consent to the jurisdiction of any state or federal court of competent jurisdiction in Georgia for the purpose of hearing and determining any action not heard and determined by the Commission.

21. **Headings.** The headings and captions in this Agreement are for convenience of reference only and shall not define, limit, or otherwise affect any of the terms or provisions hereof.

22. **Savings Clause.** Nothing in this Agreement shall be construed to preempt or limit any authority that [REGIONAL ENTITY] may have to adopt reliability requirements or take other actions to maintain reliability of the Bulk-Power System within the geographic boundaries described in **Exhibit A** that are outside the Delegated Authority, as long as such reliability requirements and

actions are not inconsistent with Reliability Standards applicable to the region described in **Exhibit A** and do not result in a lessening of reliability outside the region described in **Exhibit A**.

23. Entire Agreement. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement.

24. Execution of Counterparts. This Agreement may be executed in counterparts and each shall have the same force and effect as the original.

NOW THEREFORE, the parties have caused this Agreement to be executed by its duly authorized representatives, effective as of the Effective Date.

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

[REGIONAL ENTITY]

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Exhibit B – Governance

The Regional Entity bylaws shall meet the following criteria:

CRITERION 1: The Regional Entity shall be governed by an independent board, ~~a balanced stakeholder board,~~ or a hybrid board consisting of a combination of independent and balanced stakeholder board members. (~~Federal Power Act § 215(c)(4)(A), 18 C.F.R. § 39.8(c)(1), Order No. 672 at ¶ 727.~~)

CRITERION 2: The Regional Entity has established rules that assure its independence from the users and owners and operators of the bulk power system, while assuring fair stakeholder representation in the selection of its directors. Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

CRITERION 3: If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

CRITERION 4: The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

CRITERION 5: The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties. (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)

Exhibit B – Governance

The Regional Entity bylaws shall meet the following criteria:

CRITERION 1: The Regional Entity shall be governed by an independent board or a hybrid board consisting of a combination of independent and balanced stakeholder board members.

CRITERION 2: The Regional Entity has established rules that assure its independence from the users and owners and operators of the bulk power system, while assuring fair stakeholder representation in the selection of its directors. Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 699, 700.)

CRITERION 3: If the Regional Entity has members, the Regional Entity has established rules that assure that its membership is open, that it charges no more than a nominal membership fee and agrees to waive the fee for good cause shown, and that membership is not a condition for participating in the development of or voting on proposed Regional Reliability Standards. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶¶ 170-173.)

CRITERION 4: The Regional Entity has established rules that assure balance in its decision-making committees and subordinate organizational structures and assure no two industry sectors can control any action and no one industry sector can veto any action. (Federal Power Act § 215(c)(2)(A) and (e)(4), 18 C.F.R. § 39.8(c)(2), Order No. 672 at ¶ 728.)

CRITERION 5: The Regional Entity has established rules that provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in exercising its duties. (Federal Power Act § 215(c)(2)(D) and (e)(4), 18 C.F.R. § 39.8(c)(2).)

Reliability and Security Technical Committee Report

Action Update

Summary

Chair Greg Ford will report on the Reliability and Security Technical Committee's (RSTC) March 4 meeting, as well as provide a presentation on the work completed to date on the Committee's Transition Plan, which includes the following proposed initiatives for 2020:

- Transition Planning and Implementation
- RSTC and Subgroup Structure Evaluation
- Review, Update, Develop Reliability Guidelines and Reference Documents
- Coordination with the Reliability Issues Steering Committee (RISC)

2020 ERO Enterprise Reliability Indicators

Action

Update

Summary

The [2020 ERO Enterprise Reliability Indicators](#) identifies key reliability indicators that provide insight into performance of the bulk power system as well as emerging trends that may indicate potential opportunities or challenges prospectively. Each quarter, NERC staff provides a summary of the status of these reliability indicators. NERC staff has compiled a [primer](#), which describes each reliability indicator and key inputs of data to derive the results as well as potential mechanisms for improving those results.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2020 ERO Enterprise Dashboard

First Quarter Status

Thomas Coleman, Director of Risk Issue Management
Board of Trustees Meeting
May 14, 2020

RELIABILITY | RESILIENCE | SECURITY



- **Why is it important?**

- Provides a quantitative measure and trend of actual impacts on the BPS

- **How is it measured?**

- Count: Number of Category 3 or above events
- Trend: Statistical test is performed on the five-year cumulative daily event Severity Risk Index (eSRI) for Category (1-3) events

Data (Annual Measurement)

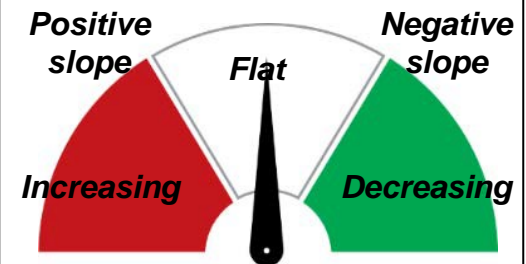
- Threshold: No Category 3 or above events: *Zero is green, else is red*

2020 Status



Data (Compared to a 5-year rolling average)

- Slope of eSRI line is flat to decreasing and does not show an increase above zero that is statistically significant (95% Confidence Interval).
- “2020 Status” relates to the slope of the 5-year rolling average (Positive, Flat or Negative), not just the 2020 performance.






- **Why is it important?**

- Reduce risk to BPS reliability from Standard violations by registered entities

- **How is it measured?**

- Moderate and serious risk noncompliance with a relevant history of similar past conduct*
- The number of violations discovered through self-reports, audits, etc.
- Risk to the BPS based on the severity of Standard violations

<p>Data (Annual Measurement)</p> <ul style="list-style-type: none"> ▪ Percent moderate and serious risk violations with relevant compliance history of similar past conduct compared with total noncompliance filed with FERC--- 1% 	<p>2020 Status</p>  <p>A gauge chart with a needle pointing to the right. The left side is red and labeled 30%. The right side is green and labeled 20%.</p>
<p>Data (Annual Measurement)</p> <ul style="list-style-type: none"> ▪ Percent of noncompliance self-reported (Self-certified noncompliance is not included) ----Current number is 90% 	 <p>A gauge chart with a needle pointing to the right. The left side is red and labeled 75%. The right side is green and labeled 80%.</p>
<p>Data (Compared to a 3-year rolling average)</p> <ul style="list-style-type: none"> ▪ The number of serious risk violations resolved compared to the total noncompliance resolved --- Current number is 1.4% 	 <p>A gauge chart with a needle pointing to the right. The left side is red and labeled 5%. The right side is green and labeled 4%.</p>

* To measure the effectiveness of the risk-based CMEP in reducing noncompliance, NERC reviews moderate and serious risk violations and includes them in one of three categories: 1) noncompliance with no prior compliance history; 2) noncompliance with prior compliance history that does not involve similar conduct; and 3) noncompliance with compliance history that includes similar conduct.

- **Why is it important?**
 - Protection system misoperations exacerbate the impacts
- **How is it measured?**
 - Annual Misoperations rate and the annual loss of load for events with misoperations

Data (Year-Over-Year Comparison)

- Q3-Q2 comparison misoperations rate based on collection interval (95% Confidence Interval) (Based on 2018 Metric)
- *Includes five years: Q3 2014 through Q2 2019. Five-year average: 8.1258%*

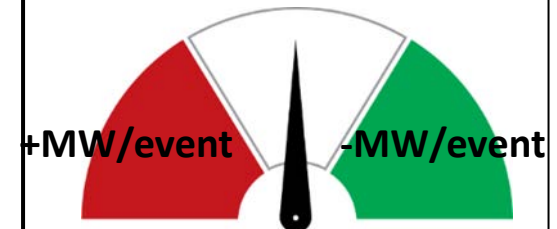
2019 Status



Data (Year-Over-Year Comparison)

- Q3-Q2 comparison for qualified events with misoperations and loss of load (load loss/number of events) during the collection interval (95% Confidence Interval)

No Change







- **Why is it important?**

- Reduce risk to BPS reliability due to gas-fired unit outages during cold weather or gas unavailability

- **How is it measured?**

- Firm load loss due to cold weather or gas unavailability
- MWh of potential production lost initiated by cold weather and gas unavailability

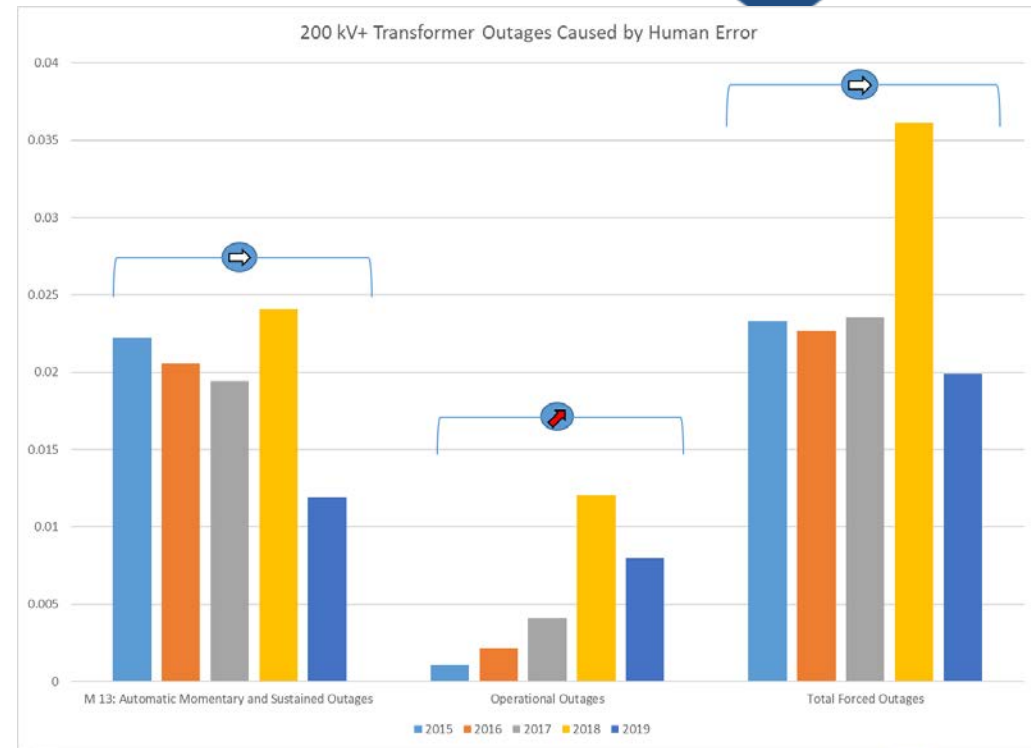
<p>Data (Annual Measurement)</p> <ul style="list-style-type: none"> ▪ No firm load loss due to gas-fired unit outages during cold weather: <i>Zero is green, else is red</i> (Cold weather months: January – March and December of the same calendar year) <i>As of 3/31/2020, Metric status is Green.</i> 	<p>2020 Status</p> 
<p>Data (Annual Measurement) (Match with 4.4, year defined as Q3-Q2)</p> <ul style="list-style-type: none"> ▪ No firm load loss due to gas unavailability: <i>Zero is green, else is red</i> <i>As of 3/31/2020, Metric status is Green.</i> 	
<p>Data (Compared to a 5-year rolling average)</p> <ul style="list-style-type: none"> ▪ Percentage of winter period net MWh of potential production lost due to gas-fired unit outages during cold weather (Cold weather months: January – March and December of the same calendar year) <i>Five-year average: 0.0058%</i> 	<p>0.00149% 0.00053%</p> 
<p>Data (Compared to a 5-year rolling average)</p> <ul style="list-style-type: none"> ▪ Percentage of annual net MWh of potential production lost due gas unavailability compared to a 5-year rolling average (Due to data availability, year defined as Q3-Q2) <i>Five-year average: 0.1513%</i> 	<p>0.192% 0.0898%</p> 

- **Why is it important?**

- Measures risks to BPS reliability from three priority causes:
 1. Operator or other human performance issues
 2. Substation equipment failures or failed circuit equipment
 3. Vegetation encroachment

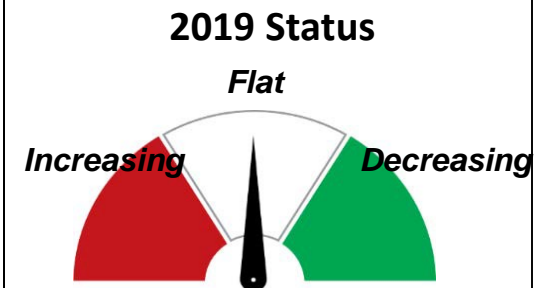
- **How is it measured?**

- Number of transmission line outages caused by Human Error divided by the total inventory of circuits



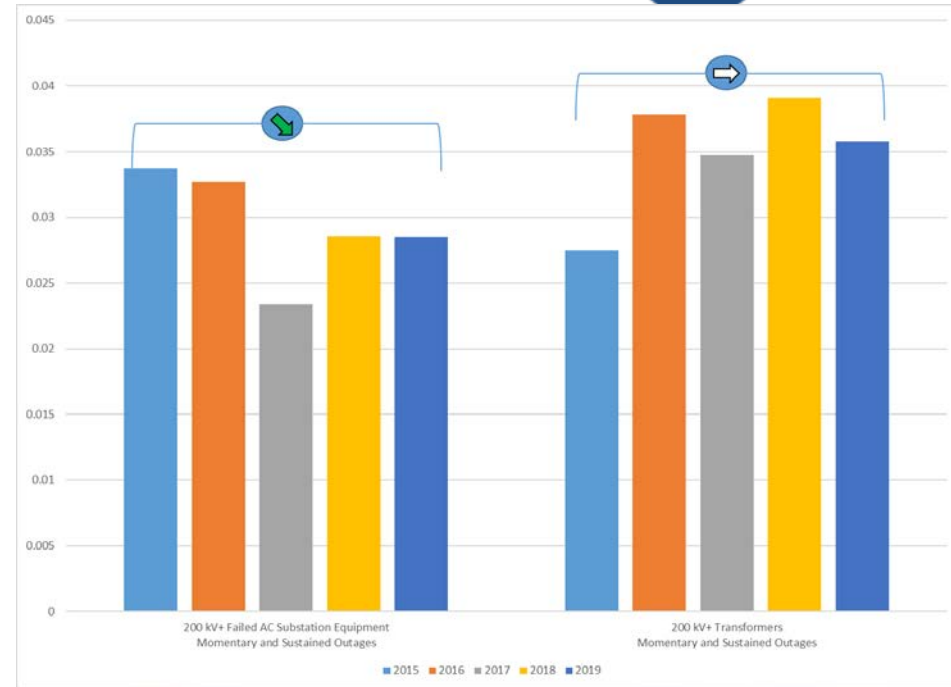
Data (Compared to a 5-year rolling average)

- Annual outage rate flat compared to a 5-year rolling average (95% Confidence Interval)



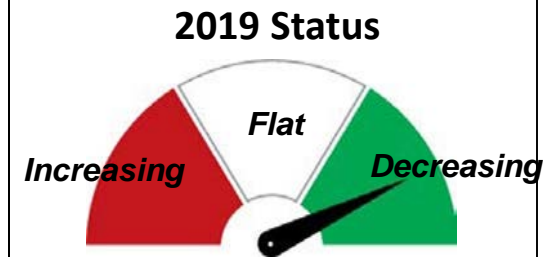
- **How is it measured?**

- Number of transmission line outages caused by AC substation equipment outage failures and failed AC circuit equipment (such as transformers), divided by the total inventory of circuits



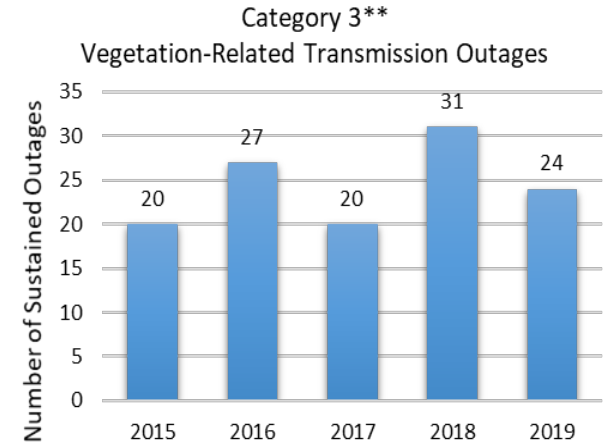
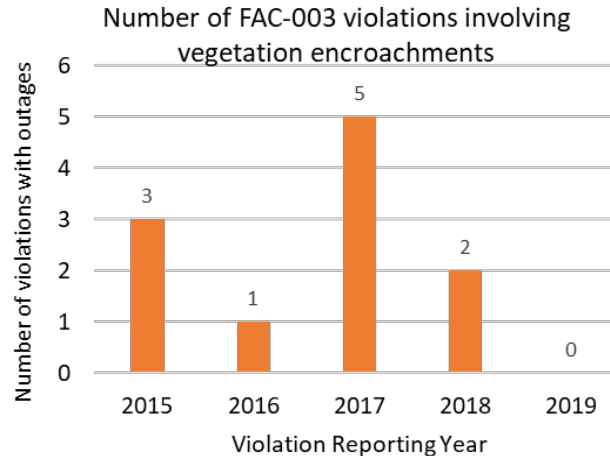
Data (Compared to a 5-year rolling average)

- Annual outage rate decreasing compared to a 5-year rolling average (95% Confidence Interval)



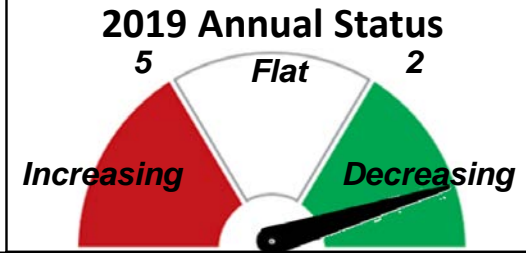
• How is it measured?

- Number of vegetation encroachments and Sustained Outages



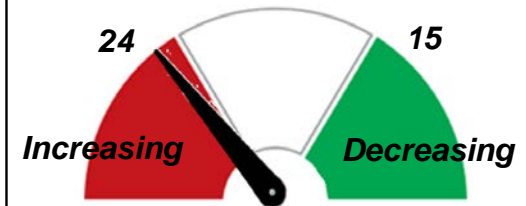
Data* (Compared to a 5-year rolling average)

- Number of vegetation encroachments, excluding fall-ins, decreasing (within one standard deviation, based on small sample size) (Based on 2018 metric) -- 5-year average is 2.2



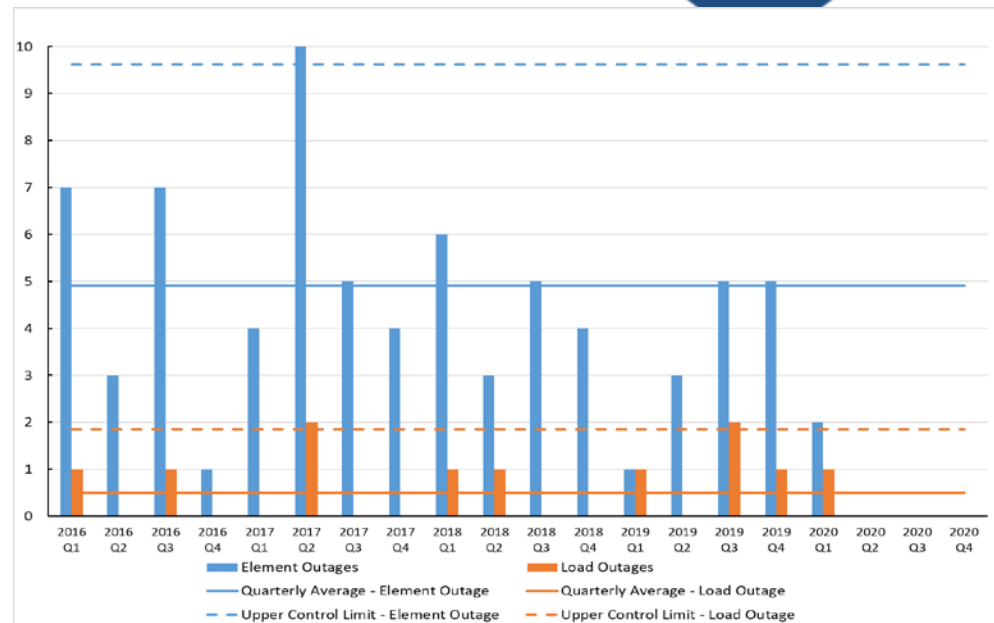
Data** (Compared to a 5-year rolling average)

- Fall-ins: Number of vegetation encroachments decreasing (within one standard deviation, based on 6-year sample) -- 5-year average is 24.4



• How is it measured?

- Number of applicable DOE OE-417 Electric Emergency Incident and Disturbance Reports and NERC EOP-004 Event Reports



Data (Compared to 2016-2018 Quarterly Baseline)

- No disruption* of BES operations due to cyber security incidents
Zero disruptions of BES operations due to cyber attacks in 2020 Q1
- Number of disruptions* of BES operations due to physical security incidents: *Below baseline Upper Control Limit is green, else is red*
Two disruptions of BES operations (one with load outage) due to physical attacks in 2020 Q1

*A disruption means that a BES element was removed from service as a result of the cyber or physical security incident



- **Why is it important?**

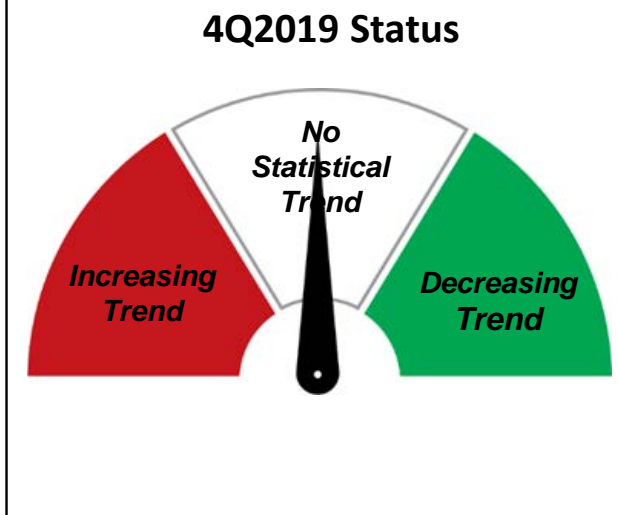
- Measures risk to the BPS by monitoring the number of Disturbance Control Standard (DCS) events that are greater than the Most Severe Single Contingency (MSSC)

- **How is it measured?**

- Information received by NERC based on the BAL-002 Reliability Standard
- Due to the timing in Balancing Authority data submittals the metric is updated one quarter in arrears
- Measures a rolling 7 year quarterly time trend testing for statistical significance

Data (Quarterly Measurement), New

- **Green:** a time trend line of the most recent 7 years of quarterly DCS events > MSSC has a statistically significant negative slope
- **Middle:** no statistically significant trend for the slope
- **Red:** a time trend line of the most recent 7 years of quarterly DCS events > MSSC has a statistically significant positive slope
- **Metric Results through 4Q19: Middle** - DCS data for the most recent 28 quarters shows a negative slope that is not statistically significant



- **Why is it important?**

- Measures risk and impact to the BPS by measuring the interconnection frequency response performance measure (IFRM) for each BAL-003-1 event as compared to the Interconnection Frequency Response Obligation (IFRO)

- **How is it measured?**

- IFROs are calculated and recommended in the Frequency Response Annual Analysis Report for Reliability Standard BAL-003-1.1 implementation
- IFRM performance is measured for each event by comparing the resource (or load) MW loss to the frequency deviation
- Due to the timing in selection of events the metric is updated one quarter in arrears.

Data (Quarterly & Annual Measurement), New

- IFRM for each BAL-003-1 event is compared to the IFRO for each quarter of the 2019 operating year
- Success is no Interconnection experiencing a BAL-003-1 frequency event where IFRM performance is below their respective IFRO:
Zero is green, else is red
- **Metric Results through 4Q19:** No Interconnection experienced a BAL-003-1 event where their IFRM was below their IFRO

2019 Status





Questions and Answers

Operating Committee Report

Action

Information

Operating Committee's (OC) Highlights since February OC Report

The OC held its last full meeting March 3-4 in Atlanta, Georgia. During the meeting, the OC had a roundtable discussion on pandemic preparation and procedures. Members and observers discussed their individual company pandemic plans and the steps they were undertaking to address the emerging threat of the novel coronavirus.

The OC also approved converting the Personnel Subcommittee to the Reliability Training Working Group (RTWG). The purpose of the RTWG is:

To provide support, expertise, and resources for the Bulk Electric System (BES) training personnel related to the reliable operation of the BES including, but not limited to, any NERC Reliability Standard containing a training requirement.

The deliverables of the RTWG are:

- Prepare a work plan that aligns with the Reliability and Security Technical Committee (RSTC) work plan.
- Develop and maintain resources to identify and communicate NERC standards that include a training requirement.
- Develop and maintain training guidelines and/or templates to improve BES knowledge to ensure consistent educational programs.
- Provide training recommendations based on Lessons Learned, Reliability Guidelines, Event Analysis Reports, and the annual ERO Reliability Risk Priorities Report provided by the Reliability Issues Steering Committee (RISC).

Additional agenda topics included:

- Hugo Perez provided an update on NERC international discussions including new collaboration with Costa Rica and the Central American power market.
- Bob Cummings discussed the intricacies of renewable integration and the nuances of implementation.
- Rich Hydzik provided an overview of the UK Blackout event.

The [March 2020 OC meeting minutes](#) are posted on the NERC website.

OC Major Accomplishments for 2019-2020 (Through March 2020)

1. OC and Subcommittee Work Plans – The OC Executive Committee and the leadership of its subcommittees met on January 17, 2019 to review and update the OC Work Plan. At

the March 2019 OC meeting, the OC reviewed and approved the OC Work Plans. The OC also approved the 2020 work plan.

2. OC Organization Chart – At its January 17, 2019 meeting, the OC leadership reviewed its organization per Section 6.1 of the OC Charter. The OC leadership removed the Eastern Interconnection Data Sharing Network (EIDSN) and Interchange Distribution Calculator Working Group (IDCWG) from under the Operating Reliability Subcommittee (ORS), as they are now independent from NERC.
3. Reliability Guidelines – The OC approved the following:
 - a. Primary Frequency Control
 - b. Improvements to Interconnection Requirements for BPS-Connected Inverter-Based Resources
 - c. Integrating Reporting ACE with the NERC Reliability Standards.
4. Compliance Implementation Guidance – The OC endorsed two Compliance Implementation Guidance documents which were submitted to the ERO for approval:
 - a. Data Exchange Infrastructure and Testing Requirements
 - b. Real-time Assessment Quality of Analysis.
5. Reference Documents – The OC approved the following:
 - a. NERC Balancing Authority Area Footprint Change Tasks
 - b. GMD Monitoring Reference Document
 - c. Time Error Monitoring Reference Document
 - d. Dynamic Transfer Reference Document
 - e. Risks and Mitigations for Losing EMS Functions – Version 2
 - f. Dynamic Tag Exclusion Reference Document (retired)
 - g. Pseudo-Tie Coordination Reference Document (retired)
6. The OC approved moving the credential maintenance program from the Personnel Subcommittee to the Personnel Certification Governance Committee (PCGC) pending revisions to the NERC Rules of Procedure.
7. The OC approved the ERO Event Analysis Process Document Version 4.0 and the revised OC Strategic Plan.

Planning Committee Report

Action Information

The Planning Committee (PC) is pleased to provide this update to the Board of Trustees (Board) for their review. **The PC is supporting its responsibilities for technical oversight through May 31 as noted below, while PC leaders transition work activities to the Reliability and Security Technical Committee (RSTC).**

Forward Perspectives

- **Review of NERC Reliability Assessments and Reports**

The PC anticipates reviewing the 2020 State of Reliability Report (SoR) and the 2020 Summer Reliability Assessment (SRA) in May. NERC Staff will provide the SoR and SRA to the PC for endorsement as part of the process of finalizing the reports. NERC staff will seek Board action on the SoR in June. NERC leadership will provide advance copy of the SRA to the NERC Board in May prior to publication.

- **Draft Reliability Guidelines for Distributed Energy Resources (DER) Transmission Planning Data in Development with Industry**

No Board Approval Required

The PC has posted the draft guideline *Distributed Energy Resource Data Collection for Modeling in Transmission Planning Studies* for industry comment. The NERC System Planning Impacts from Distributed Energy Resources Working Group (SPIDERWG) is developing the Reliability Guideline to provide recommendations and guidance for establishing effective data specifications for the collection of aggregate DER data for reliability studies. Data specifications developed by Transmission Planners (TPs) and Planning Coordinators (PCs) will help facilitate the transfer of information between the Distribution Providers (DPs) and other external parties performing DER forecasting for modeling purposes. SPIDERWG will coordinate with the RSTC for approval.

- **Inverter-Based Resource Modeling Concepts**

No Board Approval Required

The PC is reviewing a white paper developed by the Inverter Based Resource Performance Task Force (IRPTF) that documents various modeling and study activities used by the IRPTF and members to assess and analyze solar PV resource tripping events (e.g., described in relevant NERC alerts), perform stability studies, and support technical discussions on various topics at the IRPTF meetings. In general, the key findings and recommendations pertain to dynamic model quality and accuracy issues, the negative reliability impact of the use of momentary cessation, and study process improvements. IRPTF intends to seek PC approval prior to PC disbanding in May.

- **Activities to Address Planning for Reliably Integrating Increasing Amounts of non-BES Resources**

No Board Approval Required

The PC initiated steps to develop a scope and organize an Industry workshop to consider reliability issues associated with shifts in the generation resource mix towards higher penetration of non-BES generation resources. Due to the impacts of COVID-19, the timing for a workshop would be late-2020 at the earliest. PC leadership intends to move forward with initial planning and coordinate with RSTC leaders for further development following PC disestablishment

Recently Completed Committee Activities and Initiatives

- **Fuel Assurance Planning Guidance and Electric/Gas Working Group**

No Board Approval Required

The PC approved the Reliability Guideline *Fuel Assurance and Fuel-Related Reliability Risk Analysis for the Bulk Power System* developed by the Electric/Gas Working Group (EGWG). The guideline meets objectives identified by the PC and presented to the NERC board in November 2018 for enhancing planning approaches to address fuel assurance and fuel disruption risk to the reliable operation of the bulk power system. The EGWG is engaging industry to support implementation of the guideline and the development of metrics for evaluating the guideline's effectiveness.

- **Guidance to Support Adoption of IEEE Standards on Distributed Energy Resources (DER)**

No Board Approval Required

The PC approved the Reliability Guideline *Bulk Power System Reliability Perspectives on the Adoption of IEEE 1547-2018* developed by the SPIDERWG. The guideline aids during the adoption and implementation of new IEEE standards for DER performance and capabilities. Specifically, the guideline focuses on issues pertaining to DER that have been identified by SPIDERWG as potentially having an impact to the BPS. The guidance is intended for state regulatory staffs, Distribution Providers (DPs), Balancing Authorities (BAs), Reliability Coordinators (RCs), and other entities navigating adoption of IEEE 1547-2018 and its requirements.

- **Standards Authorization Request (SAR) for Standards Applicability of Transmission-Connected Reactive Devices**

No Board Approval Required

The PC endorsed a SAR developed by the Systems Analysis and Modeling Subcommittee (SAMS) to address potential reliability standards gaps associated with transmission-connected dynamic devices. Non-generation transmission-connected dynamic reactive resources – both rotating machine (i.e. synchronous condenser) and power-electronics based – are increasingly relied upon to provide essential reliability services (ERS) such as voltage control, frequency control, and ramping/balancing capability. The SAR proposes a standards project be initiated to address identified issues. The SAR is based on a white paper approved by the PC in December.

- **SAR to Address Gaps in Reliability Standard PRC-019**

No Board Approval Required

The PC endorsed the SAR developed by the NERC System Protection and Control Subcommittee (SPCS) to address potential gaps in *PRC-019-2 – Coordination of Generating Unit or Plant Capabilities, Voltage Regulating Controls, and Protection*. The PC also approved the Technical Analysis Report documenting comments on the lack of

understanding of how inverter-based devices are covered in the standard, as well as identifying issues and potential improvements. The proposed SAR was coordinated with the IRPTF and SAMS.

- **Technical Justification for Standards Revisions to address Inverter-Based Resource Applicability**

No Board Approval Required

The PC approved a white paper developed by the Inverter Based Resource Performance Task Force (IRPTF) containing results of a standards review of inverter based resource applicability. IRPTF identified potential reliability gaps in the standards. The IRPTF will develop SARs based on the approved white paper and coordinate review with the RSTC.

Critical Infrastructure Protection Committee Report

Action Information

Background

Critical Infrastructure Protection Committee (CIPC) update to the Board of Trustees (Board).

Summary

Highlights from the March 2020 CIPC meeting include the following items:

- Chair Child reviewed the status of the CIPC work plan, emphasizing the projects and activities that will continue but tracked by the RSTC. It is expected that three of CIPC's existing working groups will continue their current activities. New tasks contained in the 2020 CIPC work plan will be addressed by the RSTC.
- FERC representative Simon Slobodnik's update addressed the recent Notice of Inquiry that is intended to provide FERC with information about virtualization and cloud computing service issues.
- Lonnie Ratliff from NERC's Compliance Department provided an update on various efforts, such as collaboration with members of the Compliance Input Working Group to map the CIP Reliability Standards to standards developed by the National Institute of Standards and Technology (NIST).
- Howard Gugel, NERC's Vice President, Engineering and Standards, discussed the NERC staff response to the Board regarding supply chain risks and low impact BES cyber systems. He noted that staff and stakeholders need to understand how to recognize "successful" supply chain security.
- The Supply Chain Working Group's accomplishments in 2019 included the development and publication of several guidelines and a widely distributed "letter to industry" with information for industry suppliers. In 2020, more guidelines are expected as well as a webinar series that features discussions about each guideline.
- The Security Training Working Group (STWG) sponsored a training event prior to the CIPC meeting that focused on supply chain security tools, processes, and recommendations. Nearly 70 attendees participated in that event.
- While the Compliance Input Working Group (CIWG) continues its efforts to develop compliance guidance for cloud computing security, the members have also begun supporting ERO Compliance by providing feedback about tools and resources.
- Updates from the national laboratories focused on two ongoing projects. Oak Ridge National Laboratory is working on a tool that will detect malevolent software that cannot be detected by most forensic tools. Argonne National Laboratory is continuing efforts to improve gas/electric resilience and situational awareness by providing a consolidated view of public gas pipeline information.

- Ken Keels gave an overview of the security related implementation guidance documents that the North American Transmission Forum has developed. The group's recent focus has included an increased emphasis on supply chain security.
- Amanda Sramek from the American Gas Association gave an overview of that organization and the scope of its members responsibilities in light of the increasing interdependence between electricity and natural gas. She also highlighted deliverables that cross sector working groups are addressing to increase engagement and identify areas where coordination is necessary.
- Presentations and recognition marked the end of the Committee's scheduled activities:
 - Chair Marc Child received a plaque and proclamation, thanking him for his service
 - Current and all previous CIPC Chairs were recognized with a commemorative t-shirt
 - Chair Child's concluding remarks expressed appreciation to Committee members, industry participants, trade groups and associations, and NERC staff for their support and efforts during the CIPC's existence.

Personnel Certification Governance Committee Report

Action

Information

Background

Personnel Certification Governance Committee (PCGC) regular update to the Board of Trustees.

Summary

PCGC's first quarter meeting held on February 4-5, 2020 at the westdrift, Manhattan Beach, CA.

Highlights from the February PCGC meeting include the following items:

- The PCGC discussed and agreed upon updating the exam items along with increasing the cut scores for each of the exams.
- The PCGC approved the Credential Maintenance Working Group (CMWG) scope.
- The PCGC provided direction on areas of concerns to the CMWG.
- The PCGC Nominations Task Force noted they received 17 nominations to join the CMWG.

Future items:

- The updated exam and cut scores will be effective June 1, 2020.

Reliability Issues Steering Committee Report

Action

Information

Summary

The RISC met via conference call on April 1, 2020 to review the Committee's proposed 2020 Work Plan Priorities which includes the following items. The Committee will review first draft deliverables and formalize a timeline for the annual work at its next meeting in June.

1	Document RISC Process and Refine as Needed
2	Document Risk Identification and Mitigation Framework
3	Develop Risk Triage Approach with RSTC
4	Reliability Indicators Improvements
5	Review RISC Charter
6	2021 ERO Reliability Risk Priorities Report
7	2021 Reliability Leadership Summit

In addition, Chair Peeler, Vice Chair Slocum, and select members of the RISC met with the leadership of the RSTC to begin discussions on the alignment between the RISC and RSTC work.

Chair Peeler will provide further highlights of the Committee's work at the Board of Trustees meeting on May 14.

Standards Committee Report

Action

Information

Background

The Standards Committee held a nomination period in February 2020 to fill vacancies in Segment 4, Segment 7, and two vacancies in Segment 9. An election was held from February 24 through March 4, 2020, which elected Marty Hostler in Segment 4 and Ajinkya Rohankar in Segment 9. There will be vacant positions for Segment 7 and Segment 9 (remainder of the 2019-2020 term), since no nominations were received to fill these terms.

Additionally, at its April 22, 2020 meeting, the Standards Committee approved errata to Reliability Standard TPL-001-5 under Section 12 of the NERC Standard Processes Manual. The errata was filed with the applicable governmental authorities for approval.

Attached is the Standards Committee Quarterly Report highlighting activities over the last quarter.

At its January 22 meeting, the SC:

1. Elected Sean Bodkin, Barry Lawson, and Venona Greaff to the Standards Committee Executive Committee (SCEC) for a one-year term.
2. Authorized initial posting of proposed Reliability Standards CIP-005-7, CIP-010-4, CIP-013-2, and the associated Implementation Plan for a 45-day formal comment period, with ballot pool formed in the first 30 days, and parallel initial ballots and non-binding polls on the Violation Risk Factors (VRFs) and Violation Severity Levels (VSLs), conducted during the last 10 days of the comment period.

In lieu of its February 19 meeting, the SC conducted an action without a meeting on February 17, or email ballot, for the following action:

1. Authorized initial posting of proposed Reliability Standard PER-003-3 and the associated implementation plan for a 45-day formal comment period, with ballot pool formed in the first 30 days, and a parallel initial ballot and non-binding poll on the VRFs and VSLs during the last 10 days of the comment period.

At its March 22 meeting, the SC:

1. Accepted the Standard Authorization Request (SAR) developed by the System Planning Impacts from Distributed Energy Resources Working Group (SPIDERWG); authorized posting of the SAR for a 30-day informal comment period; and authorized solicitation for nominees for a SAR drafting team for a 30-day nomination period.
2. Accepted the SAR concerning Transmission-Connected Resources (TCR) to modify Reliability Standards MOD-025-2, MOD-026-1, MOD-027-1, PRC-019-2 and PRC-024-3;

authorized posting of the SAR for a 30-day informal comment period; and authorized solicitation for nominees for a SAR drafting team for a 30-day nomination period.

3. Accepted the SAR developed in response to Order No. 866; authorized posting the SAR for a 30-day informal comment period; and authorized solicitation for nominees for a SAR drafting team for a 30-day nomination period.
4. Accepted the SAR developed in response to the NERC Board of Trustees (Board) resolution adopted at its February 2020 meeting; authorized posting the SAR for a 30-day informal comment period; and authorized solicitation for nominees for a SAR drafting team for a 30-day nomination period.
5. Accepted revisions to the Standards Committee Guideline Drafting Team Nominee Selection Criteria document; and endorsed adding a checkbox or question on the Drafting Team nomination form stating that the nominee has read and understands both the NERC Participant Conduct Policy and the Standard Drafting Team Scope documents.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Agenda Item 7f
Board of Trustees Meeting
May 14, 2020

Reliability Standards

Quarterly Report

May 14, 2020

RELIABILITY | RESILIENCE | SECURITY



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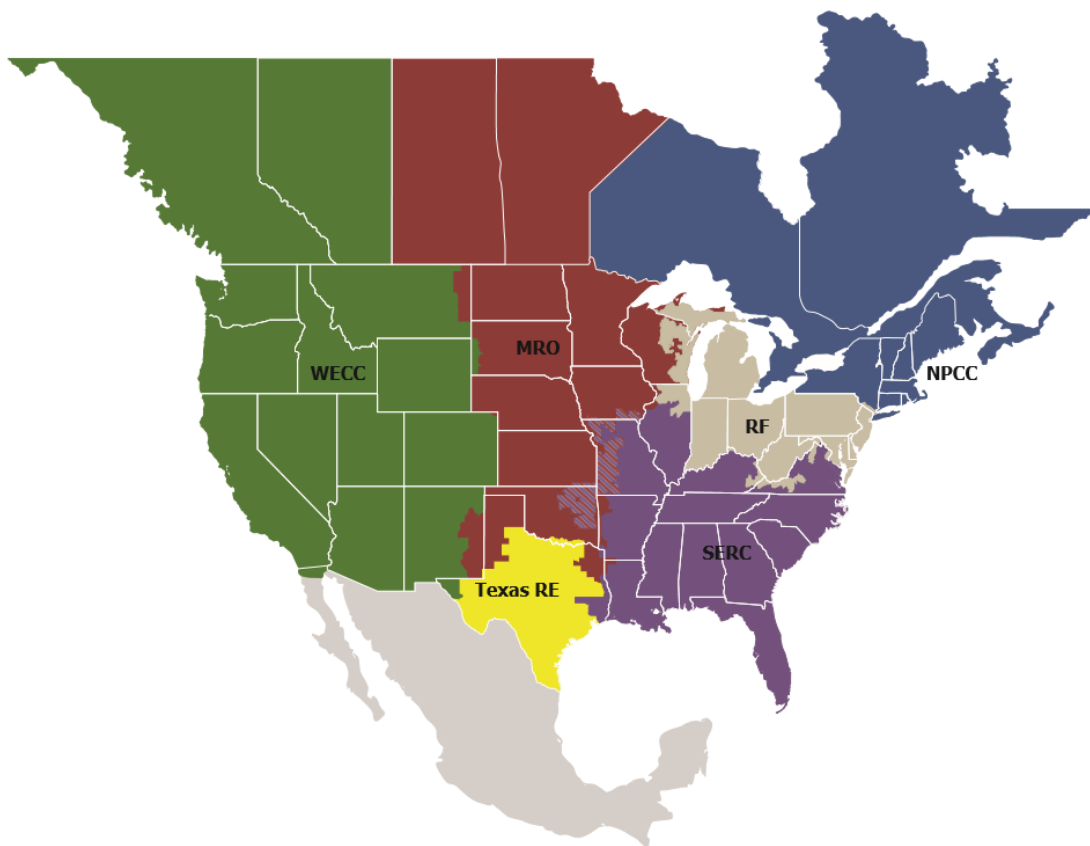
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Preface

Electricity is a key component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six Regional Entities (REs), is a highly reliable and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Reliability | Resilience | Security
Because nearly 400 million citizens in North America are counting on us

The North American BPS is divided into six RE boundaries as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one Region while associated Transmission Owners/Operators participate in another.



MRO	Midwest Reliability Organization
NPCC	Northeast Power Coordinating Council
RF	ReliabilityFirst
SERC	SERC Reliability Corporation
Texas RE	Texas Reliability Entity
WECC	Western Electricity Coordinating Council

Chapter 1: Standards Development Forecast

Board Forecast for Standard Projects in Active Development

The following projections reflect anticipated Board adoption dates for continent-wide Reliability Standards.

May 2020

- Project 2016-02: Modifications to CIP Standards (CIP-002-6)

August 2020

- Project 2015-09: Establish and Communicate System Operating Limits
- Project 2019-02: BES Cyber System Information Access Management

November 2020

- Project 2019-03: Cyber Security Supply Chain Risks

February 2020 or after

- Project 2017-01: Modifications to BAL-003-1.1 (phase 2)
- Project 2019-04: Modifications to PRC-005-6
- Project 2019-06: Cold Weather Preparedness
- Project 2020-01: Modifications to MOD-032-1
- Project 2020-02: Transmission-connected Resources
- Project 2020-03: Supply Chain Low Impact Revisions
- Project 2020-04: Modifications to CIP-012-1

ANSI Reaccreditation

NERC filed for reaccreditation as a Standards Developer in accordance with the accreditation processes of the American National Standards Institute (ANSI) on July 1, 2019.

Projects with Regulatory Directives

Table 1 below lists the current projects with regulatory directives. As of April 30, 2020, there are three standards-related directives to be resolved through standards development activities (not including non-standards related directives).

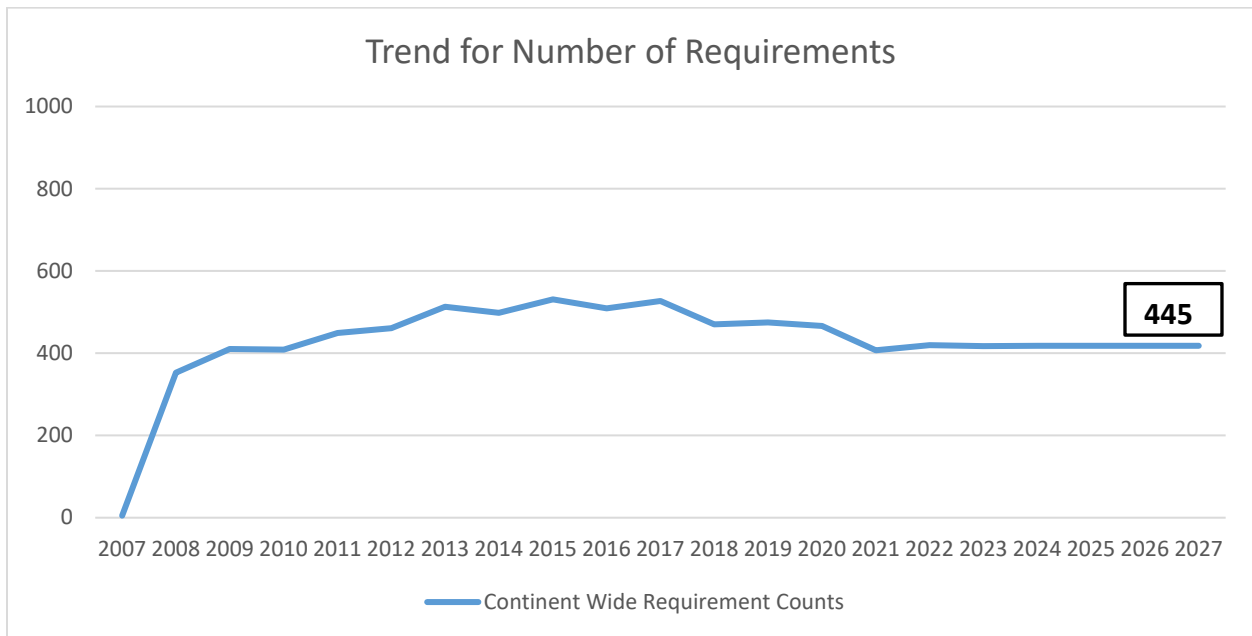
Project	Regulatory Directives	Regulatory Deadline
Project 2015-09: Establish and Communicate System Operating Limits	1	N/A
Project 2019-03: Cyber Security Supply Chain Risks	1	12/26/2020
Project 2020-04: Modifications to CIP-012-1	1	N/A

Trend in Number of Reliability Requirements

As NERC Reliability Standards continue to mature, NERC analyzes the trend in the total number of requirements in the United States since 2007 when Reliability Standards became enforceable.

The *US Effective Date Status/Functional Applicability*¹ spreadsheet was used to analyze the number of requirements based on the U.S. Effective Date for each requirement shown in the charts below. Figure 1 displays the Trend in Number of Requirements for Continent-Wide standards, while Figure 2 displays Regional Reliability Standards.² Standards with variances were not included in the requirement count. Projections from projects that include standards currently under development, board adopted standards and board approved retirements are also included in the total number of requirements based on their projected effective or inactive date.³

The trend for total number of requirements indicates a constant flat trend line for the last four years, with a significant decline from 2017 to 2018 for Continent-wide standards, and a significant decline in total number of requirements from 2016 to 2017 for Regional Reliability standards. Figure 1 indicates a total of 445 continent-wide requirements; Figure 2 indicates a total of 69 Regional Reliability standards forecast for 2027.

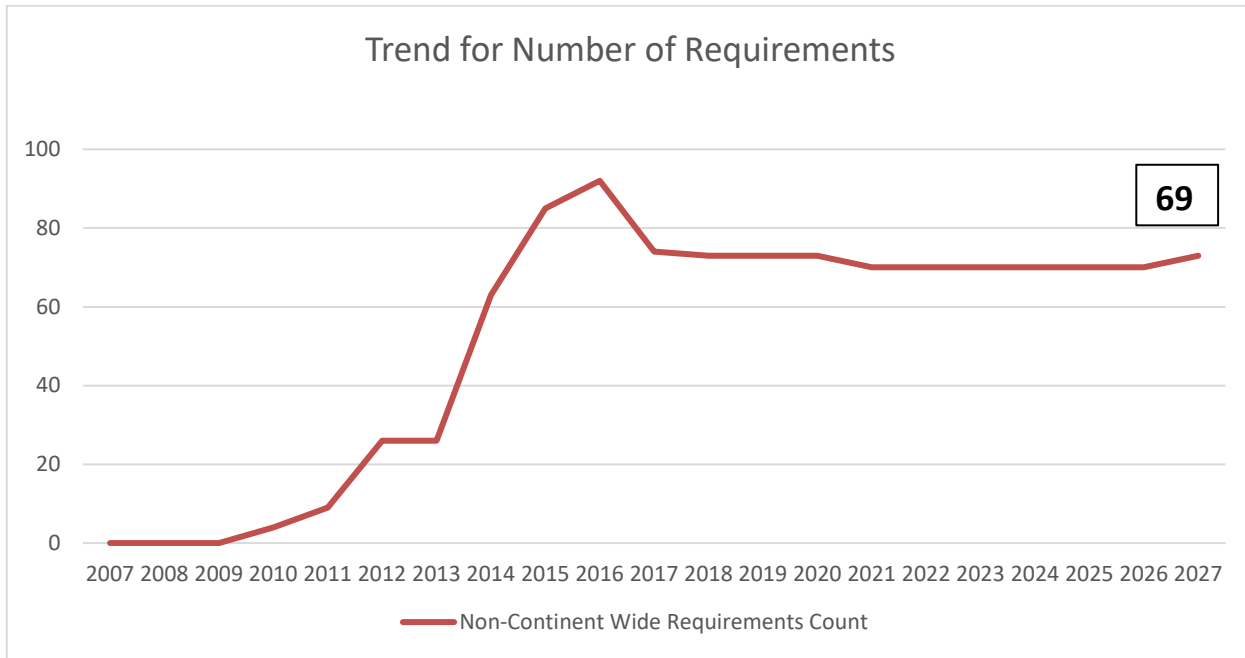


¹ Available from the Standards section of the NERC website: <http://www.nerc.com/pa/Stand/Pages/default.aspx>

² Charts were developed using end of Q1 2020 data.

³ These projects include the following: Project 2015-09 (FAC-010-4, FAC-011-4, FAC-014-3), Project 2016-02 (CIP-003-7(i)), Project 2018-03 SER Retirements, Withdrawal of VAR-001-6

Figure 2: Trend for Number of Requirements for Regional Reliability Standards



Chapter 2: Regulatory Update

NERC FILINGS January 1, 2020 – March 31, 2020

FERC Docket No.	Filing Description	FERC Submittal Date
RM16-7-000, RD18-7-000	Order 835 BAL-002-2 Informational Filing NERC submitted its report on the implementation of Reliability Standard BAL-002-2(Disturbance Control Standard—Contingency Reserve for Recovery from a Balancing Contingency Event) in fulfillment of a directive in FERC Order No. 835.	1/2/2020
RR20-2-000	Joint Reply of NERC and SERC Reliability Corporation to Comments of Public Citizen Inc. NERC and SERC submitted a response to Public Citizen Inc.'s comments on the December 20, 2019 joint petition submitted by NERC and SERC requesting approval to amend SERC's Bylaws.	1/24/2020
RD20-3-000	Petition of NERC for Approval of Proposed Reliability Standard TPL-007-4 NERC submitted a petition requesting Commission approval of proposed Reliability Standard TPL-007-4 (Transmission System Planned Performance for Geomagnetic Disturbance Events). TPL-007-4 makes two modifications to the currently effective standard. The proposed modifications would: (i) Require entities to develop Corrective Action Plans for vulnerabilities identified through supplemental GMD Vulnerability Assessments; and (ii) Require entities to seek approval from the ERO of any extensions of time for the completion of Corrective Action Plan items.	2/7/2020
RD20-4-000	Petition for Approval of SAR Standards NERC submitted a petition requesting Commission approval of seven proposed Reliability Standards developed under Project 2017-07 Standards Alignment with Registration.	2/21/2020
EL20-21-000	Motion to Intervene and Comment on CIP-014 Complaint NERC submitted a motion to intervene and comments in FERC Docket No. EL20-21-000. The docket is addressing a Complaint about CIP-014-2 – Physical Security.	3/2/2020

RM19-20-000	<p>Letter Requesting an Extension of Time to Respond to Data Request</p> <p>NERC and WECC submitted a letter requesting an extension of time to respond to the Data Request issued in Docket No. RM19-20-000 on February 18, 2020.</p>	3/4/2020
RD20-5-000	<p>Petition for Approval of BAL-001-TRE-2</p> <p>NERC and Texas RE submitted a joint petition for the approval of proposed regional Reliability Standard BAL-001-TRE-2.</p>	3/11/2020
RD20-5-000	<p>Supplement to Petition for Approval of BAL-001-TRE-2</p> <p>NERC submitted a supplement to Exhibit D (Development History) of its March 11, 2020 joint petition with Texas RE for the approval of proposed regional Reliability Standard BAL-001-TRE-2.</p>	3/17/2020
RD20-2-000	<p>CIP Standards Projects Informational Filing</p> <p>NERC submitted to FERC an informational compliance filing as directed by FERC in its February 20, 2020 Order. This filing contains a status update on two standards development projects relating to CIP Reliability Standards.</p>	3/19/2020
RD20-7-000	<p>Petition of NERC for Approval of Proposed Reliability Standard PRC-024-3</p> <p>NERC submitted a petition for the approval of proposed Reliability Standard PRC-024-3 — Frequency and Voltage Protection Settings for Generating Resources. Proposed Reliability Standard PRC-024-3 improves upon currently effective Reliability Standard PRC-024-2 by clarifying the voltage and frequency protection settings requirements so that generating resources continue to support grid stability during defined system voltage and frequency excursions.</p>	3/20/2020
RR09-6-003	<p>2020 NERC Standards Report, Status and Timetable for Addressing Regulatory Directives</p> <p>NERC submitted its 2020 NERC Standards Report, Status and Timetable for Addressing Regulatory Directives. The annual report is in accordance with Section 321.6 of the NERC Rules of Procedure.</p>	3/30/2020

FERC ISSUANCES
January 1, 2020 – March 31, 2020

FERC Docket No.	Issuance Description	FERC Issuance Date
RM19-10-000	<p><u>Order Approving Reliability Standard TPL-001-5</u></p> <p>FERC issued an order approving Reliability Standard TPL-001-5 (Transmission System Planning Performance Requirements).</p>	1/23/2020
RM19-16-000; RM19-17-000	<p><u>Notice of Proposed Rulemaking on ERO Proposal to Retire Requirements in Reliability Standards Under the NERC Standards Efficiency Review</u></p> <p>FERC issued a Notice of Proposed Rulemaking proposing to approve 74 of the 77 requirement retirements in the two filings from the Standards Efficiency Review initiative. FERC proposes to remand VAR-001-6 to retain Requirement R2 and is seeking additional comment on the retirement of FAC-008-3, Requirements R7 and R8.</p>	1/23/2020
RM18-20-000	<p><u>Order Approving Reliability Standard CIP-012-1</u></p> <p>FERC issued an order approving Reliability Standard CIP-012-1 – Cyber Security – Communications between Control Centers. Additionally, the Commission directs NERC to develop modifications to the CIP Reliability Standards to require protections regarding the availability of communication links and data communicated between bulk electric system Control Centers.</p>	1/23/2020
RR19-7-000	<p><u>Order on Five-Year Performance Assessment</u></p> <p>FERC issued an order accepting the ERO's third Performance Assessment. The Commission found that NERC continues to satisfy applicable statutory and regulatory criteria for certification as the ERO and that the Regional Entities continue to satisfy the applicable statutory and regulatory criteria. Further, the Commission directed that NERC submit a compliance filing addressing: (1) Regional Entity oversight, including discussion of audits under Appendix 4A of the ROP; (2) the development process for reliability guidelines; (3) clarifications regarding the Electricity Information Sharing and Analysis Center (E-ISAC); (4) clarifications regarding the NERC sanction guidelines; and (5) clarifications regarding the NERC sanction guidelines under Appendix 4A of the ROP Revisions to the Organization Certification Program.</p>	1/23/2020

RD20-1-000	<p>Letter Order Approving Regional Reliability Standard PRC-006-NPCC-2</p> <p>FERC issued an order approving regional Reliability Standard PRC-006-NPCC-2 (NPCC Automatic Underfrequency Load Shedding).</p>	2/18/2020
RD20-2-000	<p>Order issued Directing Informational Filings Regarding NERC Standard Drafting Projects</p> <p>FERC issued an order directing NERC to submit informational filings regarding the status of two NERC critical infrastructure protection standard drafting projects pertaining to virtualization and cloud computing services: Project 2016-02 (Modifications to CIP Standards) and Project 2019-02 (BES Cyber System Information Access Management). FERC has directed that NERC submit a schedule for each of the Projects that should include the current status of the project, the interim target dates, and the anticipated filing date for the new or modified Reliability Standards. NERC has been directed to submit the informational filing within 30 days of the date of issuance of the order and will also be required to file quarterly status updates on an informational basis until the Reliability Standards are filed with the Commission.</p>	2/20/2020
RM20-8-000	<p>FERC issued a Notice of Inquiry regarding Virtualization and Cloud Computing Services</p> <p>FERC issued a Notice of Inquiry seeking comments regarding the potential benefits and risks associated the use of virtualization and cloud computing services in association with the bulk electric system operations, as well as comments on whether barriers exist in the Commission-approved Critical Infrastructure Protection Reliability Standards that impeded the voluntary adoption of virtualization or cloud computing services.</p>	2/20/2020
RD20-3-000	<p>Letter Order Approving Reliability Standard TPL-007-4</p> <p>FERC issued a letter order approving Reliability Standard TPL-007-4 (Transmission System Planned Performance for Geomagnetic Disturbance Events).</p>	3/19/2020

Chapter 3: Standards Committee Report

Summary

This report highlights some of the key activities of the Standards Committee (SC) during the first quarter of 2020.

Additionally, at its April 22, 2020 meeting, the Standards Committee approved errata to Reliability Standard TPL-001-5 under Section 12 of the NERC Standard Processes Manual. The errata was filed with the applicable governmental authorities for approval.

The Standards Committee held a nomination period in February 2020 to fill vacancies in Segment 4, Segment 7, and two vacancies in Segment 9. An election was held from February 24 through March 4, 2020, which elected Marty Hostler in Segment 4 and Ajinkya Rohankar in Segment 9. There will be vacant positions for Segment 7 and Segment 9 (remainder of the 2019-2020 term), since no nominations were received to fill these terms.

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Compliance and Certification Committee Report

Action Information

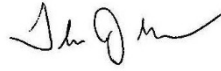
Highlights

The Compliance and Certification Committee (CCC) convened a business meeting on March 10-11, 2020 via WebEx. In consideration of the COVID-19 pandemic, the agenda was revised to include only business matters requiring immediate attention.

- The Committee conducted a final review of CCC charter revisions and approved the changes. The charter will become effective once it is approved by both the NERC Board of Trustees (Board) and FERC.
- The Committee Chair appointed the Alignment Working Group (AWG) serving for 2020. In addition, the 2020 Nominating Subcommittee was approved by the full Committee.
- The CCC's ERO Monitoring Subcommittee (EROMS) continues the collaboration with NERC management intended to improve the value of stakeholder feedback regarding the policies, practices, and effectiveness of the Compliance Monitoring and Enforcement Program (CMEP). CCC leadership is working with NERC management to develop an approach to gather stakeholder feedback prospectively. Discussions are scheduled to continue in June and will include a related effort focused on additional collaboration with a small group of Member Representatives Committee members as requested at the February 2020 Board meetings. CCC leadership expects additional information to be available for discussion at the August 2020 Board meeting.
- The CCC's Organization and Registration Subcommittee (ORCS) finalized their work with NERC Management on proposed revisions to the NERC Rules of Procedure. The full Committee approved the posting of Appendix 5A for industry comment as required by the Rules of Procedure.
- The AWG continues its review of ongoing activities and program alignment submissions by ERO Stakeholders. AWG members provided additional input on draft CMEP Practice Guides to NERC management and discussed some emerging issues.
- Additional CCC activities included the review of the Nominating Subcommittee's CCC leadership and membership submissions for NERC Board approval. Also, the draft Nominating Subcommittee procedure document was reviewed and continues to move forward to finalization. The procedure is expected to be presented for approval at the June CCC meetings. As previously reported, the procedure will be posted on the CCC web page, providing process transparency to the industry around the CCC nominating processes.
- The CCC June meeting agenda is expected to include: opening discussion about the registry criteria and functional model; Transmission System Facility Ratings; Supply Chain Risk Management; and Committee business.

The next CCC meeting will be June 16-17, 2020. It is scheduled to be held at the ReliabilityFirst offices in Independence, Ohio, but if continuing conditions surrounding COVID-19 do not permit this, the Committee will meet remotely via WebEx.

To: NERC Board of Trustees (BOT)
From: Thomas J. Galloway, NATF President and CEO
Date: April 15, 2020
Subject: NATF Periodic Report to the NERC BOT (May 2020)
Attachments: NATF External Newsletter (April 2020)



The NATF interfaces with the industry as well as regulatory agencies on key reliability and resiliency topics to promote collaboration, alignment, and continuous improvement, while reducing duplication of effort. Some examples are highlighted below and in the attached April NATF external newsletter, which is also available on our public website: www.natf.net/news/newsletters.

Response to COVID-19 Challenges

The NATF's response and approach are highlighted in the attached newsletter. As the situation evolves, we will continue to work to help mitigate challenges. A current example is work with NERC, FERC, DOE, and others on an epidemic/pandemic response plan resource.

Pilot Collaborations with Regions

The ERO and NATF have committed to working together under the April 2019 memorandum of understanding to advance our mutual objectives, leverage different strengths, and minimize duplication of effort. This involves a range of topics such as conducting joint workshops on various topics and NATF development of implementation guidance for selected standards. As noted in the newsletter, it also involves deeper collaboration on higher-tier risks, such as facility ratings and entity supply chain risk mitigation.

Transmission Resilience Maturity Model (TRMM)

The NATF has been working with the Electric Power Research Institute, the Department of Energy, and Pacific Northwest National Lab to develop a transmission resilience maturity model as a tool that a transmission organization can use to objectively evaluate and benchmark its currently established transmission resilience policies, programs, and investments, in order to target and prioritize enhancements where needed. A draft of the model has been created and was piloted by NATF member companies in early 2020.

Improvements to the model based upon lessons learned from the pilots are being incorporated into a TRMM Version 1.0, along with a suite of supporting documentation, planned for public release in third quarter of this year.

The NATF envisions incorporating the TRMM as an additional service offering for its members including metrics, resiliency-centric peer review modules, and targeted assistance on lagging domains.

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North American Transmission Forum External Newsletter

April 2020

Coronavirus Planning and Response

At the NATF, our top priority is the health and safety of our staff and members. To help inform our decisions during this coronavirus pandemic, we have been working closely with our members and tracking updates from the Centers for Disease Control and Prevention (CDC) and state and local authorities. In response, the NATF has taken specific actions to limit potential exposure for staff and members and has initiated specific coordination and information-sharing mechanisms to assist member planning and response.

Member Support

NATF member companies are evaluating and implementing their pandemic plans and taking actions to limit potential exposure for their employees. The NATF is facilitating information-exchange mechanisms to assist the membership in this regard, such as the following:

- Weekly webinars hosted by our System Operations Practices Group
 - Sharing of information, approaches, and practices
 - Topics have included response plans, operator staffing (safety/health, shift rotation, location, etc.), family support, and coordination of field personnel
- Page on our member site
 - Discussion boards
 - Member practices
 - Resource links

External Coordination

The NATF has been in close contact with industry partners during this time to discuss potential coordination, reduce duplication of effort, and deconflict pandemic-response webinars.

Office and Travel

The NATF office is closed until further notice, and all staff are working from home. NATF travel is cancelled through at least May 1.

Meeting and Events

We have postponed our near-term events (listed below). We will work with members and our industry partners to reschedule when appropriate.

- NATF-EPRI-NERC Transmission Resiliency Summit
- Peer Review (April)
- Risk Controls Compliance and Security Workshops

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- Peer Review (May)
- System Protection Practices Group Workshop
- Metrics Face-to-Face Meeting
- NATF-NERC-EPRI Planning and Modeling Workshop

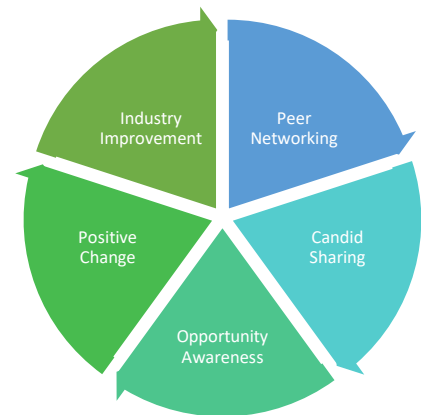
Our regularly scheduled webinars will continue as planned. The NATF membership is adept at exchanging information and sharing lessons learned during virtual meetings, and these interactions will be even more valuable as we deal with current circumstances.

The NATF will continue to support members and the industry in whatever capacity possible.

NATF's 100th Peer Review

In February, the NATF marked an organizational milestone by conducted its 100th peer review. The NATF Peer Review Program has evolved significantly since the first peer review in October 2008, and members provide consistently positive feedback on the program and the insights shared.

NATF peer reviews are diagnostic assessments of member companies with the goal of elevating programs towards excellence. NATF review teams, comprising the members' own subject-matter experts, conduct periodic, confidential evaluations of NATF member organizations (hosts). Each review consists of advance planning and preparation, two to four days of onsite interviews and observations, followed by a report to the host member's executives and staff. Noteworthy practices are brought back to NATF practice groups for prospective emulation, and specific improvement recommendations are provided to the host—often totaling 75 or more specific recommendations across four to nine technical areas. In addition, peer review team members consistently bring valuable information back to their home organizations and build new peer relationships.



At six months and one year following a review, staff meets with the host member to discuss implementation of the recommendations. Since we began this tracking in 2014, which is done to understand the “realized value” of the reviews, hosts have reported that close to 70% of the recommendations provided are fully or partially implemented or planned for future implementation.

NATF Begins Pilot Collaborations with NERC, RF, and SERC

In April 2019, the NATF and NERC executed an updated memorandum of understanding to advance our mutual objectives, leverage respective strengths, and minimize duplication of effort. This coordination spans a range of topics, including joint workshops (e.g., the annual human performance conference, planning and modeling workshops, and the resilience summit) and NATF development of implementation guidance.

In some cases, our efforts may involve a deeper level of collaboration, including with Regional Entities (part of the “ERO Enterprise” with NERC), on higher-tier risks, as appropriate. Through discussion of this topic and agreement among the NERC and NATF and regional entity CEOs in August 2019, two initial topics (facility ratings and supply chain risk mitigation) were selected to pilot the collaboration approach with two of the Regional Entities—ReliabilityFirst (RF) and SERC. These pilot collaborations aim to highlight and reinforce the following roles for the ERO and the NATF and other industry organizations, consistent with the NERC-NATF MOU:

ERO	NATF/Industry
<ul style="list-style-type: none"> • identify existing and emerging risks to reliability • facilitate strategies and activities to address the identified risks 	<ul style="list-style-type: none"> • characterize and validate the identified risks • implement appropriate strategies and activities among members to support mitigation of the identified risks

The pilot collaborations will also help to develop a repeatable approach for collaboration between the NATF and the ERO Enterprise.

Facility Ratings Collaboration

The ERO has identified, and has increased its focus on, the risk of inaccurate facility ratings and the impact on reliability of the bulk electric system. The issues identified to date generally involve discrepancies between documented equipment and/or facility ratings and current field conditions. Facility rating calculations have been inaccurate as a result of incorrectly rated or missing equipment. For example, the missing or incorrectly rated equipment includes jumpers and risers inside substations, bus bars, current transformers (including delta-connected current transformers), circuit breakers, and transmission line conductors. The ERO Enterprise has observed multiple contributing causes for the discrepancies, including insufficient processes and lack of controls.

When facility ratings are not determined correctly and applied consistently for all applicable facilities, equipment might operate beyond its capability, causing equipment damage or line sagging beyond design, resulting in unplanned outages. Additionally, system operator decisions could result in unintended consequences when based on inaccurate facility ratings.

In early 2019, the NATF initiated a project to develop practices to help ensure that facility ratings are developed using the entity’s facility ratings methodology, equipment and facilities are built and maintained in the field to ensure ratings are accurate, and ratings for equipment and facilities are documented and communicated. The NATF practice document will provide a guide to members for establishing a sustainable process for developing and maintaining accurate facility ratings.

The NATF will work with its members to socialize the practice document and review member implementation of the NATF practices related to facility ratings. As part of this pilot effort, the NATF will provide periodic summary updates to SERC, RF, and NERC.

Collaboration on Entity Mitigation Practices for Supply Chain Risks

Much of the supply chain cyber security work done thus far has targeted supplier assessment and addresses risks via understanding of and changes in supplier cyber security practices and risk-mitigation activities. In some cases, an entity will be unable to gain assurance of the supplier mitigations and will implement solutions internally to further reduce the risk by detecting anomalies and implementing protective measures at the entities facilities and systems.

Regional Workshops

For the collaboration on supply chain entity risk mitigation, the NATF, RF, and SERC will work together to develop and conduct a workshop for registered entity security professionals and SMEs in each of the two regions on mitigation practices that entities can employ on their systems, equipment, and networks as an additional line of defense to augment the supply chain risk assessment and procurement practices that are focused on addressing risks at the source. The focus of the workshops will be on security and cyber risk mitigation practices, not compliance and not supplier assessment or procurement practices. The workshops will target two or three specific risks, including characterization and discussion of the risks and potential practices to mitigate the risks.

Following the workshop, NATF, RF, and SERC will publish a summary of the outcomes of the discussions for industry.

The dates and registration information will be communicated to NATF members and to registered entities in each region once arrangements are finalized.

NATF Leads Industry Coordination and Alignment on Supply Chain Cyber Security

Supply chain cyber security risk management has been a priority for utilities over the last couple of years and is now more prevalent with the upcoming enforcement date (July) for NERC Reliability Standard CIP-013.

The NATF and its members have been working diligently on the issues facing our industry and have aligned efforts with other organizations so solutions bring maximum benefit for our members and are built on the work that has been done to date. This benefit comes largely in terms of having solutions accepted by the other industries we interact with; having a widely accepted and used approach for how the electric industry will manage cyber security issues makes the approach impactful enough to be of interest to these other industries, giving us the opportunity to work with them. This also attracts vendor organizations to develop tools that will support the approach and assist entities with implementation.

The alignment effort is being conducted through an Industry Organizations Team¹ that includes members from organizations in our industry, but also includes other industries and government organizations as well. This team worked together to align on solutions to (1) streamline common approaches to evaluating a supplier's

¹ The team of Industry Organizations includes representatives from industry trade organizations and forums, NATF member utility representatives, government agencies, key electric sector suppliers, and third-party assessors

cyber security practices, (2) provide for flexibility within the common approaches, (3) ensure the common approaches are scalable to include all suppliers and purchasing entities, and (4) assist with compliance (while the focus is on good cyber security practices, if executed properly the approaches will address requirements in the NERC supply-chain-related standards). The Industry Organizations Team stays in communication regarding open questions and issues entities are facing to help ensure that work is not duplicated, industry resources are working efficiently, and entities receive united, not conflicting, messages. A list of the participating and contributing organizations is available on the NATF public website.

New NATF Public Page

The NATF has developed a page on our public website that provides information on the work done by the contributing organizations to date, links to resources, a list of work in progress, opportunities to hear more about the efforts (e.g., webinars), announcements related to the effort, and visibility into the organizations that have been involved on the Industry Organizations Team. You can locate the [web page](#) under the new Industry Initiatives tab (select the Supply Chain Industry Coordination drop-down option) on the NATF public website.



The web page highlights these solutions:

- The “NATF Cyber Security Criteria for Suppliers” (Criteria)
- The “Supplier Cyber Security Assessment Model” (Model)
- The “Supplier Cyber Risk Assessment Questionnaire” (Questionnaire) (Coming Soon)
- The “EEI Model Procurement Contract Language Addressing Cybersecurity Supply Chain Risk” (EEI Procurement Language)

The NATF Criteria is the basis for work being done; it provides the criteria by which entities can evaluate a suppliers’ cyber security practices. This Criteria was developed by NATF members, reviewed by suppliers and assessors on the NATF Proof of Concept Team, and finally reviewed by the Industry Organizations Team.

The Model, which is supported by the Industry Organizations Team, provides a streamlined, effective, and efficient industry-accepted approach for entities to evaluate supplier cyber security practices, which, if applied widely, will reduce the burden on suppliers, provide entities with more and better information, and improve cyber security. This evaluation will provide critical information for entities to consider when conducting risk assessments for potential suppliers of products and services.

The Questionnaire (coming soon!) is one of the tools an entity can use to obtain information on a suppliers’ adherence to the NATF Criteria. It is a particularly helpful tool when a supplier does not have a third-party assessment conducted, the entity does not receive sufficient information in the third-party assessment report, or the third-party assessment (statement of applicability) does not cover all of the criteria.

The **EEI Procurement Language** provides template contract language that entities can use to address specific identified risks.

Protection System Misoperations Analysis Annual Report

The NATF Protection System Misoperations Analysis Initiative began in 2015. The NATF collects Misoperations data, produces metrics the NATF and individual members use to assess improvement efforts, and provides detailed information that the System Protection Practices Group and members can use to address specific causes of Misoperations. The Misoperations Analysis Working Group prepares member-specific protection system performance metrics that are included in the annual NATF Reliability Performance Reports and prepares a Protection System Misoperation Annual Report to analyze Misoperation categories, causes, and sub-causes, and make recommendations to the System Protection Practices Group and members.

The annual report provides detailed cause analysis protection scheme type. This arrangement, when combined with special analysis of hardware-related and communications-related Misoperations, supports recommendations that are actionable, realistic, effective, and linked to existing NATF practices and Principles of Operating Excellence.

In addition, enough data is now available to investigate how Misoperations rates are changing over time. The 2019 report provides the NATF overall and regional dependability, security, and Misoperations rate for three-year time periods, plus assessments of the changes of Misoperation categories and involved relay technologies over the same periods.

NATF and EPRI Team Up for Equipment Reliability

Equipment Problem Coding

Failed AC substation equipment is one of the leading causes of transmission system outages. For several years, the Equipment Performance and Maintenance (EPM) Substations Equipment and Asset Management Practices Groups have focused on understanding the causes of equipment failures and developing ways to detect negative trends **before** small problems turn into major issues that cause outages.

Equipment engineers and asset managers need to understand what equipment problems are being discovered and what failures are occurring. To make decisions about asset maintenance and replacement, this data must be easily classified by asset type, make, model, and nature of the problem.

The EPM Substations Equipment and Asset Management Practices Groups, in association with the Electric Power Research Institute (EPRI), have developed a method for coding equipment failures observed during corrective maintenance. This coding system, called equipment problem coding (EPC) meets the following objectives:

1. System provides standardized recording of both catastrophic equipment failures and functional problems, reducing the need to analyze narrative problem descriptions

2. Easily understood codes are applied “at the source” by those who are performing corrective maintenance, improving accuracy
3. Coding system can be implemented in any computerized maintenance management system
4. Standardized codes enable utilities to exchange data to better understand the types of problems experienced throughout the industry
5. System is extensible to multiple equipment types

Several NATF members are implementing the EPC system, and there are ongoing efforts to add new equipment types.

EPRI Industry Equipment Database

This year marks the fourth of an NATF collaboration with EPRI to support data collection as part of EPRI’s Industry-Wide Equipment Database (IDB) effort. NATF members submit in-service, failure data, and maintenance history for selected equipment types. This supports EPRI research that will ultimately help utilities identify high-value maintenance tasks, determine optimal maintenance frequency, make repair versus refurbish versus replace decisions, find “bad actor” equipment, and improve equipment specification and selection. NATF and member-specific failure metrics for various equipment classes are included in the annual NATF Reliability Performance Report.

The Takeaway

By implementing the EPC system and participating in the EPRI IDB program, members can take steps to identify and mitigate the causes of equipment problems before these problems evolve into catastrophic failures that cause outages.

Redacted Operating Experience Reports

Since our last newsletter, we have posted five reports to our [public site](#) for members and other utilities to use internally and share with their contractors to help improve safety, reliability, and resiliency.

For more information about the NATF, please visit www.natf.net.



North American Generator Forum

**TO: NERC Board of Trustees
James B. Robb, President and CEO**

**FROM: Allen D. Schriver, Chief Operating Officer, North
American Generator Forum (NAGF)**

DATE: May 1, 2020

SUBJECT: NAGF 2020 Spring Report

The NAGF continues to move forward during these unprecedented times for industry and the nation. The COVID-19 pandemic has required many NAGF member companies to implement contingency plans to safely maintain operational integrity and ensure the reliability of the BES. The NAGF has provided its members with the opportunity to share COVID-19 activities/best practices via conference calls and the NAGF Groupsite discussion board. In addition, the NAGF continues to share its COVID-19 best practices with others in the industry.

The NAGF continues to participate and support the NERC Inverter-Based Resource Performance Task Force (IRPTF). The Whitepaper: **Fast Frequency Response Concepts and Bulk Power System Reliability Needs** was approved and published. The IRPTF held a WebEx on April 16, 2020 to discuss the paper. The IRPTF has begun working on the following three new tasks:

- Task 1: Reliability Guideline: EMT Modeling and Simulations
- Task 2: Technical Report: Energy Transition to Higher Penetrations of BPS-Connected Inverter-Based Resource Conditions
- Task 3: Reliability Guideline: Modeling and Studying BPS-Connected Battery Energy Storage and Hybrid Resources

The NAGF is actively engaged in the following NERC Projects to help ensure the generator sector perspective is heard and understood:

NERC Project 2019-06 Cold Weather:

The NAGF submitted comments regarding the Project 2019-06 Extreme Cold Weather Preparedness revised SAR to NERC during the project formal comment period that ended 3/19/2020. In addition, the CWPWG is working to update existing NAGF

Generator Cold Weather documentation. The NAGF CWPWG lead – Karen Poole and Mike Gabriel provided a presentation on the NAGF Cold Weather activities at the WECC Webinar held on 3/24/2020.

The NAGF and NATF continue to collaborate on the effort to revise NATF Protection System Coordination documentation to incorporate guidance related to PRC-027-1: Coordination of Protection Systems for Performance during Faults. Specifically, the Forums are focusing on neighboring entity coordination as it applies to generation - transmission data exchange and communication paths/methods.

The NAGF continues to be actively engaged with the NATF and other industry organizations to provide a streamlined, effective, and efficient industry-accepted method for entities to assess supplier cyber security practices. This approach will reduce the burden on suppliers and provide entities with more information effectively and efficiently. This industry collaboration effort is focused on improving cyber security, and assisting registered entities with compliance to regulatory requirements.

The NAGF participated in the Northeast Power Coordinating Council (NPCC) Physical Security Working Group meeting held on March 9, 2020 at the New York Independent System Operator (NYISO) facilities. This working group enables registered entities in the NPCC region to share best practices regarding physical security. Highlights of the meeting included Active Shooter training provided by the NYPD and Suspicious Mail Handling training along with a tour of the NYISO mail handling facilities.

The NAGF is planning to participate in the Distributed Energy Resources (DER) Forum at the next NPCC Regional Standards Committee (RSC) teleconference scheduled for May 14, 2020.