

## Agenda

### Board of Trustees

August 20, 2020 | 2:00-4:30 p.m. Eastern  
Conference Call

Attendee Webex: [Join Meeting](#)

#### Call to Order

#### NERC Antitrust Compliance Guidelines\*

#### Introduction and Chair's Remarks

#### Consent Agenda – Approve

##### 1. Minutes\*

- a. July 23, 2020 Meeting
- b. May 14, 2020 Meeting

##### 2. Committee Membership and Charter Amendments\*

- a. Compliance and Certification Committee Membership
- b. Reliability Issues Steering Committee Charter Amendments

#### Regular Agenda

##### 3. Remarks and Reports

- a. Remarks by Bernard L. McNamee, Commissioner, FERC
- b. Remarks by Bruce Walker, Assistant Secretary, DOE and Alexander Gates, Director, CESER, DOE
- c. President's Report
- d. Report on the August 17 Board of Trustees Closed meeting and the August 18, 2020 Annual Meeting of the NERC Board of Trustees and Canadian Regulators – **Information**

##### 4. Board Committee Reports

- a. Corporate Governance and Human Resources
- b. Compliance
- c. Finance and Audit
  - i. Second Quarter Unaudited Financial Statements – **Accept**
  - ii. NERC and Regional Entity Proposed 2021 Business Plans and Budgets and Associated Assessments – **Approve**

iii. Annual Renewal of Unsecured Line of Credit – **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. WECC Regional Variance PRC-006-5 Automatic Underfrequency Load Shedding – **Adopt**

b. Northeast Power Coordinating Council Regional Standard Processes Manual Modifications – **Approve**

c. Supply Chain Activities - **Update**

**6. Other Matters and Reports**

a. Policy Input and Member Representatives Committee Meeting – **Discussion**

b. E-ISAC Long-Term Strategic Plan\* – **Accept**

c. Rules of Procedure Amendments for Second Five-Year Performance Assessment Compliance Filing\* – **Approve**

i. Registration and Certification: Section 500 and Appendices 2, 5A, 5B, & 5C

ii. E-ISAC: Section 1003

iii. Sanction Guidelines: Appendix 4B

d. NERC Bylaws\* – **Approve**

e. Compliance and Certification Committee Actions \* – **Approve**

i. Revisions to CCCPP-003, Monitoring Program for NERC’s Reliability Standards Development Program

ii. Revisions to CCCPP-007, Monitoring Program for NERC’s Adherence to NERC’s Rules of Procedure for Registration and Certification

iii. Revisions to CCCPP-008, Program for Monitoring Stakeholder’s Perceptions

iv. Creation of CCCPP-013 - Procedure for the Selection of Members to the NERC Compliance and Certification Committee

v. Removal of Retired NERC Committees from the List of Pre-Qualified Organizations for Submitting Implementation Guidance

f. Reliability and Security Technical Committee\* – **Update**

g. 2020 ERO Enterprise Reliability Indicators\* – **Update**

**7. Committee Reports\***

- a. Member Representatives Committee
- b. Personnel Certification Governance Committee
- c. Standards Committee
- d. Reliability Issues Steering Committee
- e. Compliance and Certification Committee
- f. Electricity Subsector Coordinating Council

**8. Forum and Group Reports\***

- a. North American Energy Standards Board
- b. North American Transmission Forum
- c. North American Generator Forum

**9. 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

July 23, 2020 | 3:30–4:30 p.m. Eastern

Conference Call

### **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”) on July 23, 2020, at 3:30 p.m. Eastern, 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, Assistant Corporate Secretary  
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC  
Kelly Hanson, Senior Vice President and Chief Administrative Officer  
Mark Lauby, Senior Vice President and Chief Engineer  
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary  
John Moura, Director, Reliability Assessment and Technical Committees  
Janet Sena, Senior Vice President, External Affairs

### **NERC Antitrust Compliance Guidelines**

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

### **Introduction and Chair’s Remarks**

Mr. Thilly welcomed all of the attendees to the meeting.

### **2020 State of Reliability Report**

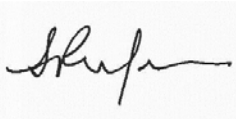
Mr. Lauby introduced the State of Reliability Report and thanked stakeholder groups and NERC staff for their work. Mr. Moura noted that the report focuses on bulk power system performance during the prior year as measured by a predetermined set of reliability indicators and metrics. He emphasized that the report: 1) identifies system performance trends and emerging reliability risks, 2) determines the relative health of the interconnected system, and 3) measures the success of mitigation activities deployed to address risks to reliability. Mr. Moura outlined the key findings and reviewed the report's recommendations. The Board discussed the report, including the executive summary, recommendations, and overall body of the report.

After discussion, and upon motion duly made and seconded, the Board accepted the 2020 State of Reliability Report, endorsed the recommendations contained therein, and authorized its publication.

### **Adjournment**

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

Submitted by,



Sônia Mendonça  
Corporate Secretary

## DRAFT Minutes Board of Trustees

May 14, 2020 | 1:30–3:30 p.m. Eastern

Conference Call

### 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”) on May 14, 2020, at 1:30 p.m. Eastern, 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, Assistant Corporate Secretary  
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  
Mark Lauby, Senior Vice President and Chief Engineer  
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

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



### **Introduction and Chair's Remarks**

Mr. Thilly welcomed all of the attendees to the meeting, acknowledging the presence of Mr. Bruce Walker, from the Department of Energy, and Mr. David Morton, Canada's Energy and Utility Regulators ("CAMPUT") Representative to NERC. He reported that the August Board meetings will be held online.

Mr. Thilly recognized the passing of past NERC Trustee Bruce Scherr, highlighting his leadership, dedication to reliability, and 13 years of service on the NERC Board. Mr. Thilly called for a moment of silence.

Mr. Thilly thanked the Regional Entities, NERC staff, and industry for their work amid COVID-19, noting the continued importance of reliability. He thanked Mr. Robb, Mr. Hoptruff, and NERC IT staff for enabling NERC to work seamlessly offsite.

### **Consent Agenda**

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

### **Minutes**

The draft minutes for the February 6, 2020 meeting were approved as presented to the Board at this meeting.

### **Committee Membership and Charter Amendments**

#### ***Compliance and Certification Committee Charter Amendments***

**RESOLVED**, that the Board hereby approves the amended Compliance and Certification Committee ("CCC") charter, substantially in the form presented to the Board at this meeting, to replace the CCC charter approved by the Board on February 8, 2018.

**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 resolution.

#### ***Compliance and Certification Committee Membership***

**RESOLVED**, that the Board hereby re-appoints the following individuals to the Compliance and Certification Committee ("CCC"), each for a two-year term effective July 1, 2020, as follows:

- Jennifer Flandermeyer (Evergy), representing Investor Owned Utility, as CCC Chair
- Scott Tomashefsky (Northern California Power Agency), representing State/Municipal Utility, as CCC Vice Chair

**FURTHER RESOLVED**, that the Board hereby approves the re-appointment of Silvia Parada-Mitchell (NextEra Energy Resources), representing Merchant Electricity Generator, for a three-year term effective June 1, 2020.

## Regular Agenda

### Remarks and Reports

#### ***COVID-19 – Update on ERO Enterprise Response and Lessons Learned***

Mr. Robb reported on the ERO Enterprise’s response to and lessons learned from COVID-19. He discussed three priorities: i) lessening compliance burdens to allow entities to focus their resources on reliability; ii) collecting information to promote situational awareness; and iii) coordinating with government partners.

Mr. Robb commented on the May 15, 2019 Executive Order on Securing the Information and Communications Technology and Services Supply Chain. Mr. Bruce Walker, from the Department of Energy, provided remarks on the Executive Order, noting that the federal government’s efforts will help support NERC’s activities.

#### ***President’s Report***

Mr. Robb acknowledged the work of Mr. Sharp and the NERC officer team on the NERC budget, including finding savings, adding security capabilities, and process harmonization, while producing a flat assessment. He emphasized the commitment to develop the ERO Enterprise in responding to issues amid COVID-19.

Ms. Sara Patrick remarked on the ERO Enterprise transformation, including the leadership town hall and work to share knowledge and resources during COVID-19. She highlighted the ERO Enterprise’s work leveraging expertise and sharing information and knowledge to provide innovative solutions.

#### ***Report on May 12, 2020 Annual Meeting of NERC Trustees and Regional Entity Boards***

Mr. Thilly reported that the NERC Board of Trustees met with Regional Board officers on May 12, 2020 to discuss their COVID-19 responses, including how the Regional Entities are evaluating their budgets and work plans for 2020 and 2021. He noted the presentation by NERC External Affairs on enhancing ERO Enterprise communications on assessments and related activities.

### Board Committee Reports

#### ***Corporate Governance and Human Resources Committee***

Mr. Hawkins, Committee Chair, reported on the Committee’s closed meeting on April 23, 2020 and open meeting on May 13, 2020. At the closed meeting, the Committee discussed the Committee self-assessment results, supported the severance policy, and reviewed the benefits plans. At the open meeting, the Committee deferred the trustee compensation study and received a staffing update.

#### ***Compliance Committee***

Ms. Shori, Committee Chair, reported on the executive meetings of the Committee on March 19, 2020 and May 12, 2020. She discussed the Committee’s approval of four Full Notices of Penalty and provided an update on facility ratings and the impact of COVID-19 on compliance with NERC’s Reliability Standards.

#### ***Finance and Audit Committee***

Mr. Clarke, Committee Chair, reported on the closed meeting held on May 12, 2020 and the open meeting held on May 13, 2020. At the closed meeting, the Committee reviewed the investment and funding strategy for the ERO Secure Evidence Locker and Align delay cost, which will be recommended for Board approval later in the meeting. In the open meeting, the Committee received an update on the results of internal audit activity.

Mr. Clarke presented the 2019 Financial Statement Audit Results and the First Quarter Statement of Activities for the Board's acceptance. Upon motion duly made and seconded, the Board approved the following resolutions:

**RESOLVED**, that the Board, upon recommendation of the Finance and Audit Committee, hereby accepts the 2019 Audited Financial Statements, as presented to the Board at this meeting.

**RESOLVED**, that the Board, upon recommendation of the Finance and Audit Committee, hereby accepts the First Quarter 2020 NERC, Combined ERO Enterprise, and Regional Entity Unaudited Results, as presented to the Board at this meeting.

Mr. Clarke presented the Renewal of Capital Financing Agreement for the Board's approval. Upon motion duly made and seconded, the Board approved the following resolutions:

**RESOLVED**, that the Board, upon recommendation of the Finance and Audit Committee, hereby approves extending the capital financing program.

**FURTHER RESOLVED**, that NERC management is hereby authorized to take such actions as are necessary to finalize and execute the credit facility documentation, consistent with the parameters of the confidential term sheet provided by the lender.

#### ***Enterprise-wide Risk Committee***

Ms. Sidford, Committee Chair, reported that the Committee met in closed session on May 5, 2020. At its meeting, the Committee reviewed: (i) the results of the 2019 audit and work plans; (ii) the status of the 2020 audit and work plans; (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 May 13, 2020 to discuss items including: (i) ERO Enterprise Business Technology Projects; (ii) ERO Enterprise Align project; and (iii) the establishment of the ERO Enterprise Secure Evidence Locker, which was recommended to the Finance and Audit Committee.

#### ***Nominating Committee***

Mr. DeFontes, Committee Chair, reported on the parallel U.S. and Canadian Trustee searches.

### ***Report by Rob Manning on Standards Quarterly Activities***

Mr. Manning reported on the recent Standards Committee meetings, including supply chain activities and the Project Management and Oversight Subcommittee's work with NERC staff to develop a new project schedule amid COVID-19.

### **Standards Quarterly Report and Actions**

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

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 CIP-002-6, 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 CIP-002-5.1a, 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.

#### ***VAR-001-6 Withdrawal***

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

**RESOLVED**, that the Board hereby withdraws Reliability Standard VAR-001-6, which was adopted by the Board on May 9, 2019, and authorizes NERC staff to make the necessary filings with the applicable regulatory authorities.

### **Other Matters and Reports**

#### ***Policy Input and Member Representatives Committee Meeting***

Mr. Thilly reported on the discussion of policy input items and technical updates at the MRC meeting.

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

Mr. Robb underscored the importance of the ERO Secure Evidence Locker ("ERO SEL"), noting that NERC engaged in a robust review in selecting the ERO SEL vendor. Ms. Keenan emphasized the importance of slowing down the Align project to address security issues, and expressed her confidence in the controls

and solutions identified. After discussion, and upon motion duly made and seconded, the Board approved the following resolutions:

### **Investment in the ERO Secure Evidence Locker**

**WHEREAS**, in 2014, the ERO Enterprise initiated a series of strategic efforts to improve and standardize processes across the ERO Enterprise for the Compliance Monitoring and Enforcement Program (“CMEP”);

**WHEREAS**, each Regional Entity and NERC currently execute the CMEP supported by various internally developed systems and evidence collection practices, resulting in different experiences for registered entities;

**WHEREAS**, the ERO Enterprise developed the Align tool and the ERO Secure Evidence Locker (“ERO SEL”) to enable harmonization of Regional Entity practices and a common registered entity experience, with the ERO SEL designed to facilitate the secure submission, review, and retention of evidence generated in connection with CMEP activities;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board, upon recommendation of the Finance and Audit Committee and the Technology and Security Committee, hereby approves the investment in the ERO SEL.

**BE IT FURTHER RESOLVED**, that the Board hereby approves the timeline for both the implementation of Release 1 of the Align tool and the ERO SEL, as presented to the Board at this meeting.

### **Funding Strategy**

**WHEREAS**, costs and related funding for the ERO SEL project were not included in the 2020 Federal Energy Regulatory Commission (FERC)-approved business plan and budget, as the ERO SEL was not included in the initial design of the ERO Enterprise’s CMEP standardization effort;

**WHEREAS**, costs associated with the delay of the Align project were not previously anticipated or included in the original 2021 budget and assessment projects;

**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby approves the financing approach recommended by the Finance and Audit Committee, as presented to the Board at this meeting, which would include financing approximately \$2.0 million of the ERO SEL investment in 2020, and an approximately \$1.8 million draw from operating contingency reserves in 2020 to fund part of the ERO SEL investment, as well as the use of operating contingency reserves up to approximately \$1.8 million in 2021 to cover costs associated with the delay of the Align project.

**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 Delegation Agreement***

Ms. Mendonça presented the Regional Delegation Agreement, referencing the materials provided in the advance agenda package. After discussion, and upon motion duly made and seconded, the Board approved the following resolutions:

**RESOLVED**, that the Board hereby approves the Amended and Restated *pro forma* Regional Delegation Agreement (“RDA”) between the North American Electric Reliability Corporation (“NERC”) and the Regional Entities, substantially in the form presented to the Board at this meeting.

**FURTHER RESOLVED**, that NERC senior management is hereby authorized to enter into individualized RDAs, adapted from the revised, *pro forma* RDA, with each Regional Entity to incorporate the Regional Entity-specific deviations.

**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.

### ***E-ISAC Coronavirus Update***

Mr. Cancel provided the E-ISAC Coronavirus update, highlighting the coordination with industry and the Electricity Subsector Coordinating Council (“ESCC”). He noted the cyber and physical threat landscape; described extracting additional value from the Cyber Security Risk Information Sharing Program (“CRISP”); and provided an update on E-ISAC engagement activities.

### ***Reliability and Security Technical Committee***

Mr. Greg Ford, Committee Chair, referenced the written report and summarized the topics discussed at the March 4, 2020 meeting. He highlighted the Committee’s Transition Plan and initiatives for 2020.

### ***2020 ERO Enterprise Reliability Indicators***

Mr. Thilly reported that the 2020 ERO Enterprise Reliability Indicators update was postponed, noting that the report is in the agenda package.

### ***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 discussion on pandemic preparation and procedures and approval to convert the Personnel Subcommittee to the Reliability Training Working Group.

***Planning Committee***

Mr. Thilly noted that Mr. Brian Evans-Mongeon, Committee Chair, was absent, but that the written report is in the advance agenda package.

***Critical Infrastructure Protection Committee***

Mr. Marc Child, Committee Chair, referenced the written report and highlighted the activities of the Supply Chain Working Group, Security Training Working Group, and Compliance Input Working Group.

***Member Representatives Committee***

Ms. Jennifer Sterling, Committee Chair, summarized the topics that had been discussed at the April 15, 2020 and May 14, 2020 MRC meetings.

***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 Committee's approval of the Credential Maintenance Working Group scope.

***Standards Committee***

Ms. Amy Casuscelli, Committee Chair, referenced the written report and highlighted a special election and other Committee activities over the last quarter.

***Reliability Issues Steering Committee***

Mr. Nelson Peeler, Committee Chair, provided an update on the activities of the Committee. He highlighted the Committee's discussion of its 2020 proposed work plan activities and reviewed the framework to address known and emerging reliability and security risks.

***Compliance and Certification Committee***

Ms. Jennifer Flandermeyer, Committee Chair, referred to the written report included in the advance agenda package, highlighting the Committee's work on Facility Ratings.

***Electricity Subsector Coordinating Council***

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

***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 Membership

### Action

Approve

### Summary

The CCC has revised its nominations and selection process to include three-year terms for members that commence on January 1 and end on December 31. To implement uniform start and end dates with staggered terms whereby one-third of the committee would be subject to replacement or reappointment each year, the CCC developed a transition plan for existing members. For certain members, this transition plan requires extension of their current Board-approved terms.

Accordingly, the CCC seeks Board approval to extend the terms of current CCC members as listed below:

<u>Member</u>	<u>Sector</u>	<u>Current End of Term</u>	<u>Revised End of Term</u>
John Allen	State/Municipal Utility	8/16/2021	12/31/2022
Yee Chou	Regional Entity/At-large	8/10/2020	12/31/2020
Jim Crawford	Small End-Use Customer	8/15/2022	12/31/2022
Jodirah Green	Electricity Marketer	11/9/2020	12/31/2020
Mark Hegerle	U.S. Federal	8/15/2022	12/31/2022
Martha Henson	Regional Entity/At-large	2/7/2022	12/31/2022
Justin MacDonald	Cooperative Utility	11/5/2022	12/31/2022
Steve McElhaney	Regional Entity/At-large	11/9/2020	12/31/2020
Lisa Milanes	Regional Entity/At-large	11/9/2020	12/31/2021
Keith Porterfield	Cooperative Utility	5/10/2021	12/31/2021
Ashley Stringer	Transm'n Dependent Utility	11/5/2022	12/31/2022
Jami Young	Regional Entity/At-large	8/15/2022	12/31/2022



## **Reliability Issues Steering Committee Charter Amendments**

### **Action**

Approve

### **Background**

At the August 6, 2020 Reliability Issues Steering Committee (RISC) meeting, the RISC approved revisions to its Charter. The revisions include an update to standing committee membership based on the retirement of the Operating, Planning and Critical Infrastructure Protection Committees and the establishment of the Reliability and Security Technical Committee, as well as some clarifying language to the RISC Nominating Committee and Confidential Sessions.

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Reliability Issues Steering Committee Charter

Approved by the NERC Board of Trustees  
May 7, 2015

**RELIABILITY | ACCOUNTABILITY**



3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
404-446-2560 | [www.nerc.com](http://www.nerc.com)

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# RISC Charter

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## Purpose

The Reliability Issues Steering Committee (RISC or Committee) is an advisory committee that triages and provides front-end, high-level leadership for issues of strategic importance to bulk power system (BPS) reliability and offers high-level stakeholder leadership engagement and input on issues that impact bulk-power system reliability. The RISC advises the North American Electric Reliability Corporation (NERC) Board of Trustees (Board), NERC standing committees ([including the Standards Committee, Compliance and Certification Committee, and Reliability and Security Technical Committee](#)), NERC staff, regulators, Regional Entities, and industry stakeholders to establish a common understanding of the scope, priority, and goals for the development of solutions to address these issues, including the use of solutions other than the development of new or revised reliability standards. In doing so, the RISC provides a framework for steering, developing, formalizing, and organizing recommendations to help NERC and the industry effectively focus their resources on the critical issues needed to best improve the reliability of the BPS.

## Reporting

The RISC reports directly to the Board. The Board shall approve this Charter and any amendments to this Charter pursuant to Section 1300 of the NERC Rules of Procedure.

## Overview and Functions

The RISC performs two primary functions for the Board.

The first function of the RISC is evaluating ~~bulk power system~~[BPS](#) reliability issues and risks. The RISC provides strategic leadership and advice to the NERC Board of Trustees and others to triage key reliability risks and propose solutions to manage those risks.

Second, the RISC provides an annual analysis of risks to the ~~bulk power system~~[BPS](#), and produces a relative prioritization of the risks. The prioritization is designed to advise:

- ~~annual~~[Annual](#) ERO action planning, resource allocation, budgeting and strategic planning processes; and
- ~~standing~~[Standing](#) committee planning, including the development of the Reliability Standards Development Plan [and coordination with the Reliability and Security Technical Committee](#).

In addition, the RISC performs such other functions that may, from time to time, be delegated or assigned by the Board.

## Membership

The RISC shall be comprised of the following allocation of members:

1. At least six (6) stakeholder-based— four (4) from the MRC and at least two (2) At-Large members (not members of the MRC);
2. ~~Five~~[Three](#) (~~5~~[3](#)) committee-based—one (1) from each of the standing committees: Standards (SC), ~~Operating (OC), Planning (PC), Critical Infrastructure Protection (CIPC)~~, [Reliability and Security Technical Committee](#) and Compliance and Certification (CCC). The Board will be responsible for appointing the committee-based members to the RISC. These members will be the chair or vice chair unless otherwise recommended by the standing committee and be subject to NERC Board approval.

In advance of the annual February Board meeting, ~~a the~~ RISC Nominating Committee (RISCNC) chaired by the Member Representatives Committee (MRC) vice chair and including the Board vice chair, the NER President and CEO, and the Committee chair and vice chair will ~~be formed to~~ solicit a pool of candidates, with the goal of meeting the following general criteria:

1. Geographic and International diversity, including international, such that Eastern, Western, and Texas Interconnections, along with Canada are represented on the RISC;
2. Sector, size, and asset (transmission, distribution, load, generation, etc.) diversity;
3. High-level understanding and perspective on reliability risks;
4. Experience in a leadership role or background in an executive-level position is strongly preferred; and
5. Balanced consideration of these criteria, across the entire membership of the RISC.

The Board is responsible for appointing the committee-based, MRC and At-Large members to the RISC. At the February Board meeting each year (or as needed), the RISCNC shall present to the Board a recommended slate of all RISC member candidates as appropriate for consideration and approval.

All MRC and At-Large members will be appointed by the Board to serve for two-year terms. Membership terms will be staggered to ensure continuity.

## Officers

1. **Selection of the Chair** - The Board shall appoint a chair of the RISC to serve a two-year term and direct the activities of the RISC, and work toward reaching consensus on all recommendations and actions.
2. **Selection and Duties of the Secretary** - NERC will appoint one senior staff person to serve as a secretary with the responsibility to:
  - a. Prepare, distribute and post notices of Committee meetings, record meeting proceedings, and prepare, distribute and post meeting minutes.
  - b. Maintain a record of all Committee proceedings, including responses, and correspondence.
  - c. Maintain Committee membership records.

## Meetings

1. **Open Meetings** - Meetings shall occur at least once every quarter and can be in person or by conference call as determined by the chair. All meetings of the RISC will be open to all interested parties (except as noted in the paragraph below for confidential sessions). Only members may act on items before the Committee. Meeting notices shall be publicly posted on the NERC website on the same day they are distributed to Committee members. Final minutes of Committee meetings shall be publicly posted on the NERC website. Notices shall describe the purpose of meetings and shall identify a readily available source for further information about the meeting.
2. **General Requirements** - The Committee shall hold meetings as needed and may use conference calls or email to conduct its business.
3. **Notice** - The RISC secretary shall announce its regularly scheduled meetings with a written notice (letter or e-mail) to all Committee members not less than ten and no more than sixty calendar days prior to the date of the meeting.
4. **Agenda** - The RISC secretary shall provide an agenda with a written notice (letter, facsimile, or e-mail) for Committee meetings no less than five business days before a proposed meeting.
  - a. The agenda shall include, as necessary, background material for agenda items requiring a decision.

- b. The agenda shall be posted on the NERC website the same day it is distributed to Committee members.
  - c. Items not in the agenda that require a decision cannot be added at a meeting without the consensus of the members present. If such a matter comes up, it may also be deferred to the next meeting so that Committee members have time to consult with others.
5. **Quorum.** The quorum necessary for the transaction of business (*i.e.*, formal actions) at meetings of the committee is a majority of the members currently on the committee roster (*i.e.*, not including vacancies). The committee may engage in discussions without a quorum present.
  6. **Proxies.** Proxies are not permitted.
  7. **Observers.** Non-members may observe RISC meetings, either in person or via conference call.
  8. **Confidential Sessions.** The chair of the RISC may limit attendance at a meeting or portion of a meeting, based on confidentiality of the information to be disclosed at the meeting. Such limitations will be applied sparingly and on a nondiscriminatory basis as needed to protect critical energy infrastructure information and other information that is sensitive to one or more parties. [Confidential Information will only be disclosed as provided by Section 1500 of the NERC Rules of Procedure. Confidentiality agreements may also be applied, as necessary, to protect Confidential Information.](#)

## WECC Regional Variance PRC-006-5 Automatic Underfrequency Load Shedding

### Action

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

- **Regional Variance – PRC-006-5 Automatic Underfrequency Load Shedding**  
[\[PRC-006-5 Standard\]](#) [\[Redline to last approved\]](#)

Implementation Plan

[\[Implementation Plan\]](#)

Retirement

[\[PRC-006-4\]](#)

### Background

A Standard Authorization Request (SAR) was submitted on April 15, 2019 requesting a five-year review as required by the WECC Reliability Standards Development Procedures.<sup>1</sup> WECC posted the standard for comment from September 23 – October 23, 2019 and the comments received can be viewed [here](#). The ballot passed with 100% approval and 97.40% quorum. The proposed Regional Variance does not change any of the continent-wide Requirements. The WECC Board of Directors adopted the proposed Regional Variance on March 11, 2020.

### Summary

WECC conducted a mandatory five-year review of the PRC-006-4 Regional Variance. The following changes were made:

- Updated the preamble of the Regional Variance to indicate Requirements R14 and R15 of the underlying standard do not apply to entities in the Western Interconnection;
- Clarified that Planning Coordinator (PC) as used in the Regional Variance is specific to those PCs providing PC service(s) to entities within the Western Interconnection, regardless of where the PC is located; and
- Clarified syntax, adopted NERC's most current drafting conventions, and updated the Violation Risk Factor table.

NERC staff supports the proposed Regional Variance and posted the proposed Regional Variance PRC-006-5 for a 45-day comment period from May 21 through July 6, 2020. No adverse comments were received.

### Pertinent FERC Directives

None.

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<sup>1</sup> Since the SAR was submitted and WECC began its review, the Board retired PRC-006-3 and adopted PRC-006-4 in February 2020 as part of Project 2017-07 Standards Alignment with Registration.

**Additional Information**

Links to the relevant project history pages and files are included here for reference:

[\[WECC's Standards Under Development Page: PRC-006-5\]](#)



## Northeast Power Coordinating Council Regional Standard Processes Manual Modifications

### Action

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

- Northeast Power Coordinating Council (NPCC) Regional Standard Processes Manual  
[\[NPCC Regional Standard Processes Manual - Clean\]](#)

[\[NPCC Regional Standard Processes Manual - Redline\]](#)

### Background

NPCC completed a revision to its Regional Standard Processes Manual (RSPM). The revisions to the RSPM include:

- Modifications to Section 8 Process for Correcting Errata to better align the RSPM with the NERC Standard Processes Manual,
- Clarifications to language to better reflect intent, and
- Removal of outdated language.

The RSPM ballot was initiated on December 17, 2019 and extended until February 25, 2020 to achieve quorum. The ballot passed with 96.00% approval and 81.65% quorum. The NPCC Board of Directors approved the revised RSPM on May 6, 2020.

As required by the Section 311 of the NERC Rules of Procedure, NERC Staff reviewed NPCC's RSPM and concluded the document met all of the evaluation criteria. The RSPM was posted on the NERC website for a 45-day industry stakeholder comment period from June 15 – July 29, 2020. Any adverse comments along with NPCC's responses will be reviewed at the NERC Board of Trustees meeting.

### Additional Information

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

<https://www.npcc.org/Standards/SitePages/DevStandardsList.aspx>

## Supply Chain Activities

### Action Update

### Background

In 2017, NERC developed new and revised CIP Reliability Standards to help mitigate cyber security risks associated with the supply chain for high and medium impact Bulk Electric System (BES) Cyber Systems. These standards, collectively referred to as Supply Chain Standards, consist of new Reliability Standard CIP-013-1 and revised Reliability Standards CIP-010-3 and CIP-005-6. Consistent with the risk-based framework of the NERC CIP Reliability Standards, the Supply Chain Standards will be applicable to the highest-risk systems that have the greatest impact to the grid. The Supply Chain Standards will require entities that possess high and medium impact BES Cyber Systems to develop processes to ensure responsible entities manage supply chain risks to those systems through the procurement process, thereby reducing the risk that supply chain compromise will negatively affect the bulk power system (BPS).

When adopting the Supply Chain Standards in August 2017, the NERC Board of Trustees (Board) directed NERC to undertake further action on supply chain issues. Among other things, the Board directed NERC to study the nature and complexity of cyber security supply chain risks, including those associated with assets containing low impact BES Cyber Systems not currently subject to the Supply Chain Standards and develop recommendations for follow-up actions that will best address identified risks. To understand these risks better, NERC collected data from registered entities pursuant to a request for data or information under Section 1600 of the NERC Rules of Procedure.

Based on the analysis of the data request, NERC staff recommended to the Board at its February 6, 2020 meeting that Reliability Standard CIP-003-8 be modified 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. The Board approved a [resolution](#) at this meeting endorsing this action. Additionally, the Board directed NERC staff, working with stakeholders, to 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. NERC staff will report on actions taken since the February meeting in response to the resolution.

## **E-ISAC Long-Term Strategic Plan**

### **Action**

Accept

### **Background**

The objective of this agenda item is to request that the NERC Board of Trustees (Board) accept the proposed updates to the E-ISAC Long-Term Strategic Plan (Strategic Plan). In 2017, the E-ISAC developed the Strategic Plan, with guidance from the Electricity Subsector Coordinating Council's (ESCC) Member Executive Committee (MEC) and other stakeholder groups. The purpose of the Strategic Plan was to better define the E-ISAC's mission and priorities, and focus its resources to help the electric sector protect against and mitigate the risks of escalating cyber and physical security threats. In April and May of 2017, the MEC endorsed and the Board accepted the Strategic Plan, respectively.

As part of management's planning efforts for 2020–2021, the E-ISAC assessed the Strategic Plan to confirm the E-ISAC's strategic and operational focus, evaluate and refine its products and services, optimize resource planning, and identify additional areas to provide value to members.

The E-ISAC worked with the MEC to update the Strategic Plan. The E-ISAC also conducted quantitative assessments of critical infrastructure ISACs to measure itself against those ISACs. A key finding of the assessment was that the E-ISAC is a well-established organization, with comparable resources and offerings to the top tier of the assessment group. The MEC endorsed the updated Strategic Plan during its conference call on July 21, 2020.

The updated draft of the Strategic Plan refines the E-ISAC's operational and strategic focus area for the near-term and long-term time horizons. For the near-term (1-2 years), the E-ISAC's primary focus will be improving the effectiveness and efficiency of current products, platforms, and services. The E-ISAC will also sharpen its focus and execution in building and maintaining membership by demonstrating value through improved analysis, timely sharing of actionable information, and collaboration with key government and strategic partners, while also ensuring that E-ISAC operations are both effective and efficient. The E-ISAC is also actively working on enhancing its feedback mechanisms to help ensure it continues to be responsive to member needs and understands which of its products and services provide value to its members.

For the long-term horizon (3-5 years), the E-ISAC will focus on providing additional value to members and other stakeholders in four key areas:

1. Enhancing its analytical capabilities (both internal and in partnership with third parties);
2. Identifying, analyzing, and sharing operational technology risks and risk mitigation

strategies;

3. Developing enhanced capabilities to share critical threat and intelligence information to provide timely and actionable information to the sector; and
4. Extending E-ISAC services and capabilities to support the downstream natural gas sector, given cross-sector interdependencies.

The revised draft also includes refinements to:

- Further recognize the E-ISAC's role and value in supporting both the ESCC and key government agencies;
- Acknowledge member service needs vary and the importance of ongoing stakeholder guidance;
- Clarify intelligence role as leveraging government and private sector threat and intelligence information; and
- Highlight considerations for evaluating extending services to the downstream natural gas sector.

The revised draft of the Strategic Plan is enclosed. Management will request that the Board's Technology and Security Committee (TSC) review the Strategic Plan at its August 19, 2020 meeting and recommend that the Board accept the Strategic Plan at its August 20, 2020 meeting.



**E-ISAC**  
ELECTRICITY  
INFORMATION SHARING AND ANALYSIS CENTER

# E-ISAC Long-Term Strategic Plan Update

July 2020

**RESILIENCY | RELIABILITY | SECURITY**



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Suite 600  
Washington, DC 20005  
202-790-6000 | [www.eisac.com](http://www.eisac.com)

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# Executive Summary

July 2020

## Background

The Electricity Information Sharing and Analysis Center's (E-ISAC) Long-Term Strategic Plan has three primary focus areas—Engagement, Information Sharing, and Analysis—and embraces the following ongoing needs: review priorities under each focus area, ensure alignment between priorities, optimize resource allocation, and establish metrics to measure progress.

In 2019, the E-ISAC took steps to improve the efficiency of operations and reduce or eliminate certain lower-value activities. The E-ISAC strengthened its leadership and security operations and reorganized to align and optimize cyber and physical security teams as part of an integrated watch operations team. The E-ISAC also reorganized and enhanced its Portal posting and other publications to provide greater context and more information that is actionable. In addition, it created a performance management group to oversee the implementation of process improvements, technology, and metrics to improve the quality, timeliness, and value of information sharing, data management, and analysis.<sup>1</sup>

## Near-Term Focus (2020–2021)

The E-ISAC's primary focus will be to improve the effectiveness and efficiency of current products, platforms, and services.<sup>2</sup> The E-ISAC will also sharpen its focus and execution regarding building and maintaining membership by demonstrating value through improved analysis, timely sharing of actionable information, collaboration with key government and strategic partners, and ensuring that E-ISAC operations are both effective and efficient.

The E-ISAC will adopt the following practices to guide resource allocation and investments while ensuring alignment with the three primary focus areas under the Strategic Plan: resource allocation and investment, engagement, and information sharing and analysis.

## Longer-Term Focus (three to five years)

The E-ISAC will focus on providing additional value to members and other stakeholders in the following four key areas:

- Enhance the E-ISAC's analytical capabilities with both internal and partnership with third parties while ensuring these enhancements provide value to E-ISAC's members
- Work closely with the MEC working group, government, and industry partners to identify and share operational technology risks and risk mitigation strategies
- Enhance the E-ISAC's capability to better leverage classified and other critical threat and intelligence information (both nonpublic governmental and private sector) to provide timely and actionable information to the sector regarding security risks

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<sup>1</sup> The E-ISAC's 2020 performance metrics are included as Attachment A.

<sup>2</sup> Attachment 2 is a listing of current E-ISAC products and services.

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- Conduct a detailed evaluation of the benefits, costs, governance and funding issues, and options that extend E-ISAC services and capabilities to support the downstream natural gas sector given cross-sector interdependencies

The E-ISAC will also continue to evaluate partnership opportunities with the commercial sector, other ISACs, and government-sponsored research and development organizations. The E-ISAC will also work closely with stakeholders and government partners to carefully evaluate the benefits, resource requirements, and potential challenges and risks associated with each of these initiatives. Finally, the E-ISAC will formulate appropriate program activities, budgets, and schedules through transparent resource planning and budget approval processes.

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# E-ISAC Long-Term Strategic Plan Update

## July 2020

### Background

The Information Sharing and Analysis Center (ISAC) construct was authorized by a U.S. presidential directive issued in 1998 and is focused on engagement, information sharing, and analysis directly related to the protection of critical infrastructure. Due to a 1999 request by the U.S. secretary of energy that the North American Electric Reliability Corporation (NERC) serve as the ISAC for the electricity sector, NERC formed the E-ISAC.<sup>3</sup> The E-ISAC's fundamental purpose and mission is to support its members and other stakeholders to reduce cyber and physical security risk through quality analysis and timely sharing of actionable electricity industry security information.

The E-ISAC operates as a separate department within NERC. Electric load-serving entities fund the E-ISAC's operations and budget through payments to NERC for its annual assessments in North America. Participants in the Cybersecurity Risk Information Sharing Program (CRISP) support the program through separate contractual funding. The U.S. DOE developed CRISP, and the E-ISAC manages it.<sup>4</sup>

NERC's senior vice president and chief executive officer (CEO) of the E-ISAC is responsible for the day-to-day management of the E-ISAC. The Member Executive Committee (MEC) of the Electricity Subsector Coordinating Council (ESCC)<sup>5</sup> provides industry leadership to guide and support the E-ISAC, including strategy development and operational guidance. Current MEC membership includes executives from North American investor-owned, public power, and cooperative utilities. Members must be CEO-level executives, security executives, or subject matter experts employed or sponsored by an E-ISAC member organization. The NERC CEO is also a standing member of the MEC. NERC's Board of Trustees, through its Technology and Security Committee, provides corporate oversight of the E-ISAC, giving due consideration to MEC recommendations. This governance helps ensure that the E-ISAC remains focused on both the needs of its members and supporting NERC's role as the Electric Reliability Organization.

### Development of Strategic Plan: Primary Focus Areas and Supporting Activities

In 2017, the E-ISAC—with guidance from the MEC, the NERC Board of Trustees (NERC Board), and various trade associations and stakeholder groups—developed a Strategic Plan to better define its mission and focus its resources towards helping to protect the electricity industry from escalating cyber and physical security risks. The Strategic Plan has three primary areas of focus: Engagement, Information Sharing, and Analysis. The Strategic Plan embraces the ongoing need to review priorities under each focus area, ensure alignment between priorities, optimize resource allocation, and establish metrics to measure progress. The

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<sup>3</sup> NERC was designated by the Federal Energy Regulatory Commission as the Electric Reliability Organization under Section 215 of the Federal Power Act.

<sup>4</sup> Fees from security conferences and training events also provide additional, less significant sources of funding.

<sup>5</sup> The CEO-led ESCC serves as the principal liaison between the federal government and the electric power industry, with the mission of coordinating efforts to prepare for and respond to national-level disasters or threats to critical infrastructure. The ESCC focuses on actions and strategies that help protect the energy grid, prevent various threats from disrupting electricity service, and develop capabilities that help the sector quickly respond and recover when major incidents impact the grid.



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central underpinning of the Strategic Plan is for the E-ISAC to focus on providing timely and actionable information and analysis to industry regarding cyber and physical security threats and mitigation strategies; to advance this important objective, the Strategic Plan recognizes the critical interdependencies between the E-ISAC, industry, U.S. and Canadian government agencies, and other stakeholders.

The primary activities under each of the Strategic Plan focus areas are as follows:

### *Engagement*

- Building and enriching the value of E-ISAC membership
- Strengthening trusted source relationships in both the private sector and government
- Enhancing engagement within the electricity industry in both the United States and Canada
- Continuing to improve and mature security exercises by expanding and increasing the diversity of participation, developing and refining scenarios to provide meaningful and practical learning opportunities

### *Information Sharing*

- Increasing the quality and volume of information shared with E-ISAC from industry, government partners, and trusted third parties (including information from classified sources)
- Strengthening the E-ISAC's capabilities for information sharing
- Improving timeliness and actionable value of information shared from the E-ISAC to industry
- Implementing 24x7 watch operations that are effective, efficient, and responsive to member needs

### *Analysis*

- Effective data collection and capture of new information sources
- Improving analytical tools and techniques
- Strengthening analytical capabilities through strategic relationships and hiring, developing, and retaining qualified staff

As part of managerial planning efforts for 2020–2021, management took feedback into account from the Board, MEC, members, and other stakeholders to assess progress to date, reconfirmed operating and strategic priorities, and identified both gaps and opportunities to further improve products and services and to provide greater value to members. The following is a summary of actions the E-ISAC will be undertaking to address these gaps and opportunities.

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## Near-Term Focus (2020–2021)

The primary focus of the E-ISAC over the next two years will be improving the effectiveness and efficiency of current products, platforms, and services. The E-ISAC will also sharpen its focus and execution in building and maintaining membership by demonstrating value through improved analysis, timely sharing of actionable information, and collaboration with key government and strategic partners while ensuring that E-ISAC operations are both effective and efficient.

Key efforts will include the following:

- Demonstrating the value of information sharing by providing improved and more frequent information to E-ISAC members
- Engaging with both industry and government to ensure alignment on key priorities and supporting improvements to the effectiveness of E-ISAC products, services, and supporting platforms
- Focusing and reallocating resources to ensure proper support for these key priorities as appropriate

With these efforts in mind, the E-ISAC will adopt the following practices to guide resource allocation and investments while ensuring alignment with the three primary focus areas under the Strategic Plan:

- Fostering an inclusive, stable, productive, and effective work environment that attracts and maintains a diverse, talented, and action-oriented workforce
- Aggressively pursuing initiatives that increase operational effectiveness
- Prudently choosing resource intensive initiatives that expand the E-ISAC's scope and avoiding or deferring those that disperse the E-ISAC's focus
- Exploring opportunities to refine and increase the effectiveness and efficiency of operations<sup>6</sup>

With the support of industry, the MEC, and the NERC Board over the past two years, the E-ISAC has devoted considerable effort to improving the quality and value of analytical, engagement, management resources, and supporting systems to advance the objectives in the Strategic Plan. The National Infrastructure Advisory Council (NIAC) report emphasized that cyber and physical security threats that industry and other sectors are facing continue to escalate, threatening critical infrastructure, economic and government stability, and national security.<sup>7</sup> It has never been more important for the E-ISAC to maintain its focus on its core activities and continue to produce products and services to provide stakeholders with content that helps improve or inform their security posture, encouraging them to share information in turn. Member and stakeholder participation, including information sharing and feedback on products and services, continue to be critical to the E-ISAC's success and electric system security, reliability, and resilience.

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<sup>6</sup> The E-ISAC has put in place performance metrics to help measure progress in achievement of Strategic Plan priorities. A copy of the current set of performance metrics is included as Attachment A. These metrics will continue to evolve and improve over time based on ongoing member feedback, actual results, and data availability.

<sup>7</sup> NIAC, Transforming the U.S. Cyber Threat Partnership Final Report, December 2019.

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Over the next two years, the E-ISAC's primary focus will be on strengthening and building relationships across industry and government by demonstrating the value of products, services, and supporting platforms to increase information sharing and to help stakeholders reduce risk and improve their security posture.

### Engagement

Successful implementation of the Strategic Plan requires that members know of E-ISAC products and capabilities and that they have opportunities to engage, interact, and provide input. Above all, members and stakeholders must recognize the value of information sharing and view the content, analysis, and context offered in E-ISAC products and services as instrumental pieces of the larger effort to reduce risk to the electricity industry.

The E-ISAC's engagement efforts will focus on communicating this value and encouraging the collaborative exchange of information, ideas, best practices, and insights related to understanding, remediating, and mitigating security risks. The E-ISAC focuses its engagement efforts on increasing industry participation and feedback regarding E-ISAC information sharing programs, capabilities, products, and services.

Areas of near-term focus for improvement of engagement activities include the following:

- **Expanding and Diversifying Membership:** Current membership represents 30% of NERC registered entities (covering approximately 80% of the electric meters in the United States) and 70% of Canada's electric utilities. Engagement efforts will focus on identifying, targeting, and engaging with underrepresented segments of the industry to ensure that all stakeholders, at varying sizes and geographic locations, are knowledgeable about the benefits of E-ISAC membership to reduce risk and improve their organizations' overall security posture.
- **Developing a More Formal Onboarding Process:** The E-ISAC is working on enhancing stakeholder onboarding processes and engagements through the development of a more mature onboarding process.
- **Leveraging the E-ISAC's Customer Relationship Management (CRM) Platform:** Fully implementing and maximizing the use of the E-ISAC's new CRM platform will increase and diversify membership and improve member services by obtaining and tracking member feedback, including through use of platform supported member surveys.
- **Explore Opportunities to Increase Efficiency of Security Exercises and Conferences:** The E-ISAC will explore opportunities to refine and increase the efficiency of supporting activities and resource allocations for GridEx and GridSecCon, both of which have experienced significant increases in participation and required increased resource support over the past four years. The E-ISAC will solicit competitive proposals for key activities supporting both GridEx and GridSecCon as well as evaluating partnering opportunities.

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### Information Sharing<sup>8</sup>

Members voluntarily sharing security threat, vulnerability, and event/incident information is critical to achieving the goals in the Strategic Plan. Reliable and timely information sharing enables rich and highly contextual understanding of and the mitigation of security risks.

While members have made progress in increasing information sharing, considerable work remains, including reducing real and perceived barriers to information sharing. As of the end of 2019, the E-ISAC had over 1,200 active member organizations. However, only 10% of those organizations voluntarily shared information in 2019, and only 9 organizations provided more than 10 total unique shares last year. Investor-owned utilities provided over 65% of voluntary shares in the second half of 2019 with public power utilities providing the next most at just under 11%. The top 10 sharing organizations provided almost 50% of all shares. This reflects a very concentrated set of members that participate actively and regularly in voluntary information sharing. In 2019, the greatest sharing came almost exclusively from investor-owned utilities, 1 large public provincial Canadian utility with over 5,000 employees, and 1 Reliability Coordinator.

Willingness to share information varies across the industry, and barriers include the time and effort required to share information.<sup>9</sup> Currently, if a member wants to share security information, they have several choices: they can login to the E-ISAC Portal and manually enter and submit a post; they can email a bulk incident log report to E-ISAC; or they can contact the E-ISAC support team via phone or email. See the following for findings on each:

- **Portal Reports:** members can complete these on a timely basis, but this requires manual and often duplicative data entry (i.e., the member's security team staff has already captured the information, often manually, in their own tracking systems and then have to re-enter the data in the E-ISAC system).
- **Bulk Incident Log Reports:** only a handful of members use this method for physical security incidents; it provides some efficiency, but this occurs on a weekly or monthly basis and assists in performing trending analyses.
- **Phone Calls and E-mails Reports:** these are inefficient and less frequent. In addition, many smaller organizations do not have the staff or technology to monitor and track this type of information in the first place, much less share it with E-ISAC.

The E-ISAC's near-term focus for improving information sharing includes enhancing the Portal to make it easier for members to share, manage, and find information; increasing the span, quality, and volume of voluntary shares from members; improving and expanding automated information sharing; and improving the security watch operations availability and capabilities.

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<sup>8</sup> Information sharing includes both information sharing by members and partners with the E-ISAC as well as sharing of information by the E-ISAC with members and partners. Both activities are closely aligned with and impact engagement and analysis activities.

<sup>9</sup> Organizational culture may also impact willingness to engage in voluntarily sharing information with third parties regarding risks or vulnerability due to uncertainties regarding benefits, fear over potential impacts on the corporate reputation, regulatory/compliance risk, or perceptions of corporate, departmental, individual and managerial capability or performance.

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### ***Enhancing the Information Sharing Portal***

The E-ISAC will implement the following changes to the Portal:

- Driven by the 2019 MEC working group guidance, the E-ISAC will expand available structured information fields driven by sub-type events and incidents for both physical and cyber voluntary share postings.
- The E-ISAC will redesign information-sharing account groups into more granular and discernable options.
- Driven by efficiency, internal control needs, and leading ISAC best practices, the E-ISAC will implement a designated approving official (DAO) role for each member and partner organization. The DAO role will allow self-service management of an organization's Portal users and periodic certification of existing users and organization profile information.
- The E-ISAC will enhance member ability to manage and search information, including Portal postings.

### ***Increasing the Span, Quality, and Volume of Voluntary Shares from Members***

Voluntary and timely information sharing of quality information by members provides critical additional context as well as a more accurate view of real-time security incidents that are occurring within industry. This information directly enhances the E-ISAC's ability to provide more accurate information and trend analysis back to industry.

In 2019, members shared significantly more physical security information than previous years.<sup>10</sup> Two key drivers of this success were increased engagement with individual members through an industry supported physical security analyst outreach program and the implementation of a bulk information sharing process. Bulk information sharing means sharing information about many incidents all at once with a method that reduces the sharing burden on individual members. This voluntary process tailors to the needs of individual members and can include sharing monthly summaries of incidents, transmission of security logs, or any other sharing method (e.g., email) that is beneficial for the member.

The E-ISAC also manages a Physical Security Advisory Group (PSAG)—a group of electric industry physical security subject matter experts that assist the E-ISAC in advising electricity industry participants and governmental agencies on threat mitigation strategies, incident prevention and response, training, emerging security technologies, and other relevant topics to enhance electric industry physical security and reliability. The E-ISAC's physical security team will work closely with PSAG to obtain their guidance in the development and refinement of physical security products, white papers, and services that bring value to the E-ISAC's members as well as ways to increase member physical security information sharing.

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<sup>10</sup> In 2019, following an aggressive push to increase physical security information sharing by directly reaching out to members, conducting analyst-to-analyst exchanges, and introducing the ability to share incidents in "bulk," physical secure incident sharing increased to 1384 incidents shared from 207 in 2018.

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The E-ISAC will also explore the creation of an industry-supported cyber security advisory group as a forum for engagement and collaboration regarding emerging cyber security risks, best practices, and feedback on E-ISAC cyber security related products and services as well as ways to increase member cyber security information sharing.<sup>11</sup> The E-ISAC will also work with the MEC working group and trade associations to continue to engage members in an effort to educate members regarding the benefits of information sharing and drive further increases in information sharing.

### *Improving and Expanding Automated Information Sharing*

Steps to improve and expand automated information sharing will include the following:

- **Implementing an automated information sharing pilot program in 2020 for a limited set of willing and capable members for voluntary information sharing in a bidirectional fashion between external parties' applications and E-ISAC applications:** The pilot will explore the feasibility of creating bidirectional machine-to-machine data exchanges between E-ISAC and members. This will directly address the time-and-cost barrier to information sharing by reducing information sharing latency and eliminating duplicative data entry. The 2020 pilot approach is iterative, starting with a small set of participants and a practical set(s) of data to explore the costs/benefits and ongoing feasibility of possible expansion of the program in 2021.
- **Conducting a cost-benefit analysis of expanding the automated sharing to include additional types of data and information beyond that which is shared via voluntary information shares:** This may include raw network activity data (similar to CRISP) and/or new types of operational technology data and/or physical incident data. Note that this is only after sufficient due diligence accompanies the pragmatism of such an endeavor and if the lack of a sufficient alternative option(s) exist(s).
- **Where practical and cost-effective piloting and adopting various open source analysis support tools to achieve greater information gathering and analysis efficiency with a broader swath of staff:** These tools drive “smart” alerting and rapid information harvesting by placing automated, parameter-driven targeted searches into the hands of all E-ISAC analysts.

### *Maturing Security Watch Operations*

To support E-ISAC information sharing and response capabilities, the E-ISAC recently established on-duty 24x5 watch operations and will be moving to 24x7 on-duty watch operations by no later than the third quarter of 2020. The Security Operations team is transforming towards a unified “team of teams” with common proactive and reactive goals, culture, and capabilities. It will achieve operational excellence through proactive, quality product delivery, and reactive around-the-clock incident-management services delivery. Security Operations also delivers a class of incident response communications and sharing, including All-Points Bulletins, Critical Broadcast Program calls, ESCC Playbook calls, and other government-sponsored and industry-supported incident response communications. While Security Watch Operations is

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<sup>11</sup> This will including leveraging work undertaken by and participation in NERC's industry supported Critical Infrastructure Protection Committee and the more recently formed Reliability and Security Technical Committee.



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just one of several information sharing channels,<sup>12</sup> it plays an important role in communicating the value of E-ISAC membership and advancing voluntary information sharing by members.

### *Improving Government Collaboration and Access to Classified Information*

The E-ISAC collaborates with the U.S. and Canadian intelligence agencies to do the following:

- Advocate for timely, actionable, and relevant threat information suitable for the electricity industry to help stakeholders mitigate risks
- Represent the electricity industry in both unclassified and classified analysis, discussions, and initiatives on physical and cyber threats to critical infrastructure
- Educate and provide awareness on the technical, business, and cultural aspects of the electricity industry to support governmental authorities and capabilities to both inform and protect industry

The E-ISAC's physical security team built new strategic relationships with the U.S. National Counterterrorism Center and the Royal Canadian Mounted Police, which culminated in both organizations providing briefings to members at GridSecCon 2019. The E-ISAC expects to deepen these relationships in the coming years, providing a valuable partnership and resource to enhance information sharing.

The E-ISAC recently entered into a memorandum of understanding with DOE. The primary objectives of this agreement are to do the following:

- Define the relationship between DOE and the E-ISAC as it relates to their respective roles in enhancing the electricity industry's efforts to prepare for and respond to cyber and physical security threats, vulnerabilities, and incidents
- Provide a general framework for cooperation between the parties regarding information sharing and analysis and cyber and physical security incident coordination and response
- Articulate expectations for the exchange of relevant information in a timely, reliable, and effective manner in response to cyber and physical security threats, vulnerabilities, and incidents

Management is working closely with the DOE to operationalize this memorandum of understanding, including defining deliverables, accountabilities, and schedules. The E-ISAC will also work closely with the ESCC, industry, and applicable government agencies to define how the E-ISAC can best support implementation of the recommendations of the NIAC and Cyber Solarium Commission as well as to support Pathfinder initiatives within the sector.

While the E-ISAC has established some collaboration with federal partners at the classified level, the E-ISAC must continue to expand its role in supporting classified information sharing between government and industry. As referenced in the recent NIAC and other national level reports, there is an increasing need for public-private partnerships and information sharing in classified as well as unclassified venues. In addition

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<sup>12</sup> Other information sharing channels include voluntary and mandatory member/partner shares including news, bulletins, threat indicator sharing, other relevant, timely and useful data set sharing, finished reporting and bulk data sharing, a variety of government, industry and member briefings, exercises and conferences where information is shared through presentations, and other oral communications.

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to supporting the NIAC, Cyber Solarium, and Pathfinder initiatives, near-term and related E-ISAC activities involving classified arenas include working to do the following:

- Improve E-ISAC access to classified information and threat briefings to further develop and steer programs such as CRISP and E-ISAC threat information sharing to industry
- Increase meaningful classified threat briefings to industry
- Strengthen classified collaboration with DOE, DHS, and other government agencies to enhance sharing emerging security risks information with the electricity industry
- Provide electricity fundamentals training to government partners in both classified and unclassified settings to both educate and provide awareness of the electricity industry and related cyber and physical security issues with the goal of helping to better inform their threat and intelligence analysis

### Analysis

Providing timely, actionable, and value-added analysis to members is critical to the E-ISAC's success. The E-ISAC uses four primary sources of information to accomplish this: information provided by CRISP participants,<sup>13</sup> voluntary member shares, information from partners, and open-source information. E-ISAC staff takes all of these inputs, conducts filtering and analysis of this information, and produces information products, including bulletins (cyber or physical), documents (white papers, reports, etc.), filtered news, and filtered indicators-of-compromise lists. In addition, as part of the CRISP program, participating members receive unclassified briefings and reports, and the E-ISAC Portal provides anonymized information with members and trusted partners subject to the terms of confidentiality agreements. On a less frequent but often more critical basis, the E-ISAC also facilitates and/or participates in classified information discussions and exchanges of information involving appropriately cleared personnel across government and industry.

The E-ISAC's near-term analysis focus will be in the following four areas:

- **Increasing the Frequency of Valuable, In-depth Analysis:** This includes improving business processes, deploying technology to drive greater efficiency, and freeing up resources to support the development and sharing of more valuable analytical products. Leveraging additional quantitative data analysis techniques for identifying observed security patterns and trends across the industry is also important.
- **Improving the Quality and Timeliness of Reports:** The E-ISAC will focus on the quality, relevancy, and timeliness of information sharing in general as they apply to reporting (the right reporting on the right subjects with the right quality at the right times). The E-ISAC will drive progress through focus on the design and execution of supporting quality control processes, such as inbound and outbound product quality assessments.
- **Operationalizing Agreements:** The E-ISAC recently entered into collaboration agreements with the

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<sup>13</sup> The Pacific Northwest National Laboratory, within the strict confines of the CRISP structure where it is subject to detailed data handling and other contractual protections, analyzes information provided by CRISP participants. The E-ISAC has access to CRISP information for purposes of conducting its own analysis for the benefit of CRISP participants. The E-ISAC uses unclassified information derived from CRISP to conduct additional more board-based analysis of sector threats.



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Independent Electricity System Operator, the Multi-State ISAC (MS-ISAC), and the Downstream Natural Gas ISAC. The objectives of each of these agreements is to strengthen information sharing to further enhance analytical products that can be shared with each of these organizations, their members, and other trusted stakeholders. The parties to operationalize the objectives contained in these agreements have designated lead representatives. The principles behind this focus on communication, mutual commitment to defined goals, and shared principles governing dissemination of threat information. The E-ISAC has developed monthly plans that identify key activities and milestones associated with each of the major undertakings. Each month, the E-ISAC reviews these plans and at least annually will conduct an overall evaluation of the progress achieved in connection with each collaboration agreement. Management will also explore similar collaboration initiatives with other strategic partners after assessing the potential benefits and supporting resource requirements.

- **Expanding CRISP Participation and Driving CRISP Data Enrichment and Analysis:** Participation in CRISP has grown significantly in partnership with DOE, which continues to provide significant institutional and financial support for the program, including specific initiatives directed at increasing participation. The E-ISAC is also supporting initiatives to streamline program governance and drive greater program value through data enrichment and analysis. An operational technology pilot is in the evaluation and planning stages; the objective of this pilot is to explore the ability to view and analyze security risks associated operational and control systems technologies and advance participant and stakeholder understanding of the threat landscape facing the utility industry. Additionally, CRISP is in the midst of a Syslog pilot that focuses on collecting and analyzing two new data types to the program: email headers and inbound secure socket layer data. Both of these datasets inform more robust analysis of CRISP data in general and provide insight into anomalous and/or malicious activity affecting the CRISP community. The Syslog pilot will enter operations in 2021. Finally, CRISP is exploring new data collection capabilities through both hardware and software and will begin piloting these in 2021.

In addition, while all registered users of the E-ISAC Portal have access to postings of unclassified information derived from CRISP, there are practical financial and administrative limitations on the ability of smaller utilities to participate directly given the current cost and complexity of the program. The E-ISAC is working with trade associations—the American Public Power Association and National Rural Cooperative Association—and DOE to explore ways to further leverage CRISP and/or similar technologies to benefit small public power companies.

Many municipal and public power utilities outsource their security operations to the MS-ISAC, which is funded by the Department of Homeland Security and attractive to public power organizations with smaller security monitoring budgets. The MS-ISAC offers a sensor program through which it collects and analyzes network security risks for these smaller participating utilities. The E-ISAC is working with the MS-ISAC to explore opportunities to leverage this sensor information further with other E-ISAC data sources, including CRISP, to allow the MS-ISAC to enhance the services provided to these smaller government owned utilities. The success of the E-ISAC's analysis objectives and related strategic partnership initiatives is closely tied to the development and deployment of technology to leverage data and information sharing with these

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entities. This is particularly true with respect to improving and expanding data analytics and associated threat activity insights by combining data from these entities with other available data sources. As noted above, the planned CRISP operating technology pilot will focus on assessing the viability of looking across information and operating technology data to better identify anomalous and malicious activity that affects electricity subsector industry control systems. From a technology perspective, E-ISAC staff is implementing a new data platform. This data platform will increase the speed by which E-ISAC analysts can access, correlate, analyze, and visualize information from across many different data sources, such as open source information, voluntary shares, case tickets, new partner data, and the CRISP data sets. The E-ISAC operations team will use these capabilities to provide more targeted, timely, and enriched information to members. In addition, as mentioned, an automated information sharing pilot is scheduled for 2020 and is aimed at reducing one of the information sharing barriers (cost and time to share) by eliminating redundant data entry and reducing data latency for those that chose to participate. This will facilitate increased member information sharing and security awareness among Portal information sharing groups as well as serve as input into E-ISAC analytical products. The E-ISAC will also leverage enhanced case management and workflow to increase the effectiveness of timely and quality production of information products for the E-ISAC's members. Finally, the E-ISAC will use its CRM system to better track, target, and provide more meaningful and consistent interaction and messaging with E-ISAC partners and members. All of these initiatives will enhance the E-ISAC's ability to provide better service to its members.

### **Longer-Term Strategic and Resource Planning Consideration (3–5 Years)**

As the E-ISAC looks at the longer-term time horizon, it is considering several initiatives to provide additional value to its members and other stakeholders, including the following:

- Enhancing the E-ISAC's analytical capabilities, both internal and in partnership with third parties, while ensuring these enhancements provide value to E-ISAC members
- Working closely with the MEC working group, government, and industry partners to identify and share operational technology risks and risk mitigation strategies
- Enhancing the E-ISAC's capability to better leverage classified and other critical threat and intelligence information (both nonpublic governmental and private sector) to provide timely and actionable information to the sector regarding security risks
- Conducting a detailed evaluation of the benefits, costs, governance and funding issues, and options extending E-ISAC services and capabilities to support the downstream natural gas sector, given cross-sector interdependencies

In addition, the E-ISAC will continue to evaluate partnership opportunities with the commercial sector, other ISACs, and government sponsored research and development organizations. The E-ISAC will also work closely with stakeholders and government partners to carefully evaluate the benefits, resource requirements, and potential challenges and risks associated with each of these initiatives as well as in the formulation of appropriate program activities, budgets, and schedules through transparent resource planning and budget approval processes.

### **Attachment 1**

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2020 Performance Metrics		
<b>Engagement</b>		
Percent increase in prospective member organizations engaged	Percent increase in diversity of types of member organizations participating in Industry Engagement Program and E-ISAC led workshops	Percent increase in cross-sector participation in GridEx
Percent increase in prospective member organizations that sign up to use the E-ISAC portal.	Percent increase in Canadian member organizations	Percent increase in state government participation in GridEx
Frequency of member user interactions by channel	Canadian Electricity Association support of 2021 budget	Quality and usefulness of CRM tool and data: actual results compared to business case assumptions
Elapsed time since last member interaction (e.g., share or contact)	Percent increase in GridEx participation	
<b>Analysis</b>		
Percent increase of content enriched by E-ISAC analysts	Percent increase in joint analytical products with partners	E-ISAC Data Platform project implementation variance from plan
Unclassified Threat Workshop content survey results (relevant, timely, unique, actionable)		
<b>Information Sharing</b>		
<b>Member Portal Sharing:</b> Percent increase in number of portal posts by member organizations	<b>Member Information Sharing:</b> Volume of member organization information sharing within predefined peer groups	<b>Implementation of Portal Enhancements Per Approved Project Plan</b>
<b>Total Information Shares:</b> Percent increase in number of information shares by source, channel, and event type	<b>Member Information Sharing:</b> Percent increase in quality and unique value-add information received from member organizations	<b>Security Watch Operations Coverage:</b> <ul style="list-style-type: none"> <li>• On Duty: Core Hours Head Count</li> <li>• On Call: Off Hours Head Count</li> <li>• On Duty: Off Hours Head Count</li> </ul>
<b>Partner Information Sharing:</b> Percent increase in volume of information shares received from partner organizations Percent increase in quality of information shares received from partner organizations	<b>Percent Increase in Targeted Feedback from Members and Partners</b>	<b>Security Watch Operations Sharing:</b> Indicators of compromise (IOC) loaded into external sharing platform
<b>Staffing and Attrition</b>		
Annual employee attrition rate	Total staff and period over period net change	

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## Attachment 2 List of Products and Services

Products	Description	Audience
Monthly Report	A high-level, summary report that includes monthly trends and analysis that industry members can use to help inform products for industry leadership	All asset owner and operator (AOO) members
Annual Report	An executive-level overview of E-ISAC accomplishments and future trends covering a range of security topics and E-ISAC programs	AOO senior management and CEOs
E-ISAC Brochure	A high-level overview of the E-ISAC offerings and the benefits of becoming a member of the E-ISAC	Prospective or new members and partners
White Papers (Xenotime, Ukraine, Ransomware)	A deep dive analysis into significant or highly publicized events and trends in the industry	AOO cyber and physical analysts
Bulletins, Portal Postings, and Notifications	Timely, informative portal postings relaying information on cyber or physical events as well as national events/comments on media coverage of issues pertaining to the industry	AOO cyber and physical analysts
Services (Workshops, Webinars, Working Groups, Platforms, Conferences, and Exercises)	Description	Audience
Portal	Provides a central repository for the bidirectional sharing of information between E-ISAC members, partners, and staff	All members and partners with Portal access
Cyber Automated Information Sharing System (CAISS)—IOC feeds	Provides participating members with a daily, automated feed of indicators of compromise based on the STIX/TAXII protocol	Participating AOO members
CAISS—threat platform community	Provides participating members with the ability to share and collaborate on cyber security items via a common third party tool	Participating AOO members

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Services (Workshops, Webinars, Working Groups, Platforms, Conferences, and Exercises)	Description	Audience
Monthly Briefing Series (Webinar)	A monthly webinar hosted by the E-ISAC featuring cyber and physical security updates as well as news and trends from partners, including government and cross-sector partners; recordings are posted to the Portal and content is incorporated into the Monthly Report	All AOO members
GridSecCon	Annual conference cohosted by NERC, the E-ISAC, and a rotation of NERC Regional Entities; this brings together cyber and physical security experts from industry and government to share emerging security trends, policy advancements, training, and lessons learned	All members and partners
GridEx	Held every other year, to exercise utilities' crisis response and recovery procedures, improve information sharing during a crisis, gather lessons learned, and engage senior leadership	All members and partners
Cybersecurity Risk Information Sharing Program (CRISP)	CRISP leverages all-source cyber threat intelligence and government-informed reporting to detect threats to North American electricity companies. CRISP is a private-public collaboration coordinated by the E-ISAC between the U.S. DOE and North America's electricity industry. All E-ISAC members benefit from the information gathered regardless of CRISP membership status.	CRISP members
CRISP Workshops	The E-ISAC hosts CRISP workshops twice a year for CRISP participants to discuss threats and to provide an opportunity for participants to network, collaborate, and gain a thorough understanding of the program and identify key areas of enhancements to capabilities from a technical and analytical perspective. This includes a classified briefing for cleared participants.	CRISP members
Industry Engagement Program	A three-day program for small groups of industry analysts to gather at the E-ISAC D.C. office to increase awareness of E-ISAC capabilities,	Open to industry members, with a focus on analysts or those

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Services (Workshops, Webinars, Working Groups, Platforms, Conferences, and Exercises)	Description	Audience
	products, and services and to share best practices and lessons learned with industry colleagues	with information sharing responsibilities
Threat Workshops (Unclassified)	An unclassified workshop hosted by the E-ISAC, focused on facilitating dialogue between industry members and government security specialists about specific grid cyber and physical threats	AOO cyber and physical analysts
Vulnerability of Integrated Security Analysis (VISA) Implementation Workshop	Designed to teach participants how to use the VISA methodology to enhance the physical security of assets	AOO security personnel and analysts
Electricity Subsector Coordinating Council Working Groups	Support and provide subject matter expertise and leadership to help inform ESCC working groups and activities. This includes participation and coordination on ESCC meetings, ESCC working groups, Senior Executive Working Group, weekly government-industry call, and the MEC.	AOO executives and CEOs
Government and Cross-Sector Coordination	Support and provide leadership and technical expertise on security and resilience for government and cross-sector efforts. This includes participation and coordination with the National Council of ISACs, the leading critical infrastructure cross sector community as well as management of international, federal, state, provincial, and local government partners.	All members and partners
Physical Security Advisory Group (PSAG)	An E-ISAC led group that provides expertise to advise the industry on the threat mitigation strategy to enhance physical security and reliability. The group is comprised of over 20 physical security leaders from across industry security, government, and other partners.	AOO physical security members
Critical Broadcast Program	E-ISAC facilitated call to rapidly convene large groups of industry members to share information about imminent/emerging security issues that would operationally or otherwise impact industry.	All AOO members, especially managers and executives

## **Rules of Procedure Amendments for Second Five-Year Performance Assessment Compliance Filing**

### **Action**

Approve proposed revisions to:

- Registration and Certification procedures within Section 500, and Appendices 2, 5A, 5B, and 5C of the Rules of Procedure (ROP);
- Infrastructure Security Program within Section 1003 of the ROP; and
- Sanction Guidelines within Appendix 4B of the ROP.

Direct staff to file the revised ROP with the applicable governmental authorities for approval.

### Attachment 1 – Revisions to Registration and Certification Procedures

- Attachment 1a – [Redline to Section 500](#)
- Attachment 1b – [Clean Section 500](#)
- Attachment 1c – [Redline to Appendix 2](#)
- Attachment 1d – [Redline to Appendix 5A](#)
- Attachment 1e – [Clean Appendix 5A](#)
- Attachment 1f – [Redline to Appendix 5B](#)
- Attachment 1g – [Redline to Appendix 5C](#)

### Attachment 2 – Revisions to Infrastructure Security Program

- Attachment 2a – [Redline to Section 1003](#)
- Attachment 2b – [Clean Section 1003](#)

### Attachment 3 – Revisions to Sanction Guidelines

- Attachment 3a – [Redline Changes to Appendix 4B](#)
- Attachment 3b – [Clean Appendix 4B](#)

### **Introduction**

The North American Electric Reliability Corporation (NERC) proposes the following revisions to modernize the ROP, reflect current business practices, provide further clarification and transparency to Industry Stakeholders, and in response to the Federal Energy Regulatory Commission's (FERC's or Commission's) Certification directives issued in the January 23, 2020 *Order on Five Year Performance Assessment*, 170 FERC ¶ 61,029 (2020) (*Five Year Order*).

### **Revisions to Registration and Certification Procedures**

Section 500 and Appendices 2, 5A, 5B, and 5C



## **Background**

The proposed revisions to Section 500 and Appendices 2, 5A, 5B, and 5C of its currently effective ROP are based on lessons learned and feedback provided by industry stakeholders since the implementation of the Risk-Based Registration initiative.

### *FERC Directives in Five Year Order*

(“NERC should include in the certification process: (1) an updated scope section covering the tools and skills needed to perform the registered function; (2) the minimum criteria for certification, including verification that the entity’s tools, personnel, facilities, and processes can fully support the function; and (3) a mechanism to reject the request for certification if the entity does not meet the requirements for certification. NERC should also consider whether it should permit a conditional approval of an entity that does not meet the requirements for certification if it includes an approved mitigation plan.”)<sup>1</sup>

(“We also direct NERC to establish minimum requirements for the certification team that includes necessary diversity in technical training and experience of team members specific to the function being certified or re-certified, e.g., operations engineering, information technology, modeling, planning, forecasting and systems. Such requirements will better ensure an effective review of certifications. NERC should also augment the certification program to include a review and approval of the proposed schedule for completing a certification. Finally, NERC should establish provisions to address the risk of an entity failing to be certified or to be certified when needed, and to provide a process to work with the impacted entities to mitigate the risk.”)<sup>2</sup>

## **Summary**

### *Section 500*

NERC proposes to specify the roles and responsibilities of entities which are parties to a Joint Registration Organization (JRO) or Coordinated Functional Registration (CFR).

### *Appendix 2*

NERC proposes to revise the JRO definition to explicitly state that one entity will register on behalf of one or more entities for a function type(s), and expand the “Lead Entity” definition so it includes Points of Contact for JROs and CFRs.

### *Appendix 5A*

NERC proposes to eliminate the requirement that the Compliance and Certification Committee (CCC) approve revisions to Appendix 5A of the ROP before submittal to the NERC Board of Trustees (Board). NERC proposes revisions to the NERC-led Registration Review Panel (Panel) process to avoid confusion based on the experience gained since its implementation. NERC proposes adding a new section to the Appendix, “Organization Certification Review Process,” to increase transparency, as the majority of the certification-related activity addresses changes to an entity’s existing certification. NERC also proposes adding new subsections to the existing certification process section, which includes how NERC addresses the Commission’s directives regarding Certification.

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<sup>1</sup> Five Year Order at P. 86.

<sup>2</sup> Five Year Order at P. 87.



### *Appendix 5B*

NERC proposes removing Notes (2, 3, and 4) of Appendix 5B, as they are unnecessary and redundant. NERC proposes renaming Notes 1 and 5, to “Determination of Material Impact” and “Limitation of Responsibilities to a Sub-set of Reliability Standards,” as these names more accurately reflect the content of the sections.

### *Appendix 5C*

NERC proposes to update Appendix 5C of the ROP to: 1) delete posting obligations associated with the transition to the BES definition in 2014, 2) allow additional time for the NERC review panel for Exception Requests after additional material is provided, and 3) provide express authority to designate a person to act on behalf of the NERC President and CEO.

## **Summary of Comments**

NERC had two comment periods on the proposed Registration and Certification revisions.

In the first comment period, comments were received on the Section 500, and Appendices 2, 5A, and 5B revisions. No Comments were received regarding Appendix 5C.

### Comments on Section 500

Commenters asked for further clarification of the proposed revisions, which NERC addressed to ensure that the changes were clear to avoid confusion about the intent of the revised language. Comments were received showing support for the effort to clarify the roles and responsibilities of parties to a CFR, specifically for the provisions requiring that entities must be registered for the function associated with the CFR, and have a “Lead Entity” who is the point of contact for execution and administration, which should reduce confusion for all parties involved.

### Comments on Appendix 2

Commenters requested grammar correction in the JRO definition, and showed appreciation for expanding the “Lead Entity” definition.

### Comments on Appendix 5A

Commenters supported NERC clarification of when a BES Exception Request under Appendix 5C is warranted prior to requesting a NERC-led Panel. Commenters requested greater specificity regarding the Panel process, particularly the burden of proof, standard of proof, how much time entities have to provide materials to the Panel, and terms used to describe the parties.

Commenters wanted a consistent certification approach for entities who are parties to a CFR for the Transmission Operator and Balancing Authority functions. Commenters also addressed terminology, typographical errors, and explanation of certain changes, particularly the changes directed by the Commission.

### Comments on Appendix 5B

Commenters disagreed with the removal of the “Notes” addressing the non-exclusive materiality test and registering an entity for a sub-set list of Reliability Standards. NERC added these provisions back in response to the comments. Comments requested the removal of the specific versions and regional variances of PRC-005 and PRC-006 from the UFLS-Only DP criteria. The consideration of comments from this posting is available here: [ORCP Consideration of Comments \(First Posting\)](#)

In the second comment period, comments were received on Appendices 5A and 5B.

### Comments on Appendix 5A

Commenters addressed possible confusion on which entity bears the burden of proof by describing the evidentiary standard in the Panel process. NERC revised the language in the evidentiary standard to prevent such confusion. There was a comment requesting that NERC keep the process flowcharts of the Appendix. There were also comments on stylistic preferences of terminology.

### Comments on Appendix 5B

Commenters had stylistic preferences on terminology, concern about removing specific versions of the PRC standards from the UFLS-Only Distribution Provider criteria, and posting sub-set list criteria to the NERC website. The consideration of comments from this posting is available here: [ORCP Consideration of Comments \(Second Posting\)](#)

## **Revisions to Infrastructure Security Program**

Section 1003

### **Background**

The proposed revisions are designed to correct inconsistencies and ensure the language in Section 1003 accurately reflects current operational practices related to NERC's infrastructure security program.

#### *FERC Directive in Five Year Order*

(" We direct NERC in the 180-days compliance filing to propose updates to section 1003 of its Rules of Procedure to correct any inconsistencies, particularly regarding the ESCC, and to reflect current operational practices and oversight of the E-ISAC.")<sup>3</sup>

### **Summary**

NERC proposes revisions to Section 1003 to: (1) provide a more accurate description of the Electricity Information Sharing and Analysis Center ("E-ISAC") and its role in the electric industry, (2) clarify that that NERC "operates the E-ISAC on behalf of the electricity sector" in accordance with the request of the U.S. Secretary of Energy in 1998, (3) accurately reflect NERC's relationship with the Electricity Subsector Coordinating Council, (4) revise language regarding NERC's use of a risk management approach to Critical Infrastructure protection to more accurately describe how this is accomplished; and (5) delete references to activities that NERC no longer performs or engages in. Other revisions include clean-up changes, updating the name of the E-ISAC and the National Infrastructure Advisory Council, and other minor clarifications to accurately reflect NERC's activities and practices.

### **Summary of Comments**

NERC had one comment period for the proposed Section 1003 revisions.

Commenters requested removal of references to the E-ISAC Long-Term Strategic Plan as it is a dynamic document and can create uncertainty in the ROP. In response, NERC removed the references to the E-ISAC Long-Term Strategic Plan. Comments requested further explanation in Section 1003.2.2, which NERC revised to more clearly state that NERC shall not consider

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<sup>3</sup> Five Year Order at P. 74.

security matters separate and apart from overall reliability and resilience of the grid. Lastly, comments were submitted requesting page numbers and hyperlinks in the Section. Page numbers are included in the full ROP, and hyperlinks are avoided in the ROP as website domains can change or become obsolete. The consideration of comments from this posting is available here: [Infrastructure Security Program Consideration of Comments](#)

## **Appendix 4B, Sanction Guidelines**

### **Background**

The proposed revisions are updating Appendix 4B to accurately reflect the current practices of NERC and the Regional Entities in levying monetary and non-monetary penalties for violations of the NERC Reliability Standards and Regional Reliability Standards.

#### *FERC Directives in Five Year Order*

(“We direct NERC to amend its Sanction Guidelines in the 180-day compliance filing to provide more transparency in those guidelines as to how NERC and the Regional Entities apply the Base Penalty, Adjustment Factors and Non-Monetary Sanctions, and to submit for Commission review any “tools or formulae” used to implement the Sanction Guidelines.”)<sup>4</sup>

(“NERC should ensure that its revised Sanction Guidelines reflect how NERC and the Regional Entities currently apply the various factors when determining penalties. First, the revisions should explain how NERC and the Regional Entities choose the base penalty amount within the range based on violation risk factor and violation severity level (i.e., section 3.1 and 3.2 of the Sanction Guidelines). Second, the revised guidelines should detail the potential range for aggravating factors applied to the base penalty amount for: (1) risk; (2) duration of violations; (3) size of the entity; (4) management involvement; (5) repetitive violations; and (6) any other factors applied to increase the base penalty amount. NERC should ensure the revised guidelines similarly detail the potential range of mitigating factors applied to reduce the resulting penalty amount for: (1) settlement; (2) self-reporting; (3) admission; (4) internal compliance program; (5) cooperation; and (6) any other credits used to decrease the base penalty amount. Finally, the revised guidelines should address: (1) whether and/or how non-monetary sanctions will be considered in reaching the final penalty amount; (2) how NERC and the Regional Entities will assess a penalty which bears a reasonable relation to the seriousness of the violation and the size of the violator when dealing with multiple subsidiaries of a parent corporation that commit the same violations; (3) how NERC and the Regional Entities will calculate a single penalty for multiple violations by a single entity; and (4) how NERC and the Regional Entities consider “the violator’s financial ability to pay the Penalty,” so that “no Penalty is inconsequential to the violator to whom it is assessed,” as provided in section 2.6 of the current Sanction Guidelines.”)<sup>5</sup>

### **Summary**

NERC proposes revisions to provide more transparency in how it and the Regional Entities determine monetary and non-monetary penalties. NERC details how it and the Regional Entities determine the base penalty amount within the range based on Violation Risk Factor and Violation Severity Level and other documented factors. NERC details what aggravating and mitigating factors can affect the monetary penalty and describes the potential ranges for each

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<sup>4</sup> Five Year Order at P. 81.

<sup>5</sup> Five Year Order at P. 82.

factor, and whether or how non-monetary penalties will be considered in reaching the final monetary penalty amount. NERC also addresses how it and the Regional Entities calculate a single penalty for multiple violations by a single entity, consider the violator's financial ability to pay the penalty so that no penalty is inconsequential to the violator to whom it is assessed, and how to assess a penalty when dealing with multiple subsidiaries of a parent corporation that commit the same violations. Other revisions include clean up changes and other clarifications to accurately reflect the current practices of NERC and the Regional Entities in the development of monetary and non-monetary penalties.

### **Summary of Comments**

NERC had one comment period for the proposed Sanction Guidelines revisions of Appendix 4B.

Commenters stated that some of the proposed revisions would give NERC and the Regional Entities too much discretion and lead to inconsistent application of the Sanction Guidelines across the Regional Entities. In response, NERC revised language in some sections to limit discretion and provided clarification on particular issues in the consideration of comments.

Commenters stated that they disagreed with NERC's position that NERC or the Regional Entities could impose non-monetary sanctions on federal entities. In response, NERC revised the language at issue to note that monetary penalties could not be levied against federal entities but noted its position that certain non-monetary penalties should be available to use with federal entities and that those entities still retain the ability to challenge any non-monetary penalties, starting with the hearing process.

Commenters sought clarifications about a number of items, including the use of public information to ensure penalties are not inconsequential to the entity, providing settlement credit based on the speed of settlement, whether considerations used in the determination of monetary penalties also applied to consideration of non-monetary penalties, how entity size and assessed risk are assessed, consideration of compliance history, self-reporting credit in the lead up to a compliance engagement, an entity's financial ability to pay a monetary penalty, and certain listed non-monetary penalties. In response, NERC revised language in some sections and provided clarification on particular issues in the consideration of comments.

Commenters stated that certain proposed deletions should be rejected as they were not sufficiently supported. In response, NERC restored some of the proposed language and provided further explanation of why other provisions were appropriate for deletion.

Finally, commenters suggested additional mitigating factors and adjustments to the ranges for some mitigation factors. In response, NERC provided explanations for why it believed those changes were not needed.

The consideration of comments from this posting is available here: [Sanction Guidelines Consideration of Comments](#)

## **Proposed Amendments to the North American Electric Reliability Corporation's Bylaws**

### **Action**

Approve

### **Background**

Since NERC became the Electric Reliability Organization (ERO), in 2006, the NERC Bylaws (Bylaws) have been in place largely in their current format. Recent discrete changes to the Bylaws have focused on clarifications of certain requirements, introduction of necessary flexibility, and elimination of outdated language and references.<sup>1</sup>

At the request of the NERC Board of Trustees (Board), NERC management comprehensively reviewed the Bylaws and identified potential revisions to clarify certain requirements, incorporate the Board's feedback on certain governance matters, improve internal document consistency, and align certain provisions with applicable law. The proposed revisions are described below. These revisions also reflect input provided by stakeholders over the course of outreach conducted by NERC and the Member Representatives Committee (MRC) leadership. The proposed revisions do not affect NERC's qualifications or ability to function as the ERO as set forth in section 215 of the Federal Power Act.

Pursuant to Article XIV of the Bylaws, these revisions are subject to approval by the Board, the MRC, and the Federal Energy Regulatory Commission (FERC). NERC management intends to submit the proposed revisions to the Board and MRC at their respective August 2020 meetings and, upon approval, to FERC soon thereafter.

### **Overview**

The two primary areas of revisions relate to the composition of NERC's membership Sectors and certain rules relating to the MRC, as well as the bright line criteria for excluding candidates for the role of an independent NERC trustee. Certain revisions address changes to applicable law. Finally, there are a number of revisions that address inconsistent capitalization of defined terms and remove inoperative provisions.

### ***Membership and Member Representatives Committee Composition and Related Matters***

The main substantive revision proposed relates to the membership structure of NERC. The revisions create an associate Sector, to accommodate candidates for membership that do not meet the definition of an existing Sector. The revisions also modify the Sector membership definitions to ensure consistency with the intent of fair and balanced participation in NERC

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<sup>1</sup> Changes have included: (a) providing a 10-day period of time for newly elected trustees to resolve conflicts of interest; (b) modifying the procedure for electing one or more additional Canadian representatives to the Member Representatives Committee (MRC), as necessary, if sufficient Canadian representation does not result from the initial election of MRC members; (c) revising the provision identifying the original members of the Board; (d) eliminating "regional reliability organization" from the Bylaws; (e) amending a reference to "reliability readiness audits"; (f) authorizing the Board to increase the number of trustees from eleven to twelve, and back to eleven, when necessary; and (g) reducing the five-day prior notice requirement for Board meetings held in closed session to a 24-hour prior notice period.

governance by stakeholders with a significant role in the reliability and security of the bulk power system (BPS).<sup>2</sup>

NERC membership is voluntary and open to any person or entity who has an interest in the reliable operations of the BPS. Members are grouped into Sectors based on commonality of characteristics and interests related to reliability. As defined in the Bylaws, a Sector means a group of members that are BPS owners, operators, or users or other persons and entities with substantially similar interests, including governmental entities, as pertinent to the purposes and operations of NERC and the operation of the BPS.

Over the years, it has become clear that not all entities interested in membership fit within Sectors with substantially similar interests. Certain Sectors have seen an increase in membership of persons and entities that do not necessarily have similar interests pertaining to the purposes and operations of NERC and the operation of the BPS. This issue is most prevalent in the small end-use electricity customer Sector, which as currently defined, includes any person who is a consumer of electricity, regardless of whether that person's interests in NERC or in the operation of the BPS are connected to the particular interests of small-end users. Current members of the small end-use electricity customer Sector include universities, consultants providing advice to entities in various other Sectors, and a Reliability Coordinator. Since virtually everyone is a small end-user, the small end-user Sector became a catchall for candidates for membership that do not fit elsewhere, resulting in the loss of the key requirement that members of the Sector have substantially similar interests.

Additionally, the current language of the Bylaws permit persons or entities to join a Sector if they "represent the interests of" entities in the Sector. This broad formulation calls into question whether common interests exist, and may dilute the voice of those entities for which the Sector was created. For example, a consultant that becomes a member while working for entities in the investor-owned utility (IOU), cooperative utility, and state/municipal utility Sectors must choose to be in one of those Sectors. Similarly, a trade association with members in more than one Sector must choose the Sector in which it will participate.

The proposed revisions redefine all Sectors by removing the last sentence in each definition relating to representatives, and replacing it, in most Sectors, but not all, with a more narrow formulation that allows not-for-profit associations that coordinate and help represent the interests of the members of the Sector to be Sector members unless the majority of the Sector members object. Other entities that do not meet a Sector definition but have an interest in the Reliable Operation of the BPS would be eligible to become members in the associate Sector, with the rights and responsibilities discussed below.

The revised definition of the small end-use electricity consumer Sector would include only those entities that exist to protect the interests of small end-use electricity customers as a group, such as consumer advocates and similar organizations, rather than any person or entity that consumes electricity and does not fit within the definition of a large end-user. This change creates consistency between the Sector's intent and representation of small end-users interests at NERC by remediating Sector's current dilution as explained above.

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<sup>2</sup> The proposed revisions do not affect the Segments of the NERC Registered Ballot Body.

The revisions also create an associate Sector, accommodating persons and entities who do not fit within another Sector definition. The associate Sector accommodates the interests of the broader public who may want to participate in NERC matters in a membership capacity while ensuring that the remaining Sectors are comprised of members with a substantial and direct interest in BPS reliability.<sup>3</sup> Associate Sector members have all rights and duties of members of other Sectors, except for the right to nominate and elect Member Representatives Committee representatives. Associate Sector members shall be entitled to receive all public notices issued by the Corporation and may participate on any public meetings of the Corporation or its committees.

At the request of any other Sector, associate Sector members may serve as representatives of such Sector on the Member Representatives Committee and other committees with Sector representation, serve as a proxy for a Sector member, and may coordinate and deliver such Sector's policy input to the Board. They also may serve as at-large members or proxy representatives on committees that include at-large members. No changes are being proposed to the nomination processes for the MRC or other committees. The nomination and selection of associate Sector members to represent Sectors or in at-large capacities, for those committees that have at-large members, would follow existing processes. Additionally, no changes to the rights and responsibilities of MRC members are being proposed, other than with respect to the Regional Entity sector, discussed below. An associate Sector member that is elected as a representative of a Sector will, therefore, have the same rights and responsibilities as any other MRC member.

Given the Regional Entities' unique role in working with NERC to fulfill a common mission, the revisions eliminate the voting representation of the Regional Entities on the MRC, while maintaining their participation as non-voting members. The revisions also clarify the language in the definition of the Government representative Sector as it relates to members of the Sector that are non-voting members of the MRC (rather than of the Sector).

The proposed revisions clarify that the Florida Reliability Coordinating Council would participate in the same Sector as the Independent System Operators (ISO) and Regional Transmission Organizations (RTO), rather than participating in the small-end use Sector.

Finally, as it relates to the timing of filling vacancies on the MRC as a result of the election of the chairman and vice chairman, we propose to introduce some flexibility to account for situations in which that election happens off cycle, for example, if a chairman or vice chairman ceases to serve before the end of his or her term and a replacement is named from other MRC voting members. The current language could be read to preclude immediate action to refill the position that would be vacated as a result.

### ***NERC Board Independence and Committee Composition***

The revisions clarify the criteria for independent NERC trustees, to better align the Bylaws with the requirements in section 215 of the Federal Power Act regarding the ERO's independence from users, owners, and operators of the BPS. They also address a trustee's eligibility to serve on the Board's Nominating Committee if he or she is not seeking reelection. The revisions

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<sup>3</sup> The definition of "Sector" is also being revised to contemplate the associate sector, where members may not have substantially similar interests among themselves.

streamline, without making substantive revisions, the language regarding the Board's ability to increase and decrease the number of independent trustees.

Independent trustees may not be officers, directors, or employees of any entities that are subject to NERC Reliability Standards. While that has been the practice, the current language of the Bylaws describing limitations and exclusions with respect to potential independent trustees refers instead to NERC members rather than to owners, operators, and users of the BPS. The revised Bylaws make the restriction explicit for entities that are owners, operators and users of the BPS and address relationships with other members that would interfere with a trustee's independent judgment in the catchall provision that prohibits any such relationships.

The Bylaws currently provide that a NERC employee or officer may not serve as an independent director, but the independent chairman and vice chairman of the Board elsewhere in the Bylaws are defined as NERC officers. The amendments resolve this inconsistency by eliminating the restriction on service as independent trustees by those NERC officers who are not also NERC employees.

The revisions also clarify that the Nominating Committee may include any trustee who is not standing for reelection, such as those who are term-limited. Similarly, the Nominating Committee can be chaired by any trustee who is not standing for reelection.

### ***Other Revisions***

In addition to these substantive amendments, NERC management proposes to align the Bylaws with New Jersey corporate law regarding actions without a meeting by members, MRC and Board, as well as provisions relating to remote attendance in meetings.

Finally, NERC management proposes additional non-substantive amendments to remove outdated or inoperative provisions and to address capitalization of defined terms.

Additional detail concerning all of the proposed revisions is below.

## **Description of Amendments on Membership, Trustee Independence, Standing Committees and the MRC**

### **Article I – Definitions**

- *Section 1 – Definitions*

Revises the definition of "Sector" to allow for a sector in which members do not have substantially similar interests. This was required to accommodate the new "associate" Sector that was created to accommodate a broader interest in NERC membership by entities that are not users, owners, and operators of the BPS without causing dilution of other Sectors.

### **Article II – Membership**

- *Section 1 – Members*

Clarifies that membership in the Corporation requires compliance with the requirements of Section 1, including successfully registering in a Sector or as an associate Sector member.



- *Section 2 – Membership Initiation and Renewal*  
Clarifies the language used to avoid confusion between the initiation of the membership process and “registration” which is the process by which entities become subject to NERC Reliability Standards.
- *Section 4 – Membership Sectors*  
Narrows the definitions of most Sectors to exclude certain representatives, which would become associate Sector members. A similar change is made to Section 4(b).
- *Section 4(a)(ix) – Small End-use Electricity Customer*  
Defines the Sector to include persons or entities that represent the collective interests of customers who meet the specific qualifications in this section. The proposed amendment is necessary to better capture entities such as state consumer advocates or other advocate groups and avoid dilution of that perspective. The revisions also eliminate the possibility of redundant representation of persons or entities in this Sector and in another Sector. Specifically, individuals or entities that provided products or services within the previous 12 months related to BPS reliability to entities eligible to join another Sector are precluded from joining this Sector.
- *Section 4(a)(x) – Independent System Operator/Regional Transmission Organization*  
Amends this Sector definition to include the Florida Reliability Coordinating Council.
- *Section 4(a)(xii) – Government Representatives*  
Clarifies the language in the definition of the Government representative Sector as it relates to members of the Sector that are non-voting members of the MRC (rather than of the Sector).
- *Section 4(a)(xiii) – Associate*  
Defines the associate Sector and its rights and responsibilities.

### Article III – Board of Trustees

- *Sections 1a and 1b – Increase in Number of Trustees; Decrease in Number of Trustees*  
Streamlines the provisions, without altering the substance.
- *Section 2(a) – Composition of Board Based on Country Participation*  
Clarifies that a Canadian Board member must be a citizen and resident of Canada. While that has been the practice, the revised Bylaws would make this requirement explicit.
- *Section 3(a) – Independent Board Members*  
Clarifies that independent trustees may not be officers, directors, or employees of entities that are subject to Reliability Standards. While that has been the practice, and is reflected in NERC’s Governance Guidelines regarding ethics and conflicts of interest, the revised Bylaws would make this requirement explicit. The amendments would also

remove restrictions associated with relationships with NERC members who are not subject to Reliability Standards. This is necessary to align this provision with the requirement in section 215 of the Federal Power Act that the ERO be independent of owners, users, and operators of the BPS. This is also done in recognition of the fact that membership in NERC is broadly diverse and open to the public so the current limitation has the potential to be unduly restrictive. Finally, the revisions would address a potential inconsistency in the Bylaws regarding the treatment of the Board chairman and vice chairman, both of whom are at one time officers of the Corporation pursuant to Article VI, Sections 1(a) and 1(b) and independent trustees.

- *Section 5 – Nominating Committee*

Clarifies that the nominating committee may include any trustee who is not standing for reelection, such as those who are term-limited. Similarly, the Nominating Committee can be chaired by any trustee who is not standing for reelection. An additional clarification is made with respect to the language describing the timing of the expiration of a trustee term, which coincides with the annual election, in the year subsequent to when the Nominating Committee is seated.

#### Article V – Meetings of the Board of Trustees

- *Section 2 – Special Meetings of the Board*

Updates references to various means of providing notice.

#### Article VI – Officers

- *Section 1 – Officers*

Deletes references to “assistant secretary-treasurer” because this officer position is deemed unnecessary.

#### Article VIII – Member Representatives Committee

- *Section 2 – Composition of the Member Representatives Committee*

Proposes to make the representatives from the Regional Entity Sector non-voting members of the committee. Clarifies that an associate Sector member may be nominated by a Sector to represent such Sector. The revisions also reorganize the language describing voting rights of representatives of other Sectors for clarity, without additional substantive modification.

- *Section 3 – Election of the Members of the Member Representatives Committee*

Clarifies that an associate Sector member may be nominated by a Sector to represent such Sector.

- *Section 6 – Vacancies on the Member Representatives Committee*

As it relates to the timing of filling vacancies on the MRC as a result of the election of the chairman and vice chairman, we propose to introduce some flexibility to account for situations in which that election happens off cycle, for example, if a chairman or vice chairman ceases to serve before the end of his or her term and a replacement is named

from other MRC voting members. The current language could be read to preclude immediate action to refill the position that would be vacated as a result.

- *Section 8 – Special Meetings of the Member Representatives Committee*  
Updates references to various means of providing notice.

## **Description of Proposed Amendments for Internal Document Consistency and Alignment with New Jersey Law**

### Article IV – Meeting of Members of the Corporation

- *Section 4 – Action Without Meeting of Members*  
Revises the Bylaws to permit less than unanimous written consent of all members to authorize actions so long as certain procedural steps are taken.
- *Section 5 – Meetings of Members to be Open*  
Addresses revisions to New Jersey corporate law regarding remote meeting participation under certain circumstances.

### Article V – Meetings of the Board of Trustees

- *Section 4 – Meetings of the Board to be Open*  
Clarifies remote participation in meetings.
- *Section 6 – Action without a Meeting*  
Revises the Bylaws to allow for more efficient decision making through actions without a meeting, provided that all trustees consent to such decision in writing.

### Article VIII – Member Representatives Committee

- *Section 12 – Action Without a Meeting of the Member Representatives Committee*  
Clarifies that in the case of the election of trustees by the MRC, the action may be taken without a meeting only if all members of the MRC consent thereto in writing.

## **Proposed Amendments to Remove Inoperative Provisions**

### Article III – Board of Trustees

- *Section 3(b) – Independent Board Members*  
Removes the original list of Board members as well as the notation for including current and future members since this information is publicly available on NERC's website.
- *Section 5 – Nominating Committee*  
Removes outdated language regarding the election of trustees held in February 2007.

## Article VIII – Member Representatives Committee

- *Sections 2, 3, 5, 6, & 13 – Elections of Members of the Member Representatives Committee – Officers of the Member Representatives Committee – Vacancies on the Member Representatives Committee – Other Procedures of the Member Representatives Committee*

Removes outdated language regarding the initial elections.

## Article IX – Reliability Standards

- *Section 1 – Development of Reliability Standards*

Removes the initial November 1, 2006 Bylaws reference and updates this provision to apply the NERC Rules of Procedure (ROP) that are in effect “as of the date of these Bylaws.”

## Article XI – Rules of Procedure

- *Section 2 – Adoption, Amendment, and Repeal of Rules of Procedure*

Removes the initial November 1, 2006 Bylaws reference and update this provision to apply the ROP that are in effect “as of the date of these Bylaws.”

## **Other Proposed Non-Substantive Amendments**

Defined terms were capitalized throughout the document. In addition, a clarifying change was made in Article II, Section 3, to replace “it’s” with “the Corporation’s.” And in Article VIII, Section 6, the terms “chair” and “vice chair” were revised to conform to the usage elsewhere in the document.

All proposed revisions are reflected in the attached redlined Bylaws.

## **Attachment**

1. Proposed NERC Bylaws Amendments (*redline*)

# Amended and Restated **Bylaws**

Approved by the Board of Trustees: ~~February 8, 2018~~[Date] Effective: ~~September 25, 2018~~[Date]

# AMENDED AND RESTATED BYLAWS

## OF THE

## NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION

### ARTICLE I

#### Definitions

**Section 1 — Definitions** — As used in these Bylaws of the North American Electric Reliability Corporation (hereinafter referred to as “the Corporation”), the terms set forth in this Article I shall have the meanings set forth herein.

“~~Applicable Governmental Authority~~Applicable governmental authority” means the Federal Energy Regulatory Commission within the United States and the appropriate governmental authority with subject matter jurisdiction over reliability within Canada and Mexico.

“Board” means the Board of Trustees of the Corporation.

“~~Bulk power system~~Bulk Power System” means facilities and control systems necessary for operating an interconnected electric energy transmission network (or any portion thereof) and electric energy from generation facilities needed to maintain transmission system reliability. The term does not include facilities used in the local distribution of electric energy.

“Commission” means the Federal Energy Regulatory Commission.

“~~Electric reliability organization~~Electric Reliability Organization” or “ERO” means the organization that is certified by the Commission under Section 39.3 of its regulations, the purpose of which is to establish and enforce Reliability Standards for the ~~bulk power system~~Bulk Power System in the United States. The organization may also have received recognition by applicable governmental authorities in Canada and Mexico to establish and enforce ~~reliability standard~~Reliability Standards for the ~~bulk power system~~Bulk Power Systems of the respective countries.

“Member” means a member of the Corporation pursuant to Article II of these Bylaws.

“Net Energy for Load (NEL)” means net generation of an electric system plus energy received from others less energy delivered to others through interchange. It includes system losses, but excludes energy required for storage of energy at energy storage facilities. Calculations of ~~net energy for load~~Net Energy for Load for all purposes under these Bylaws shall be based on the most recent calendar year for which data on ~~net energy~~

~~for load~~Net Energy for Load of applicable regions of the United States, Canada, and Mexico is available.

~~“Regional entity~~Regional Entity” means an entity having enforcement authority pursuant to 18 C.F.R. § 39.8.

~~“Reliability standard~~Reliability Standard” means a requirement to provide for ~~reliable operation~~Reliable Operation of the ~~bulk power system~~Bulk Power System, including without limiting the foregoing requirements for the operation of existing ~~bulk power system~~Bulk Power System facilities, including cybersecurity protection, and the design of planned additions or modifications to such facilities to the extent necessary for ~~reliable operation~~Reliable Operation of the ~~bulk power system~~Bulk Power System, but shall not include any requirement to enlarge ~~bulk power system~~Bulk Power System facilities or to construct new transmission capacity or generation capacity.

~~“Reliable operation~~Reliable Operation” means operating the elements of the ~~bulk power system~~Bulk Power System within equipment and electric system thermal, voltage, and stability limits so that instability, uncontrolled separation, or cascading failures of the ~~bulk power system~~Bulk Power System will not occur as a result of a sudden disturbance, including a cybersecurity incident, or unanticipated failure of system elements.

“Sector” means a group of members of the Corporation that are ~~bulk power system~~Bulk Power System owners, operators, or users or other persons and entities with substantially similar interests, including governmental entities, ~~or other persons or entities that have an interest in the Reliable Operation of the North American Bulk Power System~~, as pertinent to the purposes and operations of the Corporation and the operation of the ~~bulk power system~~Bulk Power System, as defined in Article II, Section 4 of these Bylaws. Each ~~sector~~Sector shall constitute a class of members for purposes of the New Jersey Nonprofit Corporation Act.

**Section 2 — Additional Defined Terms** — Additional terms not defined in this Article I are defined in the remainder of these Bylaws.

**Section 3 — Technical Terms** — Technical terms not defined in these Bylaws shall have the definitions set forth in the Federal Power Act, Part 39 of the regulations of the Commission, or the “Glossary of Terms Used in Reliability Standards”, in that order of precedence, and if not defined in any of those sources, shall be defined in accordance with their commonly understood and used technical meaning in the electric power industry, including applicable codes and standards.

## ARTICLE II Membership

**Section 1 — Members** — Membership in the Corporation is voluntary and is open to any person or entity that has an interest in the ~~reliable operation~~Reliable Operation of the North American ~~bulk power system~~Bulk Power System and that registers with the Corporation in a Sector as a member, maintains its registration in accordance with this Article II, and complies with the other conditions and obligations of membership specified in these Bylaws.

~~Membership in a regional entity~~Regional Entity shall not be a condition for membership in the Corporation. The secretary of the Corporation shall maintain a roster of the members of the Corporation.

**Section 2 — ~~Registration as a~~ Membership Initiation and Renewal** — Any person or entity that is eligible to be a member of the Corporation in accordance with Article II, Section 1 may become a member by completing, and submitting to the secretary of the Corporation, a membership registration on a form prescribed by the ~~board~~Board. If not a natural person, the member shall designate a

representative and an alternative representative with authority to receive notices, cast votes, and execute waivers and consents on behalf of the member. The secretary of the Corporation shall maintain a current roster of the members of the Corporation including each member's designated representative and alternative representative. From time to time, the ~~board~~Board shall establish a date by which members shall submit their registration renewals. All members shall be required to renew their registrations within thirty (30) calendar days of a request by the secretary of the Corporation, using a registration renewal form prescribed by the ~~board~~Board. The secretary of the Corporation shall remove from the roster of members of the Corporation any member that has not submitted a registration renewal within thirty (30) days following a date established by the ~~board~~Board. The secretary shall notify any member that is removed from the roster of members of such removal, by notice sent to such former member's last known address on the records of the Corporation.

### **Section 3 — Obligations and Conditions of Membership**

- a. Each member shall agree, in writing, to accept the responsibility to promote, support, and comply with the purposes and policies of the Corporation as set forth in ~~its the~~ Corporation's Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards as from time to time adopted, approved, or amended.



- b. As an additional condition of membership in the Corporation, each person or entity registering as a member shall be required to execute an agreement with the Corporation, in a form to be specified by the ~~board~~Board, that such person or entity will hold all trustees, officers, employees, and agents of the Corporation, as well as volunteers participating in good faith in the activities of the Corporation, harmless, to the extent permitted by Federal or provincial laws, regulations and rules, for any injury or damage to that member caused by any act or omission of any trustee, officer, employee, agent, or volunteer in the course of performance of his or her duties on behalf of the Corporation, other than for acts of gross negligence, intentional misconduct, or a breach of confidentiality.

#### Section 4 — Membership Sectors

- a. Each member that qualifies for membership in one or more Sectors as defined below shall elect to be assigned to one ~~of the following memberships~~such sector~~Sectors~~: (i) investor-owned utility; (ii) state/municipal utility; (iii) cooperative utility; (iv) federal or provincial utility/power marketing administration; (v) transmission-dependent utility; (vi) merchant electricity generator; (vii) electricity marketer; (viii) large end-use electricity customer; (ix) small end-use electricity customer; (x) independent system operator/regional transmission organization; (xi) ~~regional entity~~Regional Entity; ~~or~~ (xii) government representatives; or (xiii) associate. The composition of each ~~sector~~Sector shall be as follows:
- i. Investor-owned utility — This ~~sector~~Sector includes any investor-owned entity with a substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission or distribution. ~~This sector also includes organizations that represent the interests of such entities. A not-for-profit association that coordinates and helps represent the interests of members of the Sector may be a member of the Sector unless the majority of the other members of the Sector objects.~~
  - ii. State/municipal utility — This ~~sector~~Sector includes any entity owned by or subject to the governmental authority of a state or municipality, that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state or municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating, transmitting, or purchasing electricity for sale at wholesale to their members. ~~This sector also includes organizations that represent the interests of such entities. A not-for-profit association that coordinates and helps represent the interests of members of~~

the Sector may be a member of the Sector unless the majority of the other members of the Sector objects.

- iii. Cooperative utility — This ~~sector~~Sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a ~~board~~Board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities. ~~This sector also includes organizations that represent the interests of such entities.~~ A not-for-profit association that coordinates and helps represent the interests of members of the Sector may be a member of the Sector unless the majority of the other members of the Sector objects.
- iv. Federal or provincial utility/Federal Power Marketing Administration — This ~~sector~~Sector includes any U.S. federal, Canadian provincial, or Mexican entity that owns and/or operates electric facilities in any of the asset categories of generation, transmission, or distribution; or that functions as a power marketer or power marketing administrator. ~~This sector also includes organizations that represent the interests of such entities.~~ A not-for-profit association that coordinates and helps represent the interests of members of the Sector may be a member of the Sector unless the majority of the other members of the Sector objects.
- v. Transmission-dependent utility — This ~~sector~~Sector includes any entity with a regulatory, contractual, or other legal obligation to serve wholesale aggregators or customers or end-use customers and that depends primarily on the transmission systems of third parties to provide this service. ~~This sector also includes organizations that represent the interests of such entities.~~ A not-for-profit association that coordinates and helps represent the interests of members of the Sector may be a member of the Sector unless the majority of the other members of the Sector objects.
- vi. Merchant electricity generator — This ~~sector~~Sector includes any entity that owns or operates an electricity generating facility that is not included in an investor-owned utility's rate base and that does not otherwise fall within any of ~~sector~~Sectors (i) through (v). This ~~sector~~Sector includes but is not limited to cogenerators, small power producers, and all other nonutility electricity producers such as exempt wholesale generators who sell electricity at wholesale. ~~This sector also includes organizations that represent the interests of such entities.~~ A not-for-profit association that coordinates and helps represent the interests of members of the Sector may be a member of the Sector unless the majority of the other members of the Sector objects.

- vii. Electricity marketer — This ~~sector~~Sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in North America on a physical or financial basis. ~~This sector~~Sector also includes organizations that represent the interests of such entities. A not-for-profit association that coordinates and helps represent the interests of members of the Sector may be a member of the Sector unless the majority of the other members of the Sector objects.
  
- viii. Large end-use electricity customer — This ~~sector~~Sector includes any entity in North America with at least one service delivery taken at 50 kV or higher (radial supply or facilities dedicated to serve customers) that is not purchased for resale; and any single end-use customer with an average aggregated service load (not purchased for resale) of at least 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. ~~This sector~~Sector also includes organizations that represent the interests of such entities. A not-for-profit association that coordinates and helps represent the interests of members of the Sector may be a member of the Sector unless the majority of the other members of the Sector objects.
  
- ix. Small end-use electricity customer — This Sector includes persons or entities such as associations, state consumer advocates, or other advocacy organizations that represent the collective interests of groups of electricity end users that take service ~~This sector includes any person or entity within North America that takes service~~ below 50 kV ~~or; and any single end-use customer~~have with an average aggregated service load (not purchased for resale) of less than 50,000 MWh annually, excluding cogeneration or other back feed to the serving utility. ~~This sector also includes organizations (including state consumer advocates) that represent the interests of such entities. A not-for-profit association that coordinates and helps represent the interests of members of the Sector may be a member of the Sector unless the majority of the other members of the Sector objects. Any individual or entity providing products or services within the previous twelve (12) months related to Bulk Power System reliability to an entity eligible to join another Sector cannot join this Sector.~~
  
- x. Independent system operator/regional transmission organization — This ~~sector~~Sector includes any entity authorized by the Commission to function as an independent ~~transmission~~ system operator, a regional transmission organization, or a similar organization; comparable entities in Canada and Mexico; ~~and~~ the Electric Reliability Council of Texas or its successor; and the Florida Reliability Coordinating Council, or its successor. ~~This sector also includes organizations that represent the interests of such entities.~~

xi. ~~Regional entity~~Regional Entity — This ~~sector~~Sector includes any ~~regional entity~~Regional Entity as defined in Article I, Section 1.

xii. Government representatives — This ~~sector~~Sector includes any federal, state, or provincial government department or agency in North America having a regulatory and/or policy interest in wholesale electricity. ~~A not-for-profit association that coordinates and helps represent the interests of members of the Sector may be a member of the Sector unless the majority of the other members of the Sector objects.~~ Entities with regulatory oversight over the Corporation or any ~~regional entity~~Regional Entity, including U.S., Canadian, and Mexican federal agencies and any provincial entity in Canada having statutory oversight over the Corporation or a ~~regional entity~~Regional Entity with respect to the approval and/or enforcement of ~~reliability standard~~Reliability Standards, may be nonvoting members of ~~this sector's~~Member Representatives Committee.

~~xii.~~xiii. Associate — ~~This Sector includes all members that do not qualify for one of the Sector membership categories set forth in subsections i. through xii. above. Associates shall have all rights and duties of members except for the right to nominate and elect Member Representatives Committee representatives. Associates shall be entitled to receive all public notices issued by the Corporation and may participate on any public meetings of the Corporation or its committees. At the request of any other Sector, an associate may serve as a representative of such Sector on the Member Representatives Committee and other committees with Sector representation, serve as a proxy for a Sector representative, and may coordinate and deliver such Sector's policy input to the Board. Associates also may serve as at-large members or their proxy on committees that include at-large members.~~

b. ~~A member candidate for membership may shall~~ elect to be assigned to any ~~sector~~Sector so long as membership in that ~~sector~~Sector is consistent with the ~~member's candidate's~~ business or other activities. A corporation and its affiliates shall be considered a single member and may register in only one ~~sector~~Sector, which may be any single ~~sector~~Sector for which the corporation or any of its affiliates is eligible. ~~A consultant, attorney, agent, vendor, trade or industry association, state, provincial or local consumer advocate organization that provides services to or otherwise represents the interests of the members of one or more sectors may elect to be assigned to one such sector.~~

**Section 5 — Term of Membership** — Membership in the Corporation shall be retained as long as a member meets its respective qualifications, obligations, and conditions of membership as set forth in this Article II.

**Section 6 — Removal** — In addition to termination of membership in accordance with Article II, Section 2, the ~~board~~Board, following notice to the member and exercise of appropriate due process procedures, may terminate the membership of a member if in the judgment of the ~~board~~Board that member has violated its obligations and responsibilities to the Corporation. This termination shall require a two-thirds vote of the trustees present and voting at a meeting of the ~~board~~Board at which a quorum of the ~~board~~Board entitled to vote is present. Within thirty (30) days following the action of the ~~board~~Board terminating the membership of a member, the member shall be entitled to appeal such termination to the Commission or to the ~~applicable governmental authority~~Applicable Governmental Authority in Canada or Mexico.

### ARTICLE III BoardBoard of Trustees

**Section 1 — Board of Trustees** — The business and affairs of the Corporation shall be managed by a Board of Trustees. The ~~board~~Board shall consist of eleven members (the “trustees”), unless it is increased to twelve members pursuant to Section 1a of this Article III. All but one of the trustees shall be “independent” trustees nominated and elected in accordance with the requirements and procedures specified in Sections 2, 3, 4, 5, and 6 of this Article III (the “independent trustees”). The remaining trustee shall be the person elected by the ~~board~~Board, in accordance with Article VI, Section 1, of these Bylaws, to serve as president of the Corporation (the “management trustee”). Each trustee, including the management trustee, shall have one (1) vote on any matter brought before the ~~board~~Board for a vote. All trustees are expected to serve the public interest and to represent the reliability concerns of the entire North American ~~bulk power system~~Bulk Power System.

**Section 1a — Increase in Number of Trustees** — ~~If it deems to be in best interests of the Corporation and its Members, t~~The ~~board~~Board shall have the authority, by resolution, adopted no later than December 1, to increase the number of trustees from eleven to twelve, of which eleven trustees shall be independent trustees, with such increase to be effective as of the date of an annual election of independent trustees pursuant to Section 6 of this Article III. ~~In order for the board to exercise this authority, the resolution increasing the number of trustees from eleven to twelve must be adopted by the board no later than December 1 immediately preceding the date of the annual election of independent trustees at which the increase is to be effective, and shall state a determination by the board that the increase is in the best interests of the Corporation and its Members. If the board adopts a resolution increasing the number of trustees from eleven to twelve, the nominating committee appointed pursuant to Section 5 of this Article III shall nominate a candidate to stand for election to the newly created independent trustee position at the next annual election of independent trustees, along with candidates for the positions of independent trustees whose terms are expiring as of such election.~~—The newly-created independent trustee position shall be filled by election in accordance with Section 6 of this Article

III. ~~Upon election of a trustee to the newly created independent trustee position, the board shall thereafter consist of twelve trustees, of whom eleven shall be independent trustees and one shall be the management trustee provided for in Section 1 of this Article III, unless the~~

~~board decreases the number of trustees in accordance with Section 1b of this Article III.~~

**Section 1b — Decrease in ~~number~~ Number of ~~T~~trustees** — If the ~~board~~Board has previously increased the number of trustees under Section 1a of this Section III, and if it deems to be in the best interests of the Corporation and its Members, the ~~board~~Board shall have the authority, by resolution, adopted by September 1, to decrease the number of trustees from twelve to eleven, of which ten trustees shall be independent trustees, with such decrease to be effective as of the date of an annual election of independent trustees pursuant to Section 6 of this Article III. The decrease in number of trustees shall be effected by eliminating one of the independent trustee positions whose term is expiring as of the date of such annual election of trustees, in which case no election shall be held to replace such trustee. ~~In order for the board to exercise this authority, the resolution decreasing the number of trustees from twelve to eleven must be adopted by the board no later than September 1 immediately preceding the date of the annual election of independent trustees at which the decrease is to be effective; shall identify the independent trustee position expiring at the date of such annual election that shall be eliminated; and shall state a determination by the board that the decrease is in the best interests of the Corporation and its Members.~~

## **Section 2 — Composition of Board Based on Country Participation**

- a. The ~~board~~Board shall consist of a number of trustees from the United States and from Canada. A trustee from Canada shall be a citizen and resident of Canada. The number of trustees from Canada shall not be less than the percentage of the NEL of Canada to the total NEL of the United States and Canada, times eleven (or times twelve if the number of trustees has been increased to twelve pursuant to Section 1a of this Article III), rounded up to the nearest whole number. For purposes of this ~~board~~Board composition requirement, the management trustee shall be counted as a trustee from Canada if he or she is a Canadian citizen and resident.
- b. When the Corporation receives recognition by appropriate regulatory authorities in Mexico as its ~~electric reliability organization~~Electric Reliability Organization, the number of independent trustees will be increased by at least one, and the ~~board~~Board composition requirement in subsection (a) will be expanded to include Mexico.

**Section 3 — Independent Board Members** — The independent trustees shall be elected, shall have the qualifications specified, and shall serve in the manner provided in this section.

- a. An independent trustee is a person ~~(i)~~ who is not (i) an ~~officer or~~ employee of the



Corporation, ~~(ii) a member, user, owner, or operator of the Bulk Power System subject to Reliability Standards,~~ or an officer, director, or employee of ~~a member of the Corporation, such an entity,~~ ~~or~~ ~~(iii)~~ an officer, director, or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of ~~board~~ Board decisions; and ~~is (ii) a person~~ who does not have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee. Provided, that upon initial election to the ~~board~~ Board, an independent trustee shall within ten (10) days terminate any employee, officer, or director position that conflicts with this subparagraph and shall within sixty (60) days terminate any financial interest or other relationship that conflicts with this subparagraph, and prior to such termination shall not participate in discussion of or voting on any matter involving the entity of which the trustee is an employee, officer or director or in which the trustee has the

financial interest or other relationship giving rise to the conflict.

Independent trustees shall be elected to terms expiring at the annual election of independent trustees occurring in the third year after their election. ~~As of the original effective date of these Bylaws, the independent trustees of the Corporation and the date the term of each independent trustee expires were as follows:~~

<u>Name</u>	<u>Term Expires</u>
<del>John Q. Anderson</del>	<del>2007</del>
<del>Paul F. Barber</del>	<del>2008</del>
<del>Thomas W. Berry</del>	<del>2007</del>
<del>Richard Drouin</del>	<del>2009</del>
<del>James M. Goodrich</del>	<del>2008</del>
<del>Donald P. Hodel</del>	<del>2008</del>
<del>Sharon L. Nelson</del>	<del>2007</del>
<del>Bruce A. Scherr</del>	<del>2009</del>
<del>Kenneth G. Peterson</del>	<del>2009</del>
<del>Fred Gorbet</del>	<del>2008</del>

- b. Independent trustees shall be nominated and elected pursuant to the nomination and election procedures specified in Sections 4, 5, and 6 of this Article III.

**Section 4 — Vacancies on the Board** —Should any vacancy on the ~~board~~ Board arise from the death, resignation, retirement, disqualification, or removal from office of any independent trustee, or from any other cause, such vacancy shall be filled by electing a trustee at the next annual election of trustees to fill the remainder, if any, of the term of the departed trustee. Provided, that the ~~board~~ Board by resolution may in its discretion call a special election to fill

any such vacancy for the remainder, if any, of the term of the departed trustee. Any vacancy shall be filled so as to maintain the composition of the ~~board~~Board in accordance with country participation pursuant to Section 2 of this Article III.

**Section 5 — Nominating Committee** — The ~~board~~Board shall appoint, on an annual basis, or more frequently if needed in the event of a special election pursuant to Article III, Section 4, a nominating committee (the “nominating committee”) to recommend candidates (i) to succeed the independent trustees whose terms expire ~~during the current year~~at the next annual election and (ii) to serve the remainder of the term of any independent trustee who ceased to serve as a trustee subsequent to the last annual election of trustees. The nominating committee shall consist of ~~those~~ independent trustees ~~whose terms do not expire~~who are not standing for reelection during the current year at the next annual election and such number of other persons with such qualifications as the ~~board~~Board shall specify, provided, that the nominating committee shall be chaired by an independent trustee ~~whose term does not expire~~is not standing for reelection during the current year and shall include at least three persons who are also members of the Member Representatives Committee, ~~and provided further, that the nominating committee formed for the purpose of recommending candidates to stand for election as trustees at the election to be held on or about February 1, 2007, pursuant to Article III, Section 6 shall not include any members of the Member Representatives Committee but shall include three~~

~~persons each of whom at the time of his or her appointment by the chair of the Stakeholders Committee of the North American Electric Reliability Council to the nominating committee shall be a member of that Stakeholders Committee.~~ The ~~board~~Board shall establish, by resolution, the procedures to be followed by the nominating committee in identifying and recommending candidates to serve as independent trustees; provided, however, that such procedures shall include a means of permitting members of the Corporation to recommend to the nominating committee candidates for consideration as nominees for independent trustees. The nominating committee shall nominate candidates for election to the ~~board~~Board consistent with the requirements of Article III, Section 2 for ~~board~~Board composition by country participation, and shall also endeavor to nominate candidates for election to the board consistent with the objectives that the board as an entirety reflects expertise in the areas of technical electric operations and reliability, legal, market, financial, and regulatory matters, and familiarity with regional system operation issues; and reflects geographic diversity.

**Section 6 — Election of Independent Trustees** — The Member Representatives Committee of the Corporation shall elect the persons (i) to succeed those independent trustees whose terms expire each year and (ii) to serve the remainder of the term of any independent trustee who ceased to serve as a trustee subsequent to the last annual election of independent trustees. The annual election of independent trustees shall be scheduled to be conducted on or about February 1 of each year or as soon thereafter as is reasonably possible. Any special election pursuant to Article III, Section 2 shall be held as expeditiously as possible consistent with the time required for a nominating committee to be appointed and to nominate one or more candidates for the special election. All independent trustees shall be elected from nominees



proposed by the nominating committee. A nominee shall be elected an independent trustee if such person receives the affirmative vote of two-thirds of the members of the Member Representatives Committee. Each nominee receiving the necessary two-thirds vote of the Member Representatives Committee shall take office immediately upon election. In the event that the voting fails to elect a nominee to fill any of the positions of independent trustee to be filled in an annual election of independent trustees, the nominating committee shall as promptly as reasonably possible consider and propose one or more additional nominee or nominees for that position, and a vote by the Member Representatives Committee on the election of such nominee or nominees shall be conducted as quickly as possible. For avoidance of doubt, the independent trustees shall be elected by the Member Representatives Committee in accordance with this Section 6 and shall not be elected by vote of the members of the Corporation.

**Section 7 — Management Trustee** — The president of the Corporation shall be, ex officio, the management trustee of the Corporation, effective as of the date of his or her election by the ~~board~~Board as president of the Corporation in accordance with Article VI, Section 1, of these Bylaws, to serve until such time that he or she ceases to hold the position of president.

**Section 8 — Committees of the Board** — The ~~board~~Board shall by resolution create and appoint all committees of the ~~board~~Board as the ~~board~~Board deems necessary to perform its responsibilities; provided, that the management trustee shall not be a member of the audit committee or of the human resources committee, if any. All committees of the ~~board~~Board shall have such duties as are prescribed by the ~~board~~Board. Notice to the public of the dates, places, and times of meetings of

~~board~~Board committees, and all nonconfidential material provided to committee members, shall be posted on the Corporation's Web site within 24 hours of the time that notice is given to committee members. Meetings of ~~board~~Board committees shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity.

## ARTICLE IV Meetings of Members of the Corporation

**Section 1 — Meetings of Members** — Meetings of members of the Corporation may be called for any purpose or purposes by the chairman of the ~~board~~Board or by a number of members constituting at least ten (10) percent of the members on the roster of members maintained by the secretary of the Corporation, which number shall include members in at least three of the ~~sector~~Sectors. Meetings of members shall be held at the principal office of the Corporation or at such other place fixed by the ~~board~~Board as shall be specified in the notice of meeting. Meetings shall be called upon written notice of the time, date, place, and purposes of the meeting given to all members on the roster of members maintained by the secretary of the Corporation not less than ten (10) nor more than sixty days (60) prior to the date of the meeting.

**Section 2 — Quorum and Voting Requirements for Meetings of Members** — At any meeting of the members of the Corporation, attendance in person or by proxy by one-half of the members in each of at least two-thirds of the ~~sectors~~Sectors on the roster of members maintained by the secretary of the Corporation shall constitute a quorum. Except as otherwise expressly provided in the Corporation’s Certificate of Incorporation, these Bylaws or applicable law, actions by the members of the Corporation shall be approved upon receipt of seven affirmative votes at a meeting of the members of the Corporation at which a quorum is present, where (i) each ~~sector~~Sector of the Corporation shall have one vote, except that if less than one-half of the members in a ~~sector~~Sector are present, in person or by proxy, at the meeting, the vote of that ~~sector~~Sector shall be weighted by a percentage equal to the number of members of the ~~sector~~Sector present in person or by proxy at the meeting divided by one-half of the members in the ~~sector~~Sector; (ii) the vote of each ~~sector~~Sector of the Corporation shall be allocated for and against the proposed action based on the respective percentages of votes cast for and against the proposed action by the members in that ~~sector~~Sector voting in person or by proxy; and (iii) the proportions of the votes of each ~~sector~~Sector allocated for and against the proposed action shall be summed to determine the total number of votes for and against the proposed action.

**Section 3 — Waivers of Notice of Meetings of Members; and Member Meeting**

**Adjournments** — Notice of a meeting of members need not be given to any member who signs a waiver of notice, in person or by proxy, whether before or after the meeting. The attendance of any member at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice of the meeting by such member. When any meeting of members is adjourned to another time or place, it shall not be necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and if at the adjourned meeting only such business is transacted as might have been transacted at the original meeting.

**Section 4 — Action Without a Meeting of Members** — Unless otherwise expressly provided in the Certificate of Incorporation, Any any action, required or permitted to be taken at a meeting of members, may be taken without a meeting upon if the written action is consented to in writing of members who would have been entitled to cast by the minimum number of members that votes which would be required to approve necessary to authorize the action at a meeting of the members at which all members were present and voting. In the case of any corporate action taken without a meeting by less than unanimous written consent of the members; (i) advance written notice shall be given to those members who have not consented in writing (including by posting on the Corporation’s Web site or other electronic transmission as permitted by law) setting forth the proposed action consented to; (ii) the proposed action shall not be consummated before the expiration of 10 days after the giving of the notice and 20 days from the giving of the notice in the case of any action taken pursuant to Chapter 10 of the New Jersey Nonprofit Corporation Act (merger, consolidation and sale of assets); and (iii) the notice shall set forth the existence of the 10-day or 20-day period, as applicable. All written responses of the members to the notice referenced herein shall be filed with the minutes of

proceedings of members. The call for action without a meeting of members may be initiated by the chairman of the ~~board~~Board or by a number of members constituting at least ten (10) percent of the members on the roster of members maintained by the secretary of the Corporation, which number shall include members in at least three of the ~~sector~~Sectors. ~~Notice of the proposal for action without a meeting shall be provided to all members on the roster of members maintained by the secretary of the Corporation at least ten (10) days prior to the date established for the tabulation of consents.~~

~~The members shall receive written notice of the results, and the results shall be posted on the Corporation's Web site, within ten (10) days of the action vote, and all written responses of the members shall be filed with the minutes of proceedings of members.~~

**Section 5 — Meetings of the Members to be Open** — Notice to the public of the dates, places, and times of meetings of the members, and all nonconfidential material provided to the members, shall be posted on the Corporation's Web site within 24 hours of the time that notice is given to the members. Meetings of the members shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the meeting may be held in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity. One or more members of, and any other participants in, a meeting of the members may participate in a meeting of the members by means of remote communication to the extent the Board authorizes and adopts guidelines and procedures governing such a meeting. During a state of emergency declared by the Governor of New Jersey, a meeting of members may be held solely by means remote communication. A member participating in a meeting of members by means of remote communication shall be deemed present in person and shall be entitled to vote at the meeting regardless of whether that meeting is held at a designated place or solely by means of remote communication. In any meeting of the members conducted in part or solely by means of remote communication, the secretary, or the secretary's designee, shall:

- a. verify that each person participating remotely is a member or a proxy of a member;
- b. provide each member participating remotely with a reasonable opportunity to participate in the meeting, including an opportunity to vote on matters submitted to the members, and to read or hear the proceedings of the meeting substantially concurrently with those proceedings; and
- c. record and maintain a record of any votes or other actions taken by remote communication at the meeting.

If the Board has authorized participation by members by means of remote communication, then the notice of such meeting shall describe the means of remote communication to be used.

## ARTICLE V Meetings of the Board of Trustees

**Section 1 — Regular Meetings of the Board** — A regular meeting of the [boardBoard](#) for such business as may come before the meeting shall be held on or about February 1 of each year. By resolution adopted at any meeting of the [boardBoard](#), the [boardBoard](#) may provide for additional regular meetings that may be held without further notice to the trustees.

**Section 2 — Special Meetings of the Board** — Special meetings of the [boardBoard](#) for any purpose or purposes may be called at any time by the chairman or by any two trustees. Such meetings may be held upon notice given to all trustees not less than five (5) days prior to the date of the meeting unless the meeting is a closed session as permitted by Article V, Section 4 of these Bylaws, in which event the notice shall be provided to all trustees not less than 24 hours prior to the date and time of the meeting. Such notice shall specify the time, date, place, and purpose or purposes of the meeting and may be given by telephone, [telegraphfacsimile, e-mail](#), or other electronic means, or by express delivery.

**Section 3 — Quorum and Voting Requirements for Meetings of the Board** — Unless otherwise expressly provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, (i) the quorum necessary for the transaction of business at meetings of the [boardBoard](#) shall be a majority of the trustees, and (ii) actions by the [boardBoard](#) shall be approved upon

receipt of the affirmative vote of a majority of the trustees present and voting at a meeting at which a quorum is present.

**Section 4 — Meetings of the Board to be Open** — Notice to the public of the dates, places, and times of meetings of the [boardBoard](#), and all nonconfidential material provided to the [boardBoard](#), shall be posted on the Corporation's Web site, and notice of meetings of the [boardBoard](#) shall be sent electronically to members of the Corporation, within 24 hours of the time that notice or such material is given to the trustees. Meetings of the [boardBoard](#) shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the [boardBoard](#) may meet in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity. Any or all of the trustees, or members of a committee, may participate in a meeting of the [boardBoard](#), or a meeting of a committee, by means of a [remote](#) communications system by which all persons participating in the meeting are able to hear each other. Any trustee or members of a committee participating in a meeting of the Board, or a meeting of a committee by means of remote communication shall be deemed present in person and shall be entitled to vote at the meeting regardless of whether that meeting is held at a designated place or solely by means of remote communication.

**Section 5 — Waivers of Notice of Board Meetings; and Board Meeting Adjournments —**

Notice of a ~~board~~Board meeting need not be given to any trustee who signs a waiver of notice, in person or by proxy, whether before or after the meeting, or who attends the meeting without protesting, prior to the conclusion of the meeting, the lack of notice of such meeting. Notice of an adjourned ~~board~~Board meeting need not be given if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and if the period of adjournment does not exceed ten (10) days.

**Section 6 — Action Without a Meeting — Unless otherwise expressly provided in the**

Certificate of Incorporation, Any-any action, required or permitted to be taken at a meeting of the ~~board~~Board or of any committee thereof, may be taken by the ~~board~~Board or by the committee without a meeting if the action is consented to in writing by ~~the number of all~~ trustees or members of the committee, as the case may be, ~~entitled to vote on the action that would be required to approve the action at a meeting of the board or committee with all members of the board or committee present.~~ The call for action without a meeting of the ~~board~~Board may be initiated by the chairman or by any two trustees. Notice of the proposed call for action without a meeting, and all nonconfidential material provided to the ~~board~~Board in connection with the call for action without a meeting, shall be posted on the Corporation's Web site within 24 hours of the time notice of the call for action without a meeting or such material is provided to the ~~board~~Board. The call for action without a meeting of a committee of the ~~board~~Board may be initiated by the chairman or by any two members of the committee. The trustees or members of the committee shall receive written notice of the results, and unless the action was confidential the results shall be posted on the Corporation's Web site, within seven (7) days of the action vote. All written responses of the trustees shall be filed with the minutes of the Corporation, and all written responses of members of a committee shall be filed with the minutes of such committee.

**ARTICLE VI  
Officers**

**Section 1 — Officers —** At its regular meeting held on or about February 1 of each year in accordance with Section 1 of Article V of these Bylaws, the ~~board~~Board shall elect a chairman, a vice chairman, a president, a secretary, a treasurer, ~~an assistant secretary-treasurer,~~ and such other officers of the Corporation (collectively, the "officers") as it shall deem necessary. The chairman and the vice chairman must each be independent trustees prior to their election to such offices. The chairman, vice chairman, and president shall each be nominated and elected by the ~~board~~Board. All of the remaining officers shall be appointed or removed by the ~~board~~Board based upon the recommendation of the president. The duties and authority of the chairman, the vice chairman, and the president shall be determined from time to time by the ~~board~~Board, and the duties and authority of the other officers of the Corporation shall be determined from time to time by the president. Subject to any such determination, the officers shall have the following duties and authority:

- a. The chairman shall preside at all meetings of the members and at all meetings of the ~~board~~Board. The chairman, in consultation with the other trustees, shall be

responsible for the efficient operation of the ~~board~~Board and its committees. The chairman shall be an ex officio member of each committee of the ~~board~~Board. The chairman may delegate from time to time any or all of the aforesaid duties and authority to the vice chairman, another trustee, the president, or any other officer.

- b. The vice chairman shall have such duties and possess such other powers as may be delegated to him or her by the chairman. The vice chairman shall act as the chairman at such times as the chairman may request. In the event the chairman is unable to discharge the duties and powers of that office by reason of incapacity and during any vacancies in the office of the chairman, the vice chairman shall act as chairman until the cessation of such incapacity or the filling of such vacancy.
- c. The president shall be the chief executive officer of the Corporation. He or she shall be responsible for the day-to-day ongoing activities of the Corporation and shall have such other duties as may be delegated or assigned to him or her by the chairman. The president may enter into and execute in the name of the Corporation contracts or other instruments not in the regular course of business that are authorized, either generally or specifically, by the ~~board~~Board.
- d. The secretary shall maintain the roster of members of the Corporation; shall cause notices of all meetings to be served as prescribed in these Bylaws; shall keep or cause to be kept the minutes of all meetings of the members and the ~~board~~Board; and shall have charge of the seal of the Corporation. The secretary shall perform such other duties and possess such other powers as are incident to his or her office or as shall be assigned to him or her by the president.
- e. The treasurer shall have custody of the funds and securities of the Corporation, and shall keep or cause to be kept regular books of account for the Corporation. The treasurer shall perform such other duties and possess such other powers as are incident to his or her office or as shall be assigned to him or her by the president.

~~f. The assistant secretary treasurer shall have such duties and possess such other powers as may be delegated to him or her by the president.~~

## ARTICLE VII Committees of the Corporation

**Section 1 — Committees of the Corporation** — In addition to those committees specified by these Bylaws, to which the ~~board~~Board shall appoint members in accordance with the requirements of these Bylaws, the ~~board~~Board may by resolution create standing committees of the Corporation; and may in addition by resolution appoint such other committees as the



~~board~~Board deems necessary to carry out the purposes of the Corporation. The ~~board~~Board shall appoint standing committees and other committees of the Corporation that are representative of members, other interested parties and the public, that provide for balanced decision making, and that include persons with outstanding technical knowledge and experience. All appointments of committees of the Corporation shall provide the opportunity for an equitable number of members from the United States and Canada (and from Mexico after the Corporation receives recognition by appropriate governmental authorities in Mexico as its ~~electric reliability organization~~Electric Reliability Organization) to be appointed to each committee in approximate proportion to each country's percentage of the total NEL. All committees shall have such scope and duties, not inconsistent with law, as are specified in these Bylaws and the Rules of Procedure of the Corporation or otherwise determined by the ~~board~~Board.

## ARTICLE VIII Member Representatives Committee

**Section 1 — Member Representatives Committee** — The Corporation shall have a Member Representatives Committee that shall have the following rights and obligations:

- a. to elect the independent trustees, in accordance with Article III, Section 6;
- b. to vote on amendments to the Bylaws, in accordance with Article XIV; and
- c. to provide advice and recommendations to the ~~board~~Board with respect to the development of annual budgets, business plans and funding mechanisms, and other matters pertinent to the purpose and operations of the Corporation.

Because it is elected by the members of the Corporation and not appointed by the ~~board~~Board, the Member Representatives Committee shall not be a standing committee of the Corporation, but is authorized to provide its advice and recommendations directly to the ~~board~~Board.

**Section 2 — Composition of the Member Representatives Committee** — The Member Representatives Committee shall consist of the following voting members:

- (i) ~~(i)~~ two representatives from each of the following sectors: investor-owned utility, state/municipal utility, cooperative utility, federal or provincial utility/Federal Power Marketing Administration, transmission-dependent utility, merchant electricity generator, electricity marketer, large end-use electricity consumer, small end-use electricity consumer, and independent system operator/regional transmission organization;
- (ii) ~~except the government representative sector and the regional entity sector, (ii) two voting representatives from the regional entity sector, with the remaining members of that sector being non-voting members of the Member Representatives Committee, (iii)~~ the chairman and vice chairman of the Member Representatives Committee;

~~(i)~~—~~(iv)~~ any additional Canadian representatives as are

~~(ii)~~—

~~(iii)~~ selected pursuant to Section 4 of this Article VIII, ~~and; and~~

~~(iv)~~ two representatives of state governments.

And the following non-voting members:

~~(v)~~ ~~(v) the following representatives of the government representatives sector: two representatives of the United States federal government, one representative of the Canadian federal government, two representatives of state governments, and one representative of a Canadian provincial government; all of whom shall be nonvoting members of the Member Representatives Committee except the two representatives of state governments~~

~~(vi)~~ all the members of the Regional Entity Sector.

The representatives of each ~~sector~~Sector shall be members of the Corporation, or officers or ~~ex~~ecutive-level employees, agents or representatives of members of the Corporation, in that ~~sector~~Sector; provided, that at any time only one officer, employee, agent, or representative of a member in a ~~sector~~Sector may be a representative from that ~~sector~~Sector. An associate shall not have representation on the Membership Representatives Committee but may be selected by the members of another Sector to represent such Sector. No member of the ~~board~~Board shall be a member of the Member Representatives Committee. The ~~board~~Board may by resolution create additional nonvoting positions on the Member Representatives Committee at the written request of any group of members of the Corporation that believes its interests are not adequately represented on the Member Representatives Committee.

~~In order to provide that the terms of approximately one half of the members of the Member Representatives Committee expire each year, on the initial Member Representatives Committee one half of the representatives from each sector shall serve a term expiring at the next annual meeting, and one half of the representatives from each sector shall serve a term expiring at the second succeeding annual meeting, in each case held pursuant to Section 7 of this Article VIII.~~

~~Following the expiration of the terms of the members of the initial Member Representatives Committee as provided above, e~~Each member of the Member Representatives Committee shall ~~thereafter~~ serve a term of two years commencing at an annual meeting held pursuant to Section 7 of this Article VIII and ending at the second succeeding annual meeting. There shall be no limit on the number of terms that a member of the Corporation, or an employee, agent, or representative of a member of the Corporation, may serve on the Member Representatives Committee.

### **Section 3 — Election of Members of the Member Representatives Committee**



- a. Unless a ~~seetor~~Sector adopts an alternative election procedure, the annual election of representatives from each ~~seetor~~Sector to the Member Representatives Committee, and any election to fill a vacancy, shall be conducted in accordance with the following process, which shall be administered by the officers of the Corporation. During the period beginning approximately ninety (90) days and ending approximately thirty (30) days prior to an annual election, or beginning approximately forty-five (45) days and ending approximately fifteen (15) days prior to an election to fill a vacancy, nominations may be submitted for candidates for election to the Member Representatives Committee, ~~provided that for the initial election the period may begin as soon as these bylaws are made effective and may end approximately fifteen (15) days prior to the election.~~ A nominee for election as a ~~seetor~~Sector representative must be a member, or an officer, executive-level employee or agent of a member, in that ~~seetor~~Sector or an associate nominated by another Sector to represent such Sector. No more than one nominee who is an officer, executive-level employee or agent of a member or its affiliates may stand for election in any single ~~seetor~~Sector; if more than one officer, employee or agent of a member or its affiliates is nominated

for election from a ~~seetor~~Sector, the member shall designate which such nominee shall stand for election. The election of representatives shall be conducted over a period of ten (10) days using an electronic process. Each member in a ~~seetor~~Sector shall have one vote for each representative to be elected from the ~~seetor~~Sector in that election, and may cast no more than one vote for any nominee. The nominee receiving the highest number of votes in each ~~seetor~~Sector shall be elected to the representative position to be filled from that ~~seetor~~Sector; if there is more than one representative position to be filled from a ~~seetor~~Sector, the nominee receiving the second highest number of votes shall also be elected, and so forth. Provided, that to be elected a nominee must receive a number of votes equal to a simple majority of the members in the ~~seetor~~Sector casting votes in the election. If no nominee in a ~~seetor~~Sector receives a simple majority of votes cast in the first ballot, a second ballot shall be conducted which shall be limited to the number of candidates receiving the two (2) highest vote totals on the first ballot (or to the number of candidates receiving the four (4) highest vote totals on the first ballot if two representative positions remain to be filled, and so forth). The nominee or nominees receiving the highest total or totals of votes on the second ballot shall be elected to the representative position or positions remaining to be filled for the ~~seetor~~Sector.

A ~~seetor~~Sector may adopt an alternative procedure to the foregoing to nominate and elect its representatives to the Member Representatives Committee if (i) the alternative procedure is consistent in principle with the procedures specified in the preceding paragraph of this Section 3a, and (ii) the alternative procedure is approved by vote

of at least two-thirds of the members in the ~~sector~~[Sector](#). Any alternative procedure is subject to review and disapproval by the ~~board~~[Board](#).

#### **Section 4 — Adequate Representation of Canadian Interests on the Member**

**Representatives Committee** — In addition to the requirements for composition of the Member Representatives Committee specified in Section 1 of this Article VIII, the Member Representatives Committee shall contain a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. If the annual selection of members of the Member Representatives Committee pursuant to Section 3 of this Article VIII does not result in the number of Canadian voting representatives provided for herein on the Member Representatives Committee, then the candidate who received the highest fraction of the ~~sector~~[Sector](#) vote among those candidates who would have qualified as Canadian voting representatives but were not elected to the Member Representatives Committee shall be added to the Member Representatives Committee. Additional Canadian voting representatives shall be added to the Member Representatives Committee through this selection process until the Member Representatives Committee includes a number of Canadian voting representatives equal to the percentage of the NEL of Canada to the total NEL of the United States and Canada, times the total number of voting members on the Member Representatives Committee, rounded up to the next whole number. Provided, that no more than one such additional Canadian voting representative shall be selected from a ~~sector~~[Sector](#), except that if this limitation precludes the addition of the number of additional Canadian voting representatives required by the previous

sentence, then no more than two Canadian voting representatives may be selected from the same ~~sector~~[Sector](#). Such additional Canadian voting representatives shall be representatives of the ~~sector~~[Sectors](#) in which they stood for election, and shall serve terms expiring at the next annual meeting of the Member Representatives Committee pursuant to Section 7 of this Article VIII. For purposes of this Section 4, “Canadian” means one of the following: (a) a company or association incorporated or organized under the laws of Canada or of a province of Canada that is a member of the Corporation, or its designated representative irrespective of nationality; (b) an agency of a federal, provincial, or local government in Canada that is a member of the Corporation, or its designated representative irrespective of nationality; or (c) a person who is a Canadian citizen residing in Canada and is a member of the Corporation.

When the Corporation receives recognition from appropriate governmental authorities in Mexico as the ~~electric reliability organization~~[Electric Reliability Organization](#), this provision will be expanded to provide for adequate representation of Mexican interests on the Member Representatives Committee.

**Section 5 — Officers of the Member Representatives Committee** — ~~At the initial meeting of the Member Representatives Committee, and annually thereafter p~~Prior to the annual election of representatives to the Member Representatives Committee, the Member Representatives Committee shall select a chairman and vice chairman from among its voting members by majority vote of the members of the Member Representatives Committee to serve as chairman and vice chairman of the Member Representatives Committee during the upcoming year; provided, that the incumbent chairman and vice chairman shall not vote or otherwise participate in the selection of the incoming chairman and vice-chairman. The newly selected chairman and vice chairman shall not have been representatives of the same ~~sector~~Sector.

Selection of the chairman and vice chairman shall not be subject to approval of the ~~board~~Board. The chairman and vice chairman, upon assuming such positions, shall cease to act as representatives of the ~~sector~~Sectors that elected them as representatives to the Member Representatives Committee and shall thereafter be responsible for acting in the best interests of the members as a whole.

**Section 6 — Vacancies on the Member Representatives Committee** — In the event that any member of the Member Representatives Committee ceases to serve as a member of the Member Representatives Committee as a result of his or her death, resignation, retirement, disqualification, or removal or other cause, the members in the ~~sector~~Sector of which such member was a representative shall elect, as soon thereafter as reasonably possible, and in accordance with the procedures in Sections 3 and 4 of this Article VIII, a new member to replace the member of the Member Representatives Committee who ceases to serve. ~~Except with regard to the selection of the chairman and vice chairman at the initial meeting of the Member Representatives Committee, t~~The vacancies in the ~~sector~~Sector representatives created by the selection of the chairman and vice chairman pursuant to Section 5 of this Article VIII ~~shall~~may be filled at the annual election of representatives to the Member Representatives Committee that is next held following the election of the chairman and vice chairman. ~~In the ease of the selection of the chairman and vice chairman at the initial meeting of the Member Representatives Committee, the sector representative vacancies created thereby shall be filled as soon thereafter as reasonably possible in accordance with the procedures in Section 3 of this Article VIII for sector representative vacancies.~~

**Section 7 — Annual Meeting of the Member Representatives Committee** — An annual meeting of the Member Representatives Committee for the election of independent trustees and to conduct such other business as may come before the meeting shall be held on or about February 1 of each year or as soon thereafter as is reasonably possible. By resolution adopted at any meeting of the Member Representatives Committee, the Member Representatives Committee may provide for additional regular meetings that may be held without further notice to the members of the Member Representatives Committee.

**Section 8 — Special Meetings of the Member Representatives Committee** — Special meetings of the Member Representatives Committee for any purpose or purposes may be called

by the chair of the Member Representatives Committee or by any five (5) members of the Member Representatives Committee, which number shall include representatives from at least three ~~sectors~~Sectors, and require notice given to all members of the Member Representatives Committee not less than seven (7) days prior to the date of the meeting. Such notice shall specify the time, date, place, and purpose or purposes of the meeting and may be given by telephone, ~~telegraph~~facsimile, e-mail, or other electronic ~~media~~means, or by express delivery.

### **Section 9 — Quorums and Voting for Meetings of the Member Representatives**

**Committee** — The quorum necessary for the transaction of business at meetings of the Member Representatives Committee shall be two-thirds of the voting members of the Member Representatives Committee attending the meeting in person or by proxy. A member of the Member Representatives Committee may give a proxy only to a person who is a member, or an officer, executive-level employee, agent or representative of a member, registered in the same ~~sector~~Sector or an associate. Each voting member of the Member Representatives Committee shall have one (1) vote on any matter coming before the Member Representatives

Committee that requires a vote. Except as otherwise expressly provided in the Corporation's Certificate of Incorporation, these Bylaws or applicable law, actions by members of the Member Representatives Committee shall be approved upon receipt of the affirmative vote of a majority of the voting members of the Member Representatives Committee present and voting, in person or by proxy, at any meeting at which a quorum is present.

**Section 10 — Meetings of the Member Representatives Committee to be Open** — Notice to the public of the dates, places, and times of meetings of the Member Representatives Committee, and all nonconfidential material provided to the Member Representatives Committee, shall be posted on the Corporation's Web site, and notice of meetings of the Member Representatives Committee shall be sent electronically to all members of the Corporation, within 24 hours of the time that notice or such material is given to the Member Representatives Committee. Meetings of the Member Representatives Committee shall be open to the public, subject to reasonable limitations due to the availability and size of meeting facilities; provided, that the Member Representatives Committee may meet in or adjourn to closed session to discuss matters of a confidential nature, including but not limited to personnel matters, compliance and enforcement matters, litigation, or commercially sensitive or critical infrastructure information of any entity. Any or all members of, and any other participants in, the Member Representatives Committee may participate in a meeting of the Member Representatives Committee by a means of a remote communications system by which all persons participating in the meeting are able to hear each other. A member of the Member Representatives Committee participating in a meeting of the Member Representatives Committee by means of remote communication shall be deemed present in person and shall be entitled to vote at the meeting regardless of whether that meeting is held at a designated place or solely by means of remote communication.

**Section 11 — Waivers of Notice of Meetings of the Member Representatives Committee; and Meeting Adjournments** — Notice of a meeting of the Member Representatives

Committee need not be given to any member of the Member Representatives Committee who signs a waiver of notice, in person or by proxy, whether before or after the meeting, or who attends the meeting without protesting, prior to the conclusion of the meeting, the lack of notice of such meeting. Notice of an adjourned meeting of the Member Representatives Committee need not be given if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and if the period of adjournment does not exceed ten (10) days.

**Section 12 — Action Without a Meeting of the Member Representatives Committee —**

Any action required or permitted to be taken at a meeting of the Member Representatives Committee may be taken by the Member Representatives Committee without a meeting if the action is consented to in writing by the number of members of the Member Representatives Committee entitled to vote on the action that would be required to approve the action at a meeting of the Member Representatives Committee with all of its members present and voting, except that in the case of the election of independent trustees, the action may be taken without a meeting only if all members of the Members Representative Committee consent thereto in writing. The call for action without a meeting of the Member Representatives Committee may be initiated by the Chair of the Member Representatives Committee or by any five (5) members of the Member Representatives Committee, which number shall include representatives from at least three (3) ~~sector~~Sectors. Notice of the proposed call for action without a meeting, and all nonconfidential material provided to the Member Representatives Committee in connection with the call for action without a meeting, shall be posted on the Corporation's Web site within 24 hours of the time notice of the call for action without a meeting or such material is provided to the members of the Members Representative Committee. The members of the Member Representatives Committee shall receive written notice of the results, and unless the action was confidential the results shall be posted on the Corporation's Web site, within seven (7) days of the action vote, and all written responses of voting members of the Member Representatives Committee shall be filed with the minutes of the Corporation.

**Section 13 — Other Procedures of the Member Representatives Committee —**~~The chairman of the board in office on November 1, 2006, shall preside at the initial meeting of the Member Representatives Committee, until a chairman is selected in accordance with Section 5 of this Article VIII.~~ Except as to any matter as to which the procedure to be followed by the Member Representatives Committee is expressly set forth in these Bylaws, the Member Representatives Committee may adopt such additional procedures, not inconsistent with these Bylaws, as it deems appropriate.

## **ARTICLE IX Reliability Standards**

**Section 1 — Development of Reliability Standards —** The Corporation shall develop, implement and, in all regions in which necessary governmental approvals have been obtained or authority has been provided, enforce, ~~reliability standard~~Reliability Standards that provide

for ~~reliable operation~~Reliable Operation of the ~~bulk power system~~Bulk Power Systems of North America. All ~~reliability standard~~Reliability Standards shall be

approved by the ~~board~~Board. All ~~reliability standard~~Reliability Standards of the Corporation shall be posted on its Web site. Nothing in this Article shall be deemed to invalidate any standard of the Corporation that was in effect ~~on November 1, 2006~~as of the date of these Bylaws.

**Section 2 — Procedures for Development of Reliability Standards** — The Corporation shall develop ~~reliability standard~~Reliability Standards pursuant to procedures and processes that shall be specified in the Rules of Procedure of the Corporation. The Rules of Procedure shall provide for the development of ~~reliability standard~~Reliability Standards through an open, transparent, and public process that provides for reasonable notice and opportunity for public comment, due process, and balancing of interests and is designed to result in ~~reliability standard~~Reliability Standards that are technically sound. Participation in the process for development of ~~reliability standard~~Reliability Standards shall not be limited to members of the Corporation but rather shall be open to all persons and entities with an interest in the ~~reliable operation~~Reliable Operation of the ~~bulk power system~~Bulk Power System.

**Section 3 — Procedures for Determinations of Violations of Reliability Standards and Imposition of Sanctions for Violations** — In all regions in which regulatory approval has been obtained or governmental authority has been provided, the Corporation shall consider and make determinations that an owner, operator, or user of the ~~bulk power system~~Bulk Power System has violated a ~~reliability standard~~Reliability Standard, and shall impose sanctions for such violations, pursuant to procedures and processes that shall be specified in the Rules of Procedure of the Corporation. Such procedures and processes shall provide for reasonable notice and opportunity for hearing. Any sanction imposed for a violation of a ~~reliability standard~~Reliability Standard shall bear a reasonable relation to the seriousness of the violation and shall take into consideration efforts of the owner, operator, or user of the ~~bulk power system~~Bulk Power System to remedy the violation in a timely manner. Subject to any necessary action by any applicable governmental authorities, no sanction imposed for a violation of a ~~reliability standard~~Reliability Standard shall take effect until the thirty-first (31) day after the Corporation, where authorized by law or agreement, files with the Commission or other ~~applicable governmental authority~~Applicable Governmental Authority notice of the sanction and the record of the proceedings in which the violation and sanction were determined, or such other date as ordered by the Commission or other ~~applicable governmental authority~~Applicable Governmental Authority or as prescribed by applicable law.

## ARTICLE X Agreements with Regional Entities

**Section 1 — Delegation Agreements with Regional Entities** — The Corporation may, in accordance with appropriate governmental authority, enter into agreements with regional



entities pursuant to which a ~~regional entity~~Regional Entity shall be delegated the authority of the Corporation to enforce ~~reliability standard~~Reliability Standards within a geographic region of North America and may develop and propose ~~reliability standard~~Reliability Standards to be in effect within such region. All delegation agreements with regional entities shall be approved by the ~~board~~Board. No delegation agreement with a ~~regional entity~~Regional Entity shall be effective with respect to a region until the agreement has received any necessary approval from an ~~applicable governmental authority~~Applicable Governmental Authority.

**Section 2 — Standards for Delegation Agreements** — The Corporation shall be permitted to enter into a delegation agreement with a ~~regional entity~~Regional Entity only if the ~~board~~Board determines that (i)

the ~~regional entity~~Regional Entity has agreed to promote, support, and comply with the purposes and policies of the Corporation as set forth in its Certificate of Incorporation, Bylaws, Rules of Procedure, and Reliability Standards as from time to time adopted, approved, or amended; (ii) the ~~regional entity~~Regional Entity satisfies the criteria set forth in Sections 39.3(b) and 39.8 of the Commission’s regulations, or other criteria specified by applicable governmental authorities, and (iii) the delegation agreement will promote effective and efficient administration of the reliability of the ~~bulk power system~~Bulk Power System.

## ARTICLE XI Rules of Procedure

**Section 1 — Development of Rules of Procedure** — The Corporation shall develop and implement such Rules of Procedure as in the judgment of the ~~board~~Board are necessary or appropriate to carry out the purposes of the Corporation and to govern its operations, including without limiting the foregoing, Rules of Procedure relating to (i) registration of owners, operators, and users of the ~~bulk power system~~Bulk Power System; (ii) development of ~~reliability standard~~Reliability Standards; (iii) procedures for standing committees of the Corporation, subgroups of standing committees, and other committees, subcommittees, task forces, and ~~sector~~Sector-specific forums of the Corporation; (iv) critical infrastructure protection; (v) conduct of readiness evaluations and reliability assessments; (vi) enforcement of compliance with ~~reliability standard~~Reliability Standards and determinations of violations of ~~reliability standard~~Reliability Standards by owners, operators, and users of the ~~bulk power system~~Bulk Power System; (vii) impositions of sanctions for violations of ~~reliability standard~~Reliability Standards; (viii) development, implementation, and administration of delegation agreements with regional entities; (ix) personnel certification; (x) event analysis and information exchange; (xi) realtime monitoring of the ~~bulk power system~~Bulk Power System; and (xii) development and administration of budgets, business plans, and funding mechanisms of the Corporation. All Rules of Procedure of the Corporation shall be posted on its Web site.

**Section 2 — Adoption, Amendment, and Repeal of Rules of Procedure** — Except as provided in Section 2 of Article XII, all Rules of Procedure, amendments thereto and repeals

thereof shall be approved by the ~~board~~Board. Proposals to adopt new Rules of Procedure or to amend or repeal existing Rules of Procedure may be submitted by (i) the Member Representatives Committee, (ii) any fifty (50) members of the Corporation, which number shall include members in at least three ~~sectors~~Sectors, (iii) a committee of the Corporation to whose purpose and functions the Rule of Procedure pertains, or (iv) an officer of the Corporation. Unless the ~~board~~Board determines that exigent conditions exist requiring adoption of a new Rule of Procedure or amendment or repeal of an existing Rule of Procedure in a shorter time, all proposals for adoption, amendment and repeal of Rules of Procedure shall be posted on the Corporation's Web site and subject to public comment for a minimum of forty-five (45) days prior to action by the ~~board~~Board. All Rules of Procedure and amendments to and repeals of Rules of Procedure approved by the ~~board~~Board shall be submitted to the Commission and to other applicable governmental authorities for approval, and shall not be effective in the United States until approved by the Commission or in Canada or Mexico until approval is obtained from any governmental authority from which approval is required in those countries and subject to any conditions, limitations, or modifications required by the Commission or other governmental authority. Nothing in this Article shall be deemed to invalidate any Rule of

Procedure of the Corporation that was in effect ~~on November 1, 2006~~as of the date of these Bylaws.

## **ARTICLE XII**

### **Personnel Certification Governance Committee**

**Section 1 — Personnel Certification Governance Committee** — There shall be a Personnel Certification Governance Committee of the Corporation, which shall be a standing committee of the Corporation. The purpose of the Personnel Certification Governance Committee shall be to provide oversight to the policies and processes used to implement and maintain the integrity and independence of the Corporation's System Operator Certification Program. The governance authority and structure of the Personnel Certification Governance Committee shall be implemented and maintained so that policies and procedures are established to protect against undue influence that could compromise the integrity of the System Operator Certification process.

**Section 2 — Appointment and Reporting of the Personnel Certification Governance Committee** — The members of the Personnel Certification Governance Committee shall be appointed by the ~~board~~Board from candidates selected and presented by a nominating task force in accordance with Rules of Procedure for the Personnel Certification Governance Committee. Nominations and appointments shall take into account the need to include representatives of all geographic regions of North America on the Personnel Certification Governance Committee. The Personnel Certification Governance Committee shall report directly to the ~~board~~Board and the president of the Corporation regarding governance and administration of the System Operator Certification Program; provided, however, that the



Personnel Certification Governance Committee shall have autonomy in developing and implementing system operator certification eligibility requirements, the development, administration, and scoring of the system operator assessment instruments, and operational processes for the System Operator Certification Program. The Personnel Certification Governance Committee shall provide to the ~~board~~Board periodic assessments, no less frequently than every two (2) years, of the effectiveness of the System Operator Certification Program.

**Section 3 — Administration of the Personnel Certification Governance Committee** — In order to maintain the independence of the Personnel Certification Governance Committee, staff of the Corporation shall administer the System Operator Certification program on behalf of the Personnel Certification Governance Committee on a fee for service basis.

## **ARTICLE XIII Budgets and Funding**

**Section 1 — Compensation of the Board and Member Representatives Committee** —

The ~~board~~Board shall have the right to fix from time to time, by resolution adopted by a majority of the independent trustees then serving as trustees, the amount of the annual retainer fee or other compensation to be paid to the independent trustees for their services to the Corporation, including any fees to be paid for each meeting of the ~~board~~Board or any ~~board~~Board committee attended by an independent trustee. No compensation shall be paid to the management trustee for his or her services on the ~~board~~Board, other than the compensation paid to

the management trustee for services as president of the Corporation. No compensation shall be paid by the Corporation to the members of the Member Representatives Committee for their services on the Member Representatives Committee.

**Section 2 — Preparation and Adoption of Annual Budget, Business Plan, and Funding**

**Mechanism** — The ~~board~~Board shall prepare or cause to be prepared an annual budget for the administrative and other expenses of the Corporation, including the expenditures for the fiscal year for any material special projects undertaken by the Corporation and reasonable and proper reserves and provisions for contingencies, an accompanying business plan for the Corporation, and a funding mechanism, for each fiscal year. The annual budget, business plan, and funding mechanism of the Corporation shall be for a fiscal year commencing on January 1 and ending on December 31. Each annual budget, business plan, and funding mechanism (including the annual budget, annual business plan, and annual funding mechanism for each ~~regional~~ ~~entity~~Regional Entity) shall be approved by the ~~board~~Board at a regular meeting or a special meeting of the ~~board~~Board duly called for that purpose. The ~~board~~Board shall approve each annual budget, business plan, and funding mechanism at least 135 days before the start of the

fiscal year in order to allow for timely submittal of the approved annual budget, business plan, and funding mechanism to the applicable governmental authorities.

**Section 3 — Criteria for Funding Mechanisms** — The annual funding mechanism shall be designed to recover, over the course of the fiscal year, the sum of (i) the annual budget, (ii) less revenues projected to be received by the Corporation from other sources such as sales of services and materials and registration, application and certification fees for programs conducted or administered by the Corporation, and (iii) plus or minus the estimated deficiency or excess of the Corporation’s revenues compared to its expenditures for the current fiscal year. The annual funding mechanism shall consist of such assessments as determined by the [boardBoard](#) that result in an equitable allocation of the Corporation’s funding requirement among end users of the North American electric utility system as established in the Corporation’s Rules of Procedure.

**Section 4 — Consultation in Preparation of Annual Budget, Business Plan, and Funding Mechanism** — In preparing the annual budget, business plan, and funding mechanism, the [boardBoard](#) shall consult with the members of the Member Representatives Committee, and shall post a draft budget and business plan for review and comment by the members of the Corporation and the Member Representatives Committee and the standing committees of the Corporation for at least thirty (30) days prior to the date of the meeting of the [boardBoard](#) at which the annual budget, business plan, and funding mechanism are to be adopted.

**Section 5 — Modified or Supplemental Funding Mechanisms** — During the course of a fiscal year, the [boardBoard](#) may modify the approved funding mechanism or develop and approve a supplemental funding mechanism if determined by the [boardBoard](#) to be necessary due to such factors as a shortfall in revenues of the Corporation from projected levels, incurred or anticipated expenditures or new projects not provided for in the annual budget, or such other factors as in the judgment of the [boardBoard](#) warrant modification of the funding mechanism for the fiscal year or development of a supplemental funding mechanism. In preparing a modified or supplemental funding mechanism, the [boardBoard](#) shall follow the provisions of Section 4 of this

Article XIII to the extent possible in the judgment of the [boardBoard](#) in light of the exigency of the circumstances necessitating preparation and approval of the modified or supplemental funding mechanism. Each modified or supplemental funding mechanism shall be approved by the [boardBoard](#) at a regular meeting or a special meeting of the [boardBoard](#) duly called for that purpose.

**Section 6 — Submission of Annual Budgets, Business Plans, and Funding Mechanisms to the Governmental Authorities** — Each annual budget, annual business plan, and annual, modified, or supplemental funding mechanism approved by the [boardBoard](#) (including the annual budget, annual business plan, and annual, modified, or supplemental funding mechanism for each ~~regional entity~~[Regional Entity](#)) shall be submitted by the Corporation to

the applicable governmental authorities for approval in accordance with its regulations, except as otherwise provided by applicable law or by agreement, and shall not be effective until it has received any necessary approval by the applicable governmental authorities. If a governmental authority by order modifies or remands an annual budget, business plan, or annual, modified, or supplemental funding mechanism, the ~~board~~Board shall promptly following such order adopt such modifications to the budget, business plan, or funding mechanism as are required or directed by the order of the governmental authority.

## **ARTICLE XIV Amendments to the Bylaws**

**Section 1 — Amendments to the Bylaws** — These Bylaws may be altered, amended, or repealed by a majority vote of both the ~~board~~Board and the Member Representatives Committee at respective meetings of the board and the Members Representative Committee at which a quorum is present. Written notice of the subject matter of the proposed changes to the Bylaws shall be provided, as appropriate, to the trustees or to the Member Representatives Committee not less than ten (10) nor more than sixty (60) days prior to the date of the meeting of the board or of the Member Representatives Committee at which the vote is to be taken. Notwithstanding the provisions of this Article XIV, the members of the Corporation voting by ~~sector~~Sector shall have the right to alter, amend, or repeal Bylaws adopted by the ~~board~~Board and the Member Representatives Committee and to adopt new Bylaws, provided that any such alteration, amendment, or repeal or the adoption of new Bylaws is approved by vote of two-thirds of the ~~sector~~Sectors at a meeting of Members called for that purpose, or by written consent of two-thirds of the ~~sector~~Sectors, where the number of votes for and against the proposed alteration, amendment, repeal, or adoption of Bylaws shall be determined in accordance with Section 2 of Article IV. Any alteration, amendment, repeal, or adoption of Bylaws shall be subject to any applicable requirements for filing with or approval by the Commission and any other ~~applicable governmental authority~~Applicable Governmental Authority.

## **ARTICLE XV General**

**Section 1 — Indemnification** — The Corporation shall indemnify its officers, trustees and other corporate agents to the full extent from time to time permitted by the New Jersey Nonprofit Corporation Act and other applicable law. Such right of indemnification shall

inure to the benefit of the legal representative of any such person. The foregoing indemnification shall be in addition to, and not in restriction or limitation of, any privilege or power that the Corporation may have with respect to the indemnification or reimbursement of its trustees, officers, or other corporate agents. The Corporation shall also pay or advance expenses incurred by an officer, trustee, or other corporate agent in connection with a proceeding in advance of the final disposition of the proceeding upon receipt of an undertaking

by or on behalf of the officer, trustee, or other corporate agent to repay the amount unless it shall be ultimately determined that the officer, trustee, or other corporate agent is entitled to be indemnified by the Corporation.

**Section 2 — Parliamentary Rules** — In the absence of and to the extent not inconsistent with specific provisions in these Bylaws, meetings or other actions pursuant to these Bylaws shall be governed by procedures that the ~~board~~Board may, from time to time, establish by resolution.

**Section 3 — Dissolution** — Upon dissolution of the Corporation, in accordance with paragraph TENTH of the Certificate of Incorporation, the remaining assets of the Corporation after payment of debts shall be distributed in the manner determined by the ~~board~~Board, provided, (i) that no part of the assets shall be distributed to any trustee of the Corporation, and (ii) that the distribution of assets shall be consistent with the requirements of Section 501(c)(6) of the United States Internal Revenue Code of 1986, as amended.

## **Compliance and Certification Committee Actions**

### **Action**

The Compliance and Certification Committee (CCC) requests the Board of Trustees approve the following:

- i. Revisions to CCCPP-003, Monitoring Program for NERC's Reliability Standards Development Program
- ii. Revisions to CCCPP-007, Monitoring Program for NERC's Adherence to NERC's Rules of Procedure for Registration and Certification
- iii. Revisions to CCCPP-008, Program for Monitoring Stakeholder's Perceptions
- iv. Creation of CCCPP-013 - Procedure for the Selection of Members to the NERC Compliance and Certification Committee
- v. Removal of Retired NERC Committees from the List of Pre-Qualified Organizations for Submitting Implementation Guidance

### **Summary**

The CCC is responsible for monitoring NERC's implementation of the Compliance Monitoring and Enforcement Program, the Organization Registration program and the Certification program, monitoring NERC's adherence to the Rules of Procedure (ROP) regarding the Reliability Standards development process, and advising the NERC Board of Trustees regarding these programs. The CCC currently has three subcommittees – the CCC Nominating Subcommittee (CCCNS), the ERO Monitoring Subcommittee (EROMS), the Organization Registration and Certification Subcommittee (ORCS). The CCC also has a working group and two task forces – the Alignment Working Group (AWG), the Facility Ratings Task Force (FRTF), and the Supply Chain Task Force (SCTF).

Through EROMS, the CCC monitors NERC's adherence to the ROP regarding the Compliance Monitoring and Enforcement Program (CMEP) as specified in Section 405 of NERC's ROP. It also monitors NERC's adherence to the ROP provisions governing the Reliability Standards development process and is responsible for maintaining related CCC Procedures.

### **Revisions to CCCPP-003, Monitoring Program for NERC's Reliability Standards Development Program**

EROMS initiated a review of CCCPP-003 as outlined in the 2020 CCC Work Plan. After review, EROMS recommended the following revisions which were subsequently approved by the CCC on June 17, 2020:

- Clarified the roles and responsibilities of the CCC, NERC Internal Audit, the Board of Trustees Enterprise-wide Risk Committee, and CCC observers during audits to ensure alignment across all CCC monitoring-related procedures.
- Removed the section pertaining to the Annual Work Plan as requirements to develop and maintain work plans is addressed in the EROMS Scope Document.

- Rearranged sections of the procedure to ensure alignment across all CCC monitoring-related procedures.
- Ministerial edits throughout (i.e., corrected references to the ROP and CMEP program, formatting, updated NERC template, etc.)

### **Revisions to CCCPP-007, Monitoring Program for NERC's Adherence to NERC's Rules of Procedure for Registration and Certification**

EROMS initiated a review of CCCPP-007 as outlined in the 2020 CCC Work Plan. After review, EROMS recommended the following revisions which were subsequently approved by the CCC on June 17, 2020:

- Deleted terms as they are defined within existing sections of the procedure.
- Clarified the roles and responsibilities of the CCC, NERC Internal Audit, the Board of Trustees Enterprise-wide Risk Committee (EWRC), and CCC observers during audits and other monitoring activities to ensure alignment across all CCC monitoring-related procedures.
- Revised the Complaints process to ensure alignment with CCCPP-001, Monitoring Program for NERC's Adherence to NERC's Rules of Procedure for Compliance Monitoring and Enforcement.
- Removed the section pertaining to the Annual Work Plan as requirements to develop and maintain work plans is addressed in the EROMS Scope Document.
- Rearranged sections of the procedure to ensure alignment across all CCC monitoring-related procedures.
- Ministerial edits throughout (i.e. corrected references to the ROP and CMEP program, formatting, updated NERC template, etc.)

### **Revisions to CCCPP-008, Program for Monitoring Stakeholder's Perceptions**

EROMS initiated a review of CCCPP-008 as outlined in the 2020 CCC Work Plan. After review, EROMS recommended the following revisions which were subsequently approved by the CCC on June 17, 2020:

- Deleted terms as the program is described in the CCC Charter.
- Clarified the purpose of the monitoring program and mechanisms by which the CCC may collect stakeholder's perceptions.
- Improved methods by which the CCC may collect stakeholder feedback rather than limiting collection efforts through surveys. Additions include focus group discussions, targeted efforts in collaboration with NERC or the NERC Board of Trustees (Board), industry organizations such as Pre-Qualified Organizations, direct stakeholder input to the CCC via complaints, CCC and its subcommittees or working groups.
- Clarified the reporting and disclosure process to ensure alignment across all CCC monitoring-related procedures as well as to provide transparency into the CCC's reporting and posting process.
- Added a section on data retention and confidentiality to ensure alignment across all CCC monitoring-related procedures.

- Ministerial edits throughout (i.e. corrected references to the ROP and CMEP program, formatting, updated NERC template, etc.)

### **Creation of CCCPP-013 - Procedure for the Selection of Members to the NERC Compliance and Certification Committee**

Through CCCNS, the CCC selects individuals for Committee membership. The CCCNS initiated the development of this procedure in response to the approval of the revised CCC Charter, currently pending FERC approval. The procedure provides clarity and transparency for the selection of members. On June 17, 2020, the CCC approved CCCPP-013.

### **Removal of Retired NERC Committees from the List of Pre-Qualified Organizations for Submitting Implementation Guidance**

Through EROMS, the CCC leads the development of tools and/or procedures to promote a common understanding among the industry and ERO Enterprise Staff regarding how compliance can be achieved and demonstrated. Key to this effort is the development of Implementation Guidance, a stakeholder-driven means to develop examples of approaches to illustrate how registered entities could comply with a standard that are vetted by prequalified organizations and endorsed by the ERO Enterprise.

On June 15, 2020, EROMS considered the Reliability and Security Technical Committee's (RSTC) application to become a Pre-Qualified Organization (PQO) eligible for submitting Implementation Guidance. After review, EROMS recommended approval of the application, which was subsequently approved by the CCC on June 17, 2020. Further, the CCC approved to remove the Critical Infrastructure Protection Committee (CIPC), Operating Committee (OC), and Planning Committee (PC) from the list of PQOs. Pursuant to the applicable procedures, the CCC is requesting Board approval of the removal of the three retired committees from the list of PQOs.

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Monitoring Program for NERC's Rules of Procedure for Reliability Standards Development

CCC Monitoring Program – CCCPP-003-3

June 17, 2020

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# Introduction

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In the capacity of a NERC Board of Trustees (Board)-appointed stakeholder committee serving and reporting directly to the Board under a NERC Board-approved charter<sup>1</sup>, as approved by FERC<sup>2</sup>, and as set forth in the ROP, the CCC will engage with, support, and advise the NERC Board and its Board of Trustees Compliance Committee (BOTCC) regarding all facets of the NERC CMEP, Registration program, and Certification program.

The CCC is responsible for establishing and implementing a program<sup>1</sup> as specified in Section 405 of the ROP to monitor NERC's standards development process (which, for purposes of this document, includes Section 300, and Appendices 3A, 3B, and 3D of the ROP), with the exception of appeals as defined in Section 8.0 of the Standard Processes Manual. This Procedure describes the program and associated processes to be utilized by the CCC in carrying out this responsibility.

As noted in the NERC Board-approved CCC Charter, monitoring by the CCC is ongoing and does not preclude, interfere with, or replace, in whole or in part, the Board's responsibility to conduct and provide such reviews of these programs as required by FERC 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."

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<sup>1</sup> 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."

# Chapter 1: Monitoring Processes

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The CCC will monitor and assess NERC's adherence to its Reliability Standards development program under the ROP using the processes described below to collect information and make assessments. NERC Internal Audit and the CCC work together to administer the functions described below and provide reporting to the Board, BOTCC, and Enterprise-wide Risk Committee (EWRC) as appropriate.

## Audits

The CCC will work with the NERC Board's EWRC and NERC Internal Audit to schedule periodic external Audits of NERC's adherence to the Reliability Standards development program under the ROP. The CCC will participate as observers in these Audits. Audits will be conducted at NERC's facility (ies) in a manner consistent with Section 403.11 of the ROP. All Audits will be conducted consistent with auditing guidelines generally accepted in North America.

## Audit Steps

The Audit team will include NERC Internal Audit staff, assigned CCC observers, and the external auditing contractor to be approved by the Board pursuant to Section 506 of the ROP.

The CCC will:

- Collaborate with NERC Internal Audit and the EWRC to schedule externally led Audits of NERC's Organization Registration and Certification programs;
- participate, along with the NERC Director of Internal Audits, in the selection of the external auditing contractor;

The CCC observers must:

- Be CCC voting members;
- Identify any applicable conflicts of interest (COI) and will be subject to NERC COI procedures in place at the time of the Audit which includes the ability of NERC to request replacement of an observer who has a COI;
- Complete NERC Auditor Training;
- Execute Confidentiality Agreements;
- Participate in audit activities, including, but not limited to, audit planning and observing interviews with NERC personnel;
- Provide questions, comments, and advice to the external auditors during the course of the Audit;
- Have access to non-confidential Audit documents (as determined by NERC);
- Review the Audit report prior to being finalized.

## Frequency of Audits

Audits of NERC will be conducted at least every three (3) years. Additionally, an unscheduled Audit of NERC may be initiated by the CCC, in consultation with the EWRC and NERC Internal Audit, if reasonably determined to be necessary to determine NERC's adherence with the Reliability Standards development program.

## Scope of Audits

An Audit will include elements of the Reliability Standards development program selected by NERC Internal Audit, the CCC, and auditing contractors, if any.

## **Audit Reports**

The Audit team will develop a draft Audit report that will include a description of the objective, scope, and methodology of the Audit; identify any Adverse Findings; identify any mitigation activities which have been completed or are pending; and identify the nature of any confidential information redacted. The draft Audit report may contain other recommendations of the Audit team related to the findings.

The draft Audit report will be provided to NERC which will in turn provide the Audit team with comments and descriptions of Mitigation Plans for addressing any Adverse Findings for inclusion in the final Audit report. If NERC disputes any Adverse Findings, NERC will also provide language to the Audit team addressing such concerns for inclusion in the report.

The Audit team will consider comments provided by NERC and develop a final Audit report that includes any Mitigation Plan descriptions provided by NERC, as well as any language regarding disputed Adverse Findings. NERC Internal Audit provides the final Audit report to the Board through the EWRC.

## **Self-Certifications**

NERC will certify its adherence to the Reliability Standards development program with respect to a subset of performance items selected by the CCC on a periodic basis. Such Self-Certifications will be achieved through reports to the CCC by a NERC officer or equivalent responsible for ensuring adherence to the Standards Development Process. Results of Self-Certifications will be communicated to the Board through the EWRC. The CCC Chair will also provide the Chair of the EWRC with the full results of the Self-Certification in a separate correspondence.

## **Spot Checks**

The CCC, in consultation with the EWRC and NERC Internal Audit, may from time to time request NERC to provide information to assess whether NERC adheres to the Standards Development Process. A review of this information will be conducted in a manner similar to an Audit. A spot check may also be initiated in response to events or a complaint. Results of a spot check will be documented in a Spot Check Report and NERC Internal Audit provides the report to the Board through the EWRC.

## **Self-Reports**

NERC is encouraged to self-report to the CCC at the time NERC becomes aware of (1) any NERC non-adherence with the Reliability Standards Development program, or (2) a change in a previously identified Adverse Finding. The CCC Chair will notify NERC Internal Audit to collaboratively review self-reported items. Results of reviews will be documented and reported by the CCC Chair to the Board through the EWRC.

## **Complaints**

The CCC may receive complaints alleging NERC non-adherence to the ROP for the Reliability Standards development program. The CCC Chair and the head of NERC Internal Audit both receive all submitted complaints. The CCC Chair is responsible for contacting the head of NERC Internal Audit to collaboratively review complaints and receive advisory input and assistance in determining a course of action. If the complaint provides sufficient basis to warrant further action, the CCC Chair and the head of NERC Internal Audit will inform NERC's General Counsel of the complaint and agree upon a course of action.

If the complaint is about NERC Internal Audit, NERC's Board of Trustees or its Members, the CCC Chair is responsible for informing NERC's CEO and/or General Counsel. The CCC Chair may notify the CCC Executive Committee (CCCEC) and EWRC regarding a complaint and related course of action. A summary of all complaints and their dispositions will be reported to the CCCEC and EWRC no less than annually to inform and facilitate their oversight responsibilities. The CCC Chair is responsible for documenting the course of action. All complaints will be reviewed and resolved in a manner to protect against public disclosure of the complainant's identity.

## Chapter 2: Mitigation Plan

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NERC will develop a corresponding Mitigation Plan for any adverse finding identified as a result of an Audit, Self-Certification, Self-Report, or Spot Check.

### Contents of a Mitigation Plan

A Mitigation Plan should include the following information:

- The non-adherence to the Reliability Standards development program in the ROP that the Mitigation Plan will correct.
- The cause of the non-adherence.
- NERC's action plan to correct the non-adherence.
- NERC's action plan to prevent recurrence of the non-adherence.
- A timetable for completion of the Mitigation Plan.
- Any other information deemed necessary or appropriate.

### Timetable for Completion of a Mitigation Plan

A Mitigation Plan should be completed in time to have a reasonable potential to correct the non-adherence prior to the next applicable reporting/assessment period after occurrence of the non-adherence for which the Mitigation Plan is provided. In all cases, the Mitigation Plan should be completed without delay. NERC will keep the CCC informed of the status of Mitigation Plan activities and will notify the CCC when a Mitigation Plan has been completed.

## Chapter 3: Data Retention and Confidentiality

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### **Records Management**

All records associated with this program will be maintained by NERC. The associated records management policy will provide for a routine and orderly process for the retention and disposal of electronic and paper records related to this program, and ensure verification of compliance with appropriate business, regulatory, and legal requirements. The policy will allow for the maintenance of records as required to implement the CCC's monitoring of NERC's adherence to the Reliability Standards development program in the ROP.

### **Retention Management**

NERC's records management policy will require that information and data generated or received pursuant to activities associated with this program be retained for a minimum of five (5) years. If the information or data is material to the resolution of a controversy, the retention period for such data will not commence until after the controversy is resolved.

### **Confidentiality Management**

NERC and the CCC will maintain confidentiality of all Confidential Information in accordance with Section 1500 of the ROP. Information deemed to be critical energy infrastructure information will be redacted and will not be released publicly.

## Chapter 4: Reporting and Disclosure

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### **Audit**

The CCC will coordinate with NERC Internal Audit to post final Audit reports on its public website after the reports have been reviewed by the NERC Board. Such posting will be subject to the confidentiality provisions of the ROP.

### **Complaint**

When the CCC determines that further action is needed regarding complaints, it will report such complaints to the NERC Board through the EWRC.

### **Mitigation Plan**

NERC will keep the CCC informed of the status of Mitigation Plan activities and will notify the CCC when a Mitigation Plan has been completed.

## Revision History

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Date	Version Number	Comments
June 11, 2008	1.0	Approved by the Compliance and Certification Committee
August 26, 2008	1.0	Approved by the Board of Trustees
April 13, 2015	2.0	Revised by the ERO Monitoring Subcommittee (EROMS), and approved by the Compliance and Certification Committee
May 7, 2015	2.0	Approved by the Board of Trustees
June 17, 2020	3.0	Approved by the Compliance and Certification Committee
Insert date		Approved by the Board of Trustees



# Monitoring Program for NERC's Rules of Procedure for Reliability Standards Development- Program ~~NERC~~

CCC Monitoring Program – CCCPP-003

~~August xx, 2019~~ Month Day, 2020

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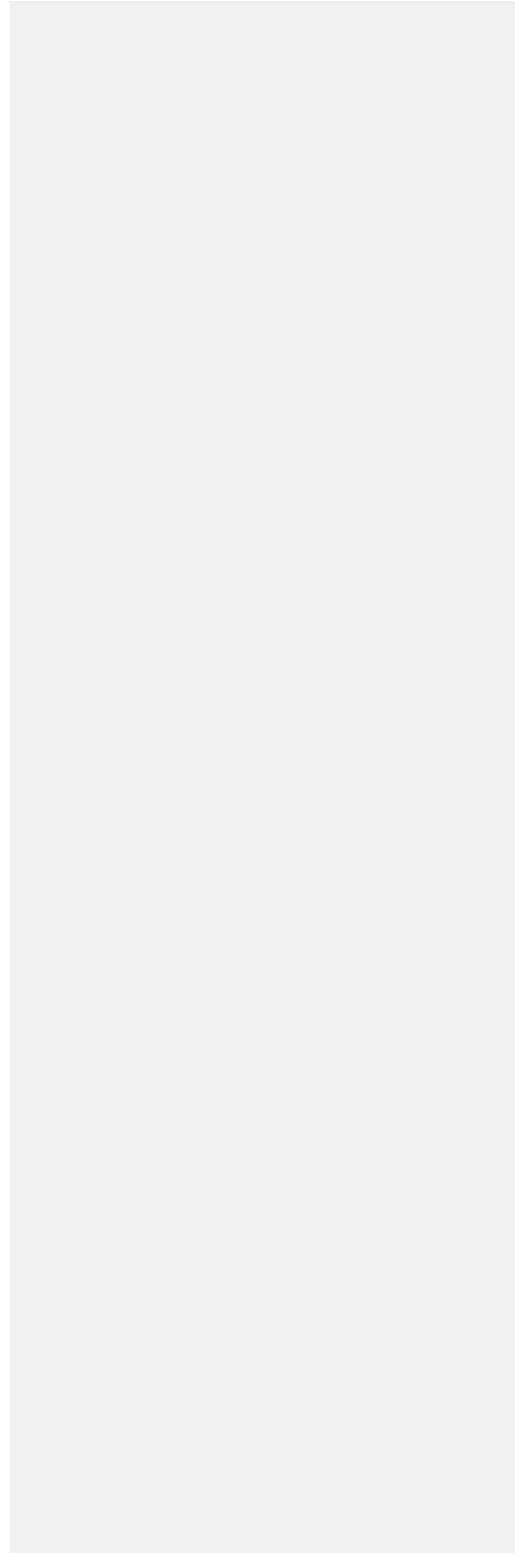
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3353 Peachtree Road NE  
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NERC | Report Title | Report Date

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## Preface

The North American Electric Reliability Corporation (NERC) is a not-for-profit international regulatory authority whose mission is to assure the reliability of the bulk power system (BPS) in North America. NERC develops and enforces Reliability Standards; annually assesses seasonal and long-term reliability; monitors the BPS through system awareness; and educates, trains, and certifies industry personnel. NERC's area of responsibility spans the continental United States, Canada, and the northern portion of Baja California, Mexico. NERC is the electric reliability organization (ERO) for North America, subject to oversight by the Federal Energy Regulatory Commission (FERC) and governmental authorities in Canada. NERC's jurisdiction includes users, owners, and operators of the BPS, which serves more than 334 million people.

The North American BPS is divided into several assessment areas within the six Regional Entity (RE) boundaries, as shown in the map and corresponding table below.



*The Regional boundaries in this map are approximate. The highlighted areas denote overlap as some load-serving entities participate in one Region while associated transmission owners/operators participate in another. The highlighted area between SPP and SERC denotes overlap as some load-serving entities participate in one Region while associated transmission owners/operators participate in another.*

FRCC	Florida Reliability Coordinating Council
MRO	Midwest Reliability Organization
NPCC	Northeast Power Coordinating Council
RF	ReliabilityFirst
SERC	SERC Reliability Corporation
SPP-RE	Southwest Power Pool Regional Entity
TRE	Texas Reliability Entity
WECC	Western Electricity Coordinating Council

**Commented [LP1]:** Check the newest report template for the latest language. It is entirely different now.

**Commented [CB2]:** Updated the map, verbiage of eight regions to six regions and updated the matrix and removed verbiage related to FRCC and SPPRE

**Commented [NJ3]:** I recommend eliminating the maps as we are doing for the Regional Delegation Agreements.

## Revision History

NERC Compliance and Certification Committee		CCCPP-003
Title: Monitoring Program for NERC's Adherence to NERC's <u>Standard Development Processes Manual</u>		
Version: <u>2.50</u>	Revision Date: <u>04/13/2015</u> <u>08/01/2019</u>	Effective Date: <u>05/07/2015</u>

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Date	Version Number	Comments
June 11, 2008	1.0	Approved by the Compliance and Certification Committee
August 26, 2008	1.0	Approved by the Board of Trustees
April 13, 2015	2.0	Revised by the ERO Monitoring Subcommittee (EROMS), and approved by the Compliance and Certification Committee
May 7, 2015	2.0	Approved by the Board of Trustees
<u>August 01, 2019</u>	<u>2.5</u>	<u>Updated the map, verbiage of eight regions to six regions and updated the matrix and removed verbiage related to FRCC and SPPRE</u>

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# 1. Introduction

In the capacity of a NERC Board of Trustees (Board)-appointed stakeholder committee serving and reporting directly to the Board under a NERC Board-approved charter<sup>1</sup>, as approved by FERC<sup>2</sup>, and as set forth in the ROP, the CCC will engage with, support, and advise the NERC Board and its Board of Trustees Compliance Committee (BOTCC) regarding all facets of the NERC CMEP, Registration program, and Certification program.

The CCC is responsible for establishing and implementing a program<sup>1</sup> as specified in Section 405 of the ROP to monitor NERC's standards development process (which, for purposes of this document, includes Section 300, and Appendices 3A, 3B, and 3D of the ROP), with the exception of appeals as defined in Section 8.0 of the Standard Processes Manual. This Procedure describes the program and associated processes to be utilized by the CCC in carrying out this responsibility.

As noted in the NERC Board-approved CCC Charter, monitoring by the CCC is ongoing and does not preclude, interfere with, or replace, in whole or in part, the Board's responsibility to conduct and provide such reviews of these programs as required by FERC 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."

In the capacity of a NERC board-appointed stakeholder committee serving and reporting directly to the Board under a NERC board-approved charter<sup>1</sup>, as approved by FERC<sup>2</sup>, and as set forth in the Rules Of Procedure (ROP), the CCC will engage with, support, and advise the Board and NERC Board of Trustees Compliance Committee (BOTCC) regarding all facets of the NERC CMEP, Registration program, and Certification program.

As a committee independent of Reliability Standards development, the CCC is responsible for establishing and implementing a program<sup>2</sup> as specified in Section 405 of NERC's ROP to monitor NERC's adherence to its Standard Processes Manual (Appendix 3A), with the exception of appeals of substantive or procedural action or inaction associated with a Reliability Standard or the standards process as defined in the Appeals section of the Standard Processes Manual. This document describes the program and associated processes to be utilized by the CCC in carrying out this responsibility.

As noted in the NERC board-approved CCC Charter, monitoring by the CCC is ongoing and does not preclude, interfere with, or replace, in whole or in part, the Board's responsibility to conduct and provide such reviews of these programs as required by FERC 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."

## 1.1 Terms

The terms defined below are applicable to this program only and are not intended to be applicable to or conflict with the same or similar terms used by NERC for other purposes.

### 1.1.1 Adverse Finding

<sup>1</sup> 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."

<sup>2</sup> 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."

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Also, minor quibble – there are provisions in Section 300 that do not relate specifically to NERC's "development process", but NERC's legal obligations to its regulators and NERC's role with respect to regional

standards development.

**Commented [RF5]:** Replaced Standards Processes Manual with Standards Development Process since the Audit covers more than just Appendix 3A

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# 1. Introduction

A finding of a non-adherence as a result of an Audit, a Self-Certification, a Self-Report, or a Spot Check.

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## 1.1.2. Audit

A systematic, objective review and examination of records and activities to determine whether NERC has adhered to the Standard Processes Manual.

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## 1.1.3. Complaint

An allegation that NERC has not adhered to the Standard Processes Manual.

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## 1.1.4. Mitigation Plan

An action plan developed by NERC to (1) correct an Adverse Finding and/or (2) prevent any recurrence of an Adverse Finding.

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## 1.1.5. Self-Certification

Periodic reporting by NERC of adherence or non-adherence to the Standard Processes Manual.

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## 1.1.6. Self-Report

A report by NERC of a non-adherence to the Standard Processes Manual, based on NERC's own assessment, and of any actions taken or that are being taken to resolve the non-adherence.

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<sup>1</sup><http://www.nerc.com/comm/CCC/Documents/CCC%20Charter%20Approved%20RR15-11-000.pdf>

<sup>2</sup>[http://www.nerc.com/files/Order\\_on\\_Comp\\_Filing\\_06-07-2007\\_CCC\\_VSL\\_Order.pdf](http://www.nerc.com/files/Order_on_Comp_Filing_06-07-2007_CCC_VSL_Order.pdf)

### 1.1.7. Spot Check

A process in which NERC is requested to provide information to assess whether NERC adheres to the Standards Process Manual.

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## 2- Chapter 1: Monitoring Processes

The CCC will monitor and assess NERC's adherence to its Standards ~~development process~~ Process under the ROPes Manual using the processes described below to collect information and make assessments. NERC Internal Audit and the CCC work together to administer the functions described below and provide reporting to the Board, BOTCC, and Enterprise-wide Risk Committee (EWRC) as appropriate.

### 2.1 Audits

The CCC will work with the ~~Enterprise-wide Risk Committee (NERC Board's EWRC)~~ and the ~~NERC Director of Internal Audits~~ to schedule periodic external Audits of NERC's adherence to the standards development process Process under the ROPes Manual. The CCC will participate as observers in these Audits, ~~as described in Section 2.1.1~~. Audits will be conducted at NERC's facility(ies) in a manner consistent with Section 403.11 of the ROP. All Audits will be conducted ~~in accordance with Audit guides~~, consistent with accepted auditing guidelines generally accepted in North America as approved by NERC.

#### 2.1.1. Audit Steps

The Audit team will include NERC Internal Audit staff, assigned CCC observers, and the external auditing contractor to be approved by the Board pursuant to Section 506 of the ROP.

The CCC will:

- Collaborate with NERC Internal Audit and the EWRC to schedule externally led Audits of NERC's standards development process;
- participate, along with the NERC Director of Internal Audits, in the selection of the external auditing contractor;

The CCC observers must:

- Be CCC voting members;
- Identify any applicable conflicts of interest (COI) and will be subject to NERC COI procedures in place at the time of the Audit which includes the ability of NERC to request replacement of an observer who has a COI;
- Complete NERC Auditor Training;
- Execute Confidentiality Agreements;
- Participate in audit activities, including, but not limited to, audit planning and observing interviews with NERC personnel;
- Provide questions, comments, and advice to the external auditors during the course of the Audit;
- Have access to non-confidential Audit documents (as determined by NERC);
- Review the Audit report prior to being finalized
  - ~~The CCC will collaborate with the NERC Director of Internal Audits and the EWRC to schedule externally led Audits of the Standard Processes Manual.~~
  - ~~The CCC will participate, along with the NERC Director of Internal Audits, in the selection of the external auditing contractor.~~
  - ~~Each Audit team will include NERC Internal Audit staff, assigned CCC observers, and the external auditing contractor.~~
  - ~~The assigned CCC observers must identify any applicable conflicts of interest (COI) and will be subject to NERC COI procedures in place at the time of the Audit which includes the ability of NERC to request~~

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~~replacement of an observer who has a COI.~~

- ~~• The assigned CCC observers must have completed NERC Auditor Training.~~
- ~~• The assigned CCC observers must execute Confidentiality Agreements.~~
- ~~• The assigned CCC observers must abide by the NERC provided observer guidelines.~~
- ~~• The assigned CCC observers will be included in Audit team pre and post Audit activities and actual auditing activities, including meeting with NERC personnel from the departments that are the subjects of the Audit.~~
- ~~• The assigned CCC observers may provide questions, comments, and advice to the external auditors during the course of the Audit.~~
- ~~• The assigned CCC observers will have access to non-confidential Audit documents (as determined by NERC) on the secure NERC site.~~
- ~~• The assigned CCC observers will review all daily, weekly, and final Audit reports.~~

### **2.1.2. Frequency of Audits**

Audits of NERC will be conducted at least every three (3) years. Additionally, an unscheduled Audit of NERC may be initiated by the CCC, in consultation with the EWRC and ~~the NERC Director of Internal Audits~~, if reasonably determined to be necessary to determine NERC's adherence with the standards development process~~Processes Manual~~.

### **2.1.3. Scope of Audits**

An Audit will include elements of the standards development process~~Processes Manual~~, selected by NERC Internal Audit, the CCC, and auditing contractors, if any elements of the Standard Processes Manual selected by the CCC,

### **2.1.4. Audit Reports**

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## 2. Monitoring Processes

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The Audit team will develop a draft Audit report that will include a description of the objective, scope, and methodology of the Audit; identify any Adverse Findings; identify any mitigation activities which have been completed or are pending; and identify the nature of any confidential information redacted. The draft Audit report may contain other recommendations of the Audit team related to the findings.

The draft Audit report will be provided to NERC which will in turn provide the Audit team with comments and descriptions of Mitigation Plans for addressing any adverse Findings for inclusion in the final Audit report. If NERC disputes any Adverse Findings, NERC will also provide language to the Audit team addressing such concerns for inclusion in the report.

The Audit team will consider comments provided by NERC and develop a final Audit report that includes any Mitigation Plan descriptions provided by NERC, as well as any language regarding disputed Adverse Findings. NERC Internal Audit provides the final Audit report to the Board through the EWRC.

### 2-2 Self-Certifications

NERC will certify its adherence to the standards development process Processes Manual with respect to a subset of performance items selected by the CCC on a periodic basis. Such Self-Certifications will be achieved through reports to the CCC by a NERC officer or equivalent responsible for ensuring adherence to the NERC's Standards development Processes Manual. Results of Self-Certifications will be communicated to the Board through the EWRC. The CCC Chair will also provide the Chair of the EWRC with the full results of the Self-Certification in a separate correspondence.

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### 2-3 Spot Checks

The CCC, in consultation with the EWRC and the NERC Director of Internal Audits, may from time to time request NERC to provide information to assess whether NERC adheres to the Standards development Processes Manual. A review of this information will be conducted in a manner similar to an Audit. A Spot Check may also be initiated in response to events or a Complaint. Results of a Spot Check will be documented in a Spot Check Report and NERC Internal Audit provides the report to the Board through the EWRC in a manner consistent with reporting for an Audit.

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### 2-4 Self-Reports

NERC is encouraged to self-report to the CCC at the time NERC becomes aware of (1) any NERC non-adherence with the standards development process Processes Manual, or (2) a change in a previously identified adverse finding. The CCC Chair will notify NERC Internal Audit to collaboratively review self-reported items. Results of reviews will be documented and a Self-Report will be communicated reported by the CCC Chair to the Board through the EWRC.

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### 2-5 Complaints

The CCC may receive Complaints alleging NERC non-adherence to the ROP for the standards development process Processes Manual. The CCC Chair and the head of NERC Internal Audit both receive all submitted complaints. The CCC Chair is responsible for contacting the head of NERC Internal Audit to collaboratively review complaints and receive advisory input and assistance in determining a course of action. If the complaint provides sufficient basis to warrant further action, the CCC Chair and the head of NERC Internal Audit will inform NERC's General Counsel of the complaint and agree upon a course of action.

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If the complaint is about NERC Internal Audit, NERC's Board of Trustees or its Members, the CCC Chair is

responsible for informing NERC's CEO and/or General Counsel. The CCC Chair may notify the CCC Executive Committee (CCCEC) and EWRC regarding a complaint and related course of action. A summary of all Complaints and their dispositions will be reported to the CCCEC and EWRC no less than annually to inform and facilitate their oversight responsibilities. The CCC Chair is responsible for documenting the course of action. All complaints will be reviewed and resolved in a manner to protect against public disclosure of the complainant's identity.

~~The CCC will conduct a review of each Complaint it receives to determine if the Complaint may be closed as a result of an initial review and assessment, or if the Complaint provides sufficient basis for the CCC to consult with the EWRC and the NERC Director of Internal Audits to determine if further action is needed. All anonymous Complaints will be reviewed in a manner that will prevent disclosure of the complainant's identity.~~

## Chapter 2: Mitigation Plan

### NERC Annual Work Plan

The CCC will maintain and update an Annual Work Plan, to be carried out by the CCC in the performance of its responsibilities and duties in implementing this program. The plan will be provided to NERC each year and will specify reporting by NERC to the CCC that will be required to provide verification of adherence through any of the monitoring methods described in Section 2 of this document. The Work Plan will be posted on the NERC website.

NERC will develop a corresponding Mitigation Plan for any ~~if an~~ Adverse Finding ~~is~~ identified as a result of an Audit, a Self-Certification, a Self-Report, or a Spot Check. ~~NERC will develop a corresponding Mitigation Plan.~~

#### 4.1 Contents of a Mitigation Plan

A Mitigation Plan should include the following information:

- The non-adherence to the ~~standards~~ development process Process in the ROP es Manual that the Mitigation Plan will correct.
- The cause of the non-adherence.
- NERC's action plan to correct the non-adherence.
- NERC's action plan to prevent recurrence of the non-adherence.
- A timetable for completion of the Mitigation Plan.
- Any other information deemed necessary or appropriate.

#### 4.2 Timetable for Completion of a Mitigation Plan

A Mitigation Plan should be completed in time to have a reasonable potential to correct the non-adherence prior to the next applicable reporting/assessment period after occurrence of the non-adherence for which the Mitigation Plan is provided. In all cases the Mitigation Plan should be completed without delay. NERC will keep the CCC informed of the status of Mitigation Plan activities, and will notify the CCC when a Mitigation Plan has been completed.

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## Chapter 3: ~~5-~~Data Retention and Confidentiality

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### 5.1 Records Management

All records associated with this program will be maintained by NERC. The associated records management policy will provide for a routine and orderly process for the retention and disposal of electronic and paper records related to this program, and ensure verification of compliance with appropriate business, regulatory, and legal requirements. The policy will allow for the maintenance of records as required to implement the CCC's monitoring of NERC's adherence to the ~~standard~~; [development process](#)~~Process in the ROPes Manual~~.

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### 5.2 Retention Management

NERC's records management policy will require that information and data generated or received pursuant to activities associated with this program be retained for a minimum of five (5) years. If the information or data is material to the resolution of a controversy, the retention period for such data will not commence until after the controversy is resolved.

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### 5.3 Confidentiality Management

NERC and the CCC will maintain confidentiality of all Confidential Information in accordance with Section 1500 of the ROP. Information deemed to be critical energy infrastructure information will be redacted and will not be released publicly.

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## Chapter 4: Reporting and Disclosure

### **6.3 Audit**

The CCC will coordinate with NERC to post final Audit reports on its public website after the reports have been reviewed by the NERC Board. Such posting will be subject to the confidentiality provisions of the ROP.

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### **6.4 Complaint**

When the CCC determines that further action is needed regarding Complaints, it will report such Complaints to the NERC Board through the EWRC.

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### **6.5 Mitigation Plan**

NERC will keep the CCC informed of the status of Mitigation Plan activities, and will notify the CCC when a Mitigation Plan has been completed.

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### **6.6 Other Monitoring Activity**

The CCC will report to the NERC Board through the EWRC upon completion of a CCC monitoring activity described in this procedure.

## Audit

The CCC will coordinate with NERC Internal Audit to post final Audit reports on its public website after the reports have been reviewed by the NERC Board. Such posting will be subject to the confidentiality provisions of the ROP.

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## Complaint

When the CCC determines that further action is needed regarding complaints, it will report such complaints to the NERC Board through the EWRC.

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## Mitigation Plan

NERC will keep the CCC informed of the status of Mitigation Plan activities and will notify the CCC when a Mitigation Plan has been completed.

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## 6. Reporting and Disclosure Revision History

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<u>Date</u>	<u>Version Number</u>	<u>Comments</u>
<a href="#">June 11, 2008</a>	<a href="#">1.0</a>	<a href="#">Approved by the Compliance and Certification Committee</a>
<a href="#">August 26, 2008</a>	<a href="#">1.0</a>	<a href="#">Approved by the Board of Trustees</a>
<a href="#">April 13, 2015</a>	<a href="#">2.0</a>	<a href="#">Revised by the ERO Monitoring Subcommittee (EROMS), and approved by the Compliance and Certification Committee</a>
<a href="#">May 7, 2015</a>	<a href="#">2.0</a>	<a href="#">Approved by the Board of Trustees</a>
<a href="#">[insert date]</a>	<a href="#">3.0</a>	<a href="#">Approved by the Compliance and Certification Committee</a>
<a href="#">Insert date</a>		<a href="#">Approved by the Board of Trustees</a>



**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Monitoring Program for NERC's Adherence to NERC's Rules of Procedure for Registration and Certification

CCC Monitoring Program – CCCPP-007-3

June 17, 2020

RELIABILITY | RESILIENCE | SECURITY



3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
404-446-2560 | [www.nerc.com](http://www.nerc.com)

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# Introduction

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In the capacity of a NERC Board of Trustees (Board)-appointed stakeholder committee serving and reporting directly to the Board under a NERC Board-approved charter<sup>1</sup>, as approved by FERC<sup>2</sup>, and as set forth in the ROP, the CCC will engage with, support, and advise the NERC Board of Trustees and its Board of Trustees Compliance Committee (BOTCC) regarding all facets of the NERC CMEP, Registration program, and Certification program.

The CCC is responsible for establishing and implementing a program as specified in Section 405 of the NERC Rules of Procedure (ROP) to monitor NERC's adherence to ROP for Organization Registration and Certification, including but not limited to the Organization Registration and Certification Manual (Appendix 5A); and carrying out activities as specified in Section 506 of the ROP where NERC is responsible for providing through the CCC for an Independent Audit of its Organization Registration and Certification Programs at least once every three years, or more frequently, as determined by the Board. This document describes the program and associated processes to be utilized by the CCC in carrying out this responsibility.

As noted in the NERC Board-approved CCC Charter, monitoring by the CCC is ongoing and does not preclude, interfere with, or replace, in whole or in part, the Board's responsibility to conduct and provide such reviews of these programs as required by FERC 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."

# Chapter 1: Monitoring Processes

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The CCC will monitor and assess NERC's adherence to its ROP for Organization Registration and Certification using the processes described below to collect information and make assessments. NERC Internal Audit and the CCC work together to administer the functions described below and provide reporting to the Board, BOTCC, and Enterprise-wide Risk Committee (EWRC) as appropriate.

## Audits

The CCC will work with the NERC Board's EWRC and NERC Internal Audit to schedule periodic external Audits of NERC's Organization Registration and Certification programs. The CCC will participate as observers in these Audits. Audits will be conducted at NERC's facility (ies) in a manner consistent with Section 403.11 of the ROP. All Audits will be conducted consistent with auditing guidelines generally accepted in North America.

## Audit Steps

The Audit team will include NERC Internal Audit staff, assigned CCC observers, and the external auditing contractor to be approved by the Board pursuant to Section 506 of the ROP.

The CCC will:

- collaborate with NERC Internal Audit and the EWRC to schedule externally led Audits of NERC's Organization Registration and Certification programs;
- participate, along with the NERC Director of Internal Audits, in the selection of the external auditing contractor;

The CCC observers must:

- Be CCC voting members;
- Identify any applicable conflicts of interest (COI) and will be subject to NERC COI procedures in place at the time of the Audit which includes the ability of NERC to request replacement of an observer who has a COI;
- Complete NERC Auditor Training;
- Execute Confidentiality Agreements;
- Participate in audit activities, including, but not limited to, audit planning and observing interviews with NERC personnel;
- Provide questions, comments, and advice to the external auditors during the course of the Audit;
- Have access to non-confidential Audit documents (as determined by NERC);
- Review the Audit report prior to being finalized.

## Frequency of Audits

Audits of NERC will be conducted at least every three (3) years. Additionally, an unscheduled Audit of NERC may be initiated by the CCC, in consultation with the EWRC and NERC Internal Audit, if reasonably determined to be necessary to determine NERC's adherence to the ROP for Organization Registration and Certification.

## Scope of Audits

An Audit will include elements of NERC's Organization Registration and Certification programs selected by NERC Internal Audit, the CCC, and auditing contractors, if any.

### **Audit Reports**

The Audit team will develop a draft Audit report that will include a description of the objective, scope, and methodology of the Audit; identify any Adverse Findings; identify any mitigation activities which have been completed or pending in the year of the Audit; and identify the nature of any confidential information redacted. The draft Audit report may contain other recommendations of the Audit team related to the findings.

The draft Audit report will be provided to NERC which will in turn provide the Audit team with comments and descriptions of Mitigation Plans for addressing any Adverse Findings for inclusion in the final Audit report. If NERC disputes any Adverse Findings, NERC will also provide language to the Audit team addressing such concerns for inclusion in the report.

The Audit team will consider comments provided by NERC and develop a final Audit report that includes any Mitigation Plan descriptions provided by NERC as well as any language regarding disputed Adverse Findings. The Audit team will then provide the final Audit report to the Board through the EWRC.

### **Self-Certifications**

NERC will certify its adherence to the ROP for Organization Registration and Certification with respect to a subset of performance items selected by the CCC on a periodic basis. Such Self-Certifications will be achieved through reports to the CCC by a NERC officer or equivalent responsible for ensuring adherence to the ROP for Organization Registration and Certification. Results of Self-Certifications will be communicated to the Board through the EWRC. The CCC Chair will also provide the Chair of the EWRC with the full results of the Self-Certification in a separate correspondence.

### **Spot Checks**

The CCC, in consultation with the EWRC and NERC Internal Audit, may from time to time request NERC to provide information to assess whether NERC adheres to the ROP for Organization Registration and Certification. A review of this information will be conducted in a manner similar to an Audit. A Spot Check may also be initiated in response to events or a Complaint. Results of a spot check will be documented in a Spot Check Report and NERC Internal Audit provides the report to the Board through the EWRC.

### **Self-Reports**

NERC is encouraged to self-report to the CCC at the time NERC becomes aware of (1) any NERC non-adherence to the ROP for Organization Registration and Certification, or (2) a change in a previously identified Adverse Finding. The CCC Chair will notify NERC Internal Audit to collaboratively review self-reported items. Results of reviews will be documented and reported by the CCC Chair to the Board through the EWRC.

### **Complaints**

The CCC may receive complaints alleging NERC non-adherence to the ROP for the for Organization Registration and Certification program. The CCC Chair and the head of NERC Internal Audit both receive all submitted complaints. The CCC Chair is responsible for contacting the head of NERC Internal Audit to collaboratively review complaints and receive advisory input and assistance in determining a course of action. If the complaint provides sufficient basis to warrant further action, the CCC Chair and the head of NERC Internal Audit will inform NERC's General Counsel of the complaint and agree upon a course of action.

If the complaint is about NERC Internal Audit, NERC's Board of Trustees or its Members, the CCC Chair is responsible for informing NERC's CEO and/or General Counsel. The CCC Chair may notify the CCC Executive Committee (CCCEC) and EWRC regarding a complaint and related course of action. A summary of all complaints and their dispositions will be reported to the CCCEC and EWRC no less than annually to inform and facilitate their oversight responsibilities. The CCC Chair is responsible for documenting the course of action. All complaints will be reviewed and resolved in a manner to protect against public disclosure of the complainant's identity.



## Chapter 2: Mitigation Plan

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NERC will develop a corresponding Mitigation Plan for any adverse finding identified as a result of an Audit, Self-Certification, Self-Report, or Spot Check.

### Contents of a Mitigation Plan

A Mitigation Plan should include the following information:

- The non-adherence to the ROP for Organization Registration and Certification that the Mitigation Plan will correct.
- The cause of the non-adherence.
- NERC's action plan to correct the non-adherence.
- NERC's action plan to prevent recurrence of the non-adherence.
- A timetable for completion of the Mitigation Plan.
- Any other information deemed necessary or appropriate.

### Timetable for Completion of a Mitigation Plan

A Mitigation Plan should be completed in time to have a reasonable potential to correct the non-adherence prior to the next applicable reporting/assessment period after occurrence of the non-adherence for which the Mitigation Plan is provided. In all cases, the Mitigation Plan should be completed without delay. NERC will keep the CCC informed of the status of Mitigation Plan activities, and will notify the CCC when a Mitigation Plan has been completed.



## Chapter 3: Data Retention and Confidentiality

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### **Records Management**

All records associated with this program will be maintained by NERC. The associated records management policy will provide for a routine and orderly process for the retention and disposal of electronic and paper records related to this program, and ensure verification of compliance with appropriate business, regulatory, and legal requirements. The policy will allow for the maintenance of records as required to implement the CCC's monitoring of NERC's Adherence to the ROP for Organization Registration and Certification.

### **Retention Management**

NERC's records management policy will require that information and data generated or received pursuant to activities associated with this program be retained for a minimum of five (5) years. If the information or data is material to the resolution of a controversy, the retention period for such data will not commence until after the controversy is resolved.

### **Confidentiality Management**

NERC and the CCC will maintain confidentiality of all Confidential Information in accordance with Section 1500 of the ROP. Information deemed to be critical energy infrastructure information will be redacted and will not be released publicly.

## Chapter 4: Reporting and Disclosure

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### **Audit**

The CCC will coordinate with NERC to post final Audit reports on its public website after the reports have been reviewed by the NERC Board. Such posting will be subject to the confidentiality provisions of the ROP.

### **Complaint**

When the CCC determines that further action is needed regarding Complaints, it will report such Complaints to the NERC Board through the EWRC.

### **Mitigation Plan**

NERC will keep the CCC informed of the status of Mitigation Plan activities, and will notify the CCC when a Mitigation Plan has been completed.

## Revision History

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Date	Version Number	Comments
September 18, 2008	1.0	Approved by the Compliance and Certification Committee
November 4, 2009	2.0	Approved by the Board of Trustees
April 13, 2015	3.0	Revised by the ERO Monitoring Subcommittee (EROMS), and approved by the Compliance and Certification Committee
May 7, 2015	3.0	Approved by the Board of Trustees
June 17, 2020	4.0	Approved by the Compliance and Certification Committee
TBD	4.0	Approved by the Board of Trustees

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Monitoring Program for NERC's Adherence to NERC's Rules of Procedure for Registration and Certification

CCC Monitoring Program – CCCPP-007

~~May 7, 2015~~ March xx, 2020

RELIABILITY | ACCOUNTABILITY



3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
404-446-2560 | [www.nerc.com](http://www.nerc.com)

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## Preface

The North American Electric Reliability Corporation (NERC) is a not-for-profit international regulatory authority whose mission is to assure the reliability of the bulk power system (BPS) in North America. NERC develops and enforces Reliability Standards; annually assesses seasonal and long-term reliability; monitors the BPS through system awareness; and educates, trains, and certifies industry personnel. NERC's area of responsibility spans the continental United States, Canada, and the northern portion of Baja California, Mexico. NERC is the electric reliability organization (ERO) for North America, subject to oversight by the Federal Energy Regulatory Commission (FERC) and governmental authorities in Canada. NERC's jurisdiction includes users, owners, and operators of the BPS, which serves more than 334 million people.

The North American BPS is divided into several assessment areas within the eight ~~six~~ Regional Entity (RE) boundaries, as shown in the map and corresponding table below.



*The North American BPS is divided into six Regional Entity (RE) boundaries. The highlighted areas denote overlap as some load-serving entities participate in one Region while associated transmission owners/operators participate in another.*

*The Regional boundaries in this map are approximate. The highlighted area between SPP and SERC denotes overlap as some load-serving entities participate in one Region while associated transmission owners/operators participate in another.*

FRCC	Florida Reliability Coordinating Council
MRO	Midwest Reliability Organization
NPCC	Northeast Power Coordinating Council
RF	ReliabilityFirst
SERC	SERC Reliability Corporation
SPP-RE	Southwest Power Pool Regional Entity
TRE	Texas Reliability Entity
WECC	Western Electricity Coordinating Council

**Commented [CB1]:** Updated the map, verbiage of eight regions to six regions and updated the matrix and removed verbiage related to FRCC and SPPRE

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## Revision History

<b>NERC Compliance and Certification Committee</b>		<b>CCCPP-007</b>
<b>Title:</b> Monitoring Program for NERC's Adherence to NERC's Rules of Procedure for Registration and Certification		
<b>Version:</b> 3.0	<b>Revision Date:</b> 04/13/2015	<b>Effective Date:</b> 05/07/2015

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Date	Version Number	Comments
September 18, 2008	1.0	Approved by the Compliance and Certification Committee
November 4, 2009	2.0	Approved by the Board of Trustees
April 13, 2015	3.0	Revised by the ERO Monitoring Subcommittee (EROMS), and approved by the Compliance and Certification Committee
May 7, 2015	3.0	Approved by the Board of Trustees

# 1. Introduction

---

In the capacity of a NERC board-appointed stakeholder committee serving and reporting directly to the Board under a NERC board-approved charter<sup>1</sup>, as approved by FERC<sup>2</sup>, and as set forth in the ROP, the CCC will engage with, support, and advise the ~~Board and~~ NERC Board of Trustees ~~and its~~ Compliance Committee (BOTCC) regarding all facets of the NERC CMEP, Registration program, and Certification program.

The CCC is responsible for establishing and implementing a program as specified in Section 405 of the NERC Rules of Procedure (ROP) to monitor NERC's adherence to ROP for Organization Registration and Certification, including but not limited to the Organization Registration and Certification Manual (Appendix 5A); and carrying out activities as specified in Section 506 of the ROP where NERC is responsible for providing through the CCC for an Independent Audit of its Organization Registration and Certification Programs at least once every three years, or more frequently, as determined by the Board. This document describes the program and associated processes to be utilized by the CCC in carrying out this responsibility.

As noted in the NERC board-approved CCC Charter, monitoring by the CCC is ongoing and does not preclude, interfere with, or replace, in whole or in part, the Board's responsibility to conduct and provide such reviews of these programs as required by FERC 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."

## 1.1 Terms

~~The terms defined below are applicable to this program only and are not intended to be applicable to or conflict with the same or similar terms used by NERC for other purposes.~~

### 1.1.1. ~~Adverse Finding~~

~~A finding of a non-adherence to the ROP as a result of an Audit, a Self-Certification, a Self-Report, or a Spot-Check.~~

### 1.1.2. ~~Audit~~

~~A systematic, objective review and examination of records and activities to determine whether NERC has adhered to the ROP for Organization Registration and Certification.~~

### 1.1.3. ~~Complaint~~

~~An allegation that NERC has not adhered to the ROP for Organization Registration and Certification.~~

### 1.1.4. ~~Mitigation Plan~~

~~An action plan developed by NERC to (1) correct an Adverse Finding and/or (2) prevent any recurrence of an Adverse Finding.~~

### 1.1.5. ~~Self-Certification~~

~~Periodic reporting by NERC of adherence or non-adherence to the ROP for Organization Registration and Certification.~~

### 1.1.6. ~~Self-Report~~

~~A report by NERC of a non-adherence to the ROP for Organization Registration and Certification, based on NERC's own assessment, and of any actions taken or that are being taken to resolve the non-adherence.~~

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<sup>1</sup><http://www.nerc.com/comm/CCC/Documents/CCC%20Charter%20Approved%20ORR15-11-000.pdf>

<sup>2</sup>[http://www.nerc.com/files/Order\\_on\\_Comp\\_Filing\\_06.07.2007\\_CCC\\_VSL\\_Order.pdf](http://www.nerc.com/files/Order_on_Comp_Filing_06.07.2007_CCC_VSL_Order.pdf)



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## 1. Introduction

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### **1.1.7. Spot Check**

A process in which NERC is requested to provide information to assess whether NERC adheres with the ROP for Organization Registration and Certification.

## 2- Chapter 1: Monitoring Processes

The CCC will monitor and assess NERC's adherence to its ROP for Organization Registration and Certification using the processes described below to collect information and make assessments. [NERC Internal Audit and the CCC work together to administer the functions described below and provide reporting to the Board, BOTCC, and Enterprise-wide Risk Committee \(EWRC\) as appropriate.](#)

### 2.1 Audits

The CCC will work with the [NERC Board of Trustee's Enterprise-wide Risk Committee \(EWRC\)](#) and ~~the NERC Director of Internal Audit~~ to schedule periodic external Audits of NERC's Organization Registration and Certification programs. The CCC will participate as observers in these Audits, as described in Section 2.1.1. Audits will be conducted at NERC's facility(ies) in a manner consistent with Section 403.11 of the ROP. All Compliance Program Audits will be conducted in accordance with Audit guides, consistent with accepted auditing guidelines as approved by NERC.

#### 2.1.1. Audit Steps

[The Audit team will include NERC Internal Audit staff, assigned CCC observers, and the external auditing contractor to be approved by the Board pursuant to Section 506 of the ROP.](#)

The CCC will:

- ~~The CCC will~~ collaborate with ~~the NERC Director of Internal Audits~~ and the EWRC to schedule externally led Audits of NERC's Organization Registration and Certification programs.
- ~~The CCC will~~ participate, along with the NERC Director of Internal Audits, in the selection of the external auditing contractor.

[The CCC observers:](#)

- ~~Must be CCC voting members.~~
- ~~Each Audit team will include NERC Internal Audit staff, assigned CCC observers, and the external auditing contractor to be approved by the Board pursuant to Section 506 of the ROP.~~
  - ~~must~~ ~~The assigned CCC observers must~~ identify any applicable conflicts of interest (COI) and will be subject to NERC COI procedures in place at the time of the Audit which includes the ability of NERC to request replacement of an observer who has a COI.
  - ~~must~~ ~~The assigned CCC observers must~~ have completed NERC Auditor Training.
  - ~~must~~ ~~The assigned CCC observers must~~ execute Confidentiality Agreements.
  - ~~must~~ ~~The assigned CCC observers must~~ abide by the ~~NERC provided observer guidelines.~~
  - ~~will~~ ~~The assigned CCC observers will~~ participate ~~be included in~~ ~~Audit team pre and post Audit activities and actual auditing activities, including, including but not limited to, audit planning and observing interviews meeting with NERC personnel from the departments that are the subjects of the Audit.~~
  - ~~The assigned CCC observers~~ may provide questions, comments, and advice to the external auditors during the course of the Audit.
  - ~~The assigned CCC observers~~ will have access to non-confidential Audit documents (as determined by NERC) on the secure NERC site.
  - ~~The assigned CCC observers will~~ [review the review all daily, weekly, and final Audit report prior to being finalized.](#)

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**2.1.2. Frequency of Audits**

Audits of NERC will be conducted at least every three (3) years. Additionally, an unscheduled Audit of NERC may be initiated by the CCC, in consultation with the EWRC and ~~the NERC Director of Internal Audits~~, if reasonably determined to be necessary to determine NERC's adherence to the ROP for Organization Registration and Certification.

**2.1.3. Scope of Audits**

An Audit will include elements of NERC's Organization Registration and Certification programs ~~jointly~~ selected by NERC ~~Internal Audit, the CCC, and auditing contractors, if any~~ and elements of NERC's Organization Registration and Certification programs selected by the CCC.

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### 2.1.4.2.1.2. Audit Reports

The Audit team will develop a draft Audit report that will include a description of the objective, scope, and methodology of the Audit; identify any aAdverse Findings; identify any mitigation activities which have been completed or pending in the year of the Audit; and identify the nature of any confidential information redacted. The draft Audit report may contain other recommendations of the Audit team related to the findings.

The draft Audit report will be provided to NERC which will in turn provide the Audit team with comments and descriptions of Mitigation Plans for addressing any Aadverse Findings for inclusion in the final Audit report. If NERC disputes any Aadverse Findings, NERC will also provide language to the Audit team addressing such concerns for inclusion in the report.

The Audit team will consider comments provided by NERC and develop a final Audit report that includes any Mitigation Plan descriptions provided by NERC as well as any language regarding disputed Aadverse Findings. The Audit team will then provide the final Audit report to the Board through the EWRC.

## 2.2 Self-Certifications

NERC will certify its adherence to the ROP for Organization Registration and Certification with respect to a subset of performance items selected by the CCC on a periodic basis. Such Self-Certifications will be achieved through reports to the CCC by a NERC officer or equivalent responsible for ensuring adherence to the ROP for Organization Registration and Certification. Results of Self-Certifications will be communicated to the Board through the EWRC. The CCC Chair will also provide the Chair of the EWRC with the full results of the Self-Certification in a separate correspondence.

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## 2.3 Spot Checks

The CCC, in consultation with the EWRC and the NERC Director of Internal Audits, may from time to time request NERC to provide information to assess whether NERC adheres to the ROP for Organization Registration and Certification. A review of this information will be conducted in a manner similar to an Audit. A Spot Check may also be initiated in response to events or a Complaint. Results of a Spot Check will be documented in a Spot Check report and provided to the Board in a manner consistent with reporting for an Audit. Results of a spot check will be documented in a Spot Check Report and NERC Internal Audit provides the report to the Board through the EWRC.

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## 2.4 Self-Reports

NERC is encouraged to self-report to the CCC at the time NERC becomes aware of (1) any NERC non-adherence to the ROP for Organization Registration and Certification, or (2) a change in a previously identified aAdverse Finding. Results of a Self-Report will be communicated to the Board through the EWRC. The CCC Chair will notify NERC Internal Audit to collaboratively review self-reported items. Results of reviews will be documented and reported by the CCC Chair to the Board through the EWRC.

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## 2.5 Complaints

The CCC may receive complaints alleging NERC non-adherence to the ROP for the for Organization Registration and Certification program. The CCC Chair and the head of NERC Internal Audit both receive all submitted complaints. The CCC Chair is responsible for contacting the head of NERC Internal Audit to collaboratively review complaints and receive advisory input and assistance in determining a course of action. If the complaint provides sufficient basis to warrant further action, the CCC Chair and the head of NERC Internal Audit will inform NERC's General Counsel of the complaint and agree upon a course of action.

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If the complaint is about NERC Internal Audit, NERC's Board of Trustees or its Members, the CCC Chair is responsible for informing NERC's CEO and/or General Counsel. The CCC Chair may notify the CCC Executive Committee (CCCEC) and EWRC regarding a complaint and related course of action. A summary of all complaints and their dispositions will be reported to the CCCEC and EWRC no less than annually to inform and facilitate their oversight responsibilities. The CCC Chair is responsible for documenting the course of action. All complaints will be reviewed and resolved in a manner to protect against public disclosure of the complainant's identity.

~~The CCC may receive Complaints alleging NERC non-adherence to the ROP for Organization Registration and Certification. The CCC will conduct a review of each Complaint it receives to determine if the Complaint may be closed as a result of an initial review and assessment, or if the Complaint provides sufficient basis for the CCC to consult with the EWRC and the NERC Director of Internal Audits to determine if further action is needed. All anonymous Complaints will be reviewed in a manner that will prevent disclosure of the complainant's identity.~~

### **3. Annual Work Plan**

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The CCC will maintain and update an Annual Work Plan, to be carried out by the CCC in the performance of its responsibilities and duties in implementing this program. The plan will be provided to NERC each year and will specify reporting by NERC to the CCC that will be required to provide verification of adherence through any of the monitoring methods described in Section 2 of this document. The Work Plan will be posted on the NERC website.

## Chapter 2:4-Mitigation Plan

NERC will develop a corresponding Mitigation Plan for any adverse finding identified as a result of an Audit, Self-Certification, Self-Report, or Spot Check.

If an ~~a~~Adverse ~~f~~Finding is identified as a result of an Audit, a Self-Certification, a Self-Report, or a Spot Check, NERC will develop a corresponding Mitigation Plan.

### 4.1 Contents of a Mitigation Plan

A Mitigation Plan should include the following information:

- The non-adherence to the ROP for Organization Registration and Certification that the Mitigation Plan will correct.
- The cause of the non-adherence.
- NERC's action plan to correct the non-adherence.
- NERC's action plan to prevent recurrence of the non-adherence.
- A timetable for completion of the Mitigation Plan.
- Any other information deemed necessary or appropriate

### 4.2 Timetable for Completion of a Mitigation Plan

A Mitigation Plan should be completed in time to have a reasonable potential to correct the non-adherence prior to the next applicable reporting/assessment period after occurrence of the non-adherence for which the Mitigation Plan is provided. In all ~~cases~~cases, the Mitigation Plan should be completed ~~without delay~~without delay. NERC will keep the CCC informed of the status of Mitigation Plan activities, and will notify the CCC when a Mitigation Plan has been completed.

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## Chapter 35. Data Retention and Confidentiality

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### 5.1 Records Management

All records associated with this program will be maintained by NERC. The associated records management policy will provide for a routine and orderly process for the retention and disposal of electronic and paper records related to this program, and ensure verification of compliance with appropriate business, regulatory, and legal requirements. The policy will allow for the maintenance of records as required to implement the CCC's monitoring of NERC's adherence to the ROP for Organization Registration and Certification.

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### 5.2 Retention Management

NERC's records management policy will require that information and data generated or received pursuant to activities associated with this program be retained for a minimum of five (5) years. If the information or data is material to the resolution of a controversy, the retention period for such data will not commence until after the controversy is resolved.

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### 5.3 Confidentiality Management

NERC and the CCC will maintain confidentiality of all Confidential Information in accordance with Section 1500 of the ROP. Information deemed to be critical energy infrastructure information will be redacted and will not be released publicly.

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## Chapter 46—Reporting and Disclosure

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### 6.1 Audit

The CCC will coordinate with NERC to post final Audit reports on its public website after the reports have been reviewed by the NERC Board. Such posting will be subject to the confidentiality provisions of the ROP.

### 6.2 Complaint

When the CCC determines that further action is needed regarding Complaints, it will report such Complaints to the NERC Board through the EWRC.

### 6.3 Mitigation Plan

NERC will keep the CCC informed of the status of Mitigation Plan activities, and will notify the CCC when a Mitigation Plan has been completed.

### 6.4 Other Monitoring Activity

The CCC will report to the NERC Board through the EWRC upon completion of a CCC monitoring activity described in this procedure.

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## Chapter 46—Reporting and Disclosure

### Revision History

Date	Version Number	Comments
<a href="#">September 18, 2008</a>	<a href="#">1.0</a>	<a href="#">Approved by the Compliance and Certification Committee</a>
<a href="#">November 4, 2009</a>	<a href="#">2.0</a>	<a href="#">Approved by the Board of Trustees</a>
<a href="#">April 13, 2015</a>	<a href="#">3.0</a>	<a href="#">Revised by the ERO Monitoring Subcommittee (EROMS), and approved by the Compliance and Certification Committee</a>
<a href="#">May 7, 2015</a>	<a href="#">3.0</a>	<a href="#">Approved by the Board of Trustees</a>
<a href="#">TBD</a>	<a href="#">4.0</a>	<a href="#">Approved by the Approved by the Compliance and Certification Committee</a>
<a href="#">TBD</a>		<a href="#">Approved by the Board of Trustees</a>

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**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Program for Monitoring Stakeholder's Perceptions

CCC Monitoring Program – CCCPP-008-2

Effective: (Date, Pending Board Approval)

RELIABILITY | RESILIENCE | SECURITY



3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
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# Introduction

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In the capacity of a NERC board-appointed stakeholder committee serving and reporting directly to the Board of Trustees (Board) under a NERC board-approved charter<sup>1</sup>, as approved by FERC<sup>2</sup>, and as set forth in the ROP, the CCC will engage with, support, and advise the NERC Board of Trustees and its Compliance Committee (BOTCC) regarding all facets of the NERC Compliance Monitoring Enforcement Program (CMEP), Registration program, and Certification program.

Included in the duties of the CCC, as described in the CCC Charter, is the responsibility to provide comments and recommendations to the NERC Board and its BOTCC, the BOT's Enterprise-wide Risk Committee (EWRC), and NERC staff with respect to stakeholders' perceptions of the policies, programs, practices, and effectiveness of the CMEP, Registration program, and Certification program. This document describes the program and associated processes utilized by the CCC to carry out this responsibility.

As noted in the NERC board-approved CCC Charter, monitoring by the CCC is ongoing and does not preclude, interfere with, or replace, in whole or in part, the Board's responsibility to conduct and provide such reviews of these programs as required by FERC 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."

# Chapter 1: Monitoring Processes

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The CCC will provide to NERC an assessment of stakeholder perceptions regarding the policies, programs, practices, and effectiveness of the NERC CMEP, Registration program, and Certification program using the processes described below. Information received from these monitoring processes will be vetted by the CCC and shared with NERC Management, the EWRC, the Board, and the BOTCC.

Generally, the CCC and NERC Staff will work in collaboration to assess stakeholder perceptions on initiatives and/or issues related to policies, programs, practices, and effectiveness. This process may be included as part of the CCC's annual work plan, which is prepared by CCC leadership and approved by NERC's Board.

Initiatives and/or issues to gauge stakeholder perceptions may include, but may not be limited to, new standards development and rollout, outreach and education, CMEP tools, and/or initiatives linked to internal audit recommendations.

It is anticipated that any enhancement to a program, process, and/or policy stemming from a stakeholder perception process will be shared with the broader ERO, Regional Entities, registered entities, and/or other relevant industry stakeholders.

Tools used to gauge stakeholder perceptions may include one or, in combination, any of the following:

## Stakeholder Feedback

### Surveys on Specific Areas or Initiatives

The CCC will partner with NERC and any outside consultant, if necessary, to develop and administer a survey related to a specific focus area or initiative on content related to the CMEP, ORCP, Reliability Standards Development, and ERO Program Alignment.

- In collaboration with NERC, the ERO Monitoring Subcommittee (EROMS) may utilize a survey to gauge stakeholder perceptions related to a specific focus area or initiative, the scope and related questions of which may be developed in partnership with NERC.
- The survey will be designed to measure the effectiveness of a specific focus area or initiative.
- A consultant may be engaged by NERC to manage and administer the logistics of conducting the survey, assembling the results, and providing the responses to the questions related to the CMEP, ORCP, Reliability Standards Development Program, and ERO Program Alignment.
- EROMS will analyze the stakeholder comments and ratings related to the CMEP, ORCP, Reliability Standards Development Program, and ERO Program Alignment, compile the results in a stakeholder feedback report, and provide it to EROMS and the CCC for review and endorsement.
- Based on the survey results and related observations, EROMS, as a consensus, may recommend follow-up initiatives to NERC Staff and include those recommendations in the stakeholder feedback report to the CCC.
- The CCC will finalize and endorse the EROMS stakeholder feedback report, and the CCC Chair will submit it to the EWRC as an informational item, along with any follow-up actions or initiatives discussed and adopted by the CCC and NERC Management.
- Follow-up initiatives may be added to the CCC work plan, as necessary, to ensure that any CCC activities and deliverables identified in the report are visible and completed.

- EROMS, the CCC, and NERC Management will maintain confidentiality of all sensitive information and will maintain the anonymity of all survey feedback received from participating stakeholders.

### Focus Group Discussions

From time to time, EROMS may recommend that a focus group be formed to assess stakeholder perceptions on specific area(s) or topic(s) and will make recommendations to the broader CCC and NERC Staff on the scope, the specific area(s) or topic(s) to address, the format, the participants or target group, and the timing.

### Regional Entity Feedback

As appropriate, the CCC may coordinate with a Regional Entity to solicit input related to a specific focus area or initiative on content related to the CMEP, ORCP, Reliability Standards development, and ERO Program Alignment:

- Topics of interest and/or concern will be developed in collaboration with the CCC, NERC Staff and members representing each Regional Entity under the leadership of a CCC member (or assignee).
- Input provided by stakeholders will be forwarded to the CCC by the Regional Entity, with EROMS assigned to analyze the input and provide recommendations to the CCC and NERC staff.
- Tools to solicit stakeholder feedback will be provided to the Regional Entity, as required.

### Industry Organizations

As appropriate, the CCC may coordinate with industry organizations, such as Pre-Qualified Organizations (defined in CCCPP-11), to solicit feedback:

- Stakeholder feedback gathered by Industry Organizations will be communicated to the CCC, NERC Staff, and members representing the Industry Organization(s).
- Input provided by stakeholders will be forwarded to the CCC by the Industry Organization, with EROMS assigned to analyze the input and provide recommendations to the CCC and NERC Staff.
- Tools to provide stakeholder feedback will be provided to the Pre-Qualified Organization(s), as required.

### Direct Stakeholder Input

Stakeholder feedback may be provided directly to the CCC through the following:

- Respective sector CCC member representatives
- The **“Complaints to the CCC”** link on the CCC Webpage on NERC’s Website.
  - This allows stakeholders to file a confidential concern directly to the CCC. Concerns received through this webpage are forwarded directly to the CCC Chair and NERC’s Director of Internal Audit for review and action.
- The **“NERC Compliance Hotline Form”** available on each Regional Entity website.

### CCC Representative or Alignment Working Group Input

CCC representatives and/or the Alignment Working Group (AWG) may provide stakeholder feedback to other members of the CCC and NERC staff. CCC members and/or AWG members may also solicit or receive comments and opinions from constituents represented by that member and convey those comments and opinions to the CCC and NERC Staff.

## Chapter 2: NERC Collaboration

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### NERC Requests

NERC Management may request that the CCC solicit feedback from stakeholders on issues or initiatives related to the policies, programs, practices, and effectiveness of the NERC CMEP, Registration program, and Certification program. In addition, once feedback is received, NERC Management may request additional feedback or action items of the CCC in response to the stakeholder feedback. Feedback, as discussed here, may include, but is not limited to:

- The effectiveness on the rollout of new or updated standard and associated processes under Reliability Standards development;
- Key initiatives related to ERO Program development;
- Program administration to support the success of the ERO Enterprise;
- Determining the consistent implementation of the NERC CMEP, Registration program, and Certification program.
- Feedback on an emerging risk area that may impact ERO Enterprise activities.

### NERC Board of Trustees Direction

The NERC Board, NERC BOTCC, and/or the NERC EWRC may request that the CCC solicit feedback on stakeholder perception(s) related to issues or initiatives related to the policies, programs, practices, and effectiveness of the NERC CMEP, Registration program, and Certification program. In addition, once feedback is received, the Board may request additional feedback or action items of the CCC in response to stakeholder feedback received. Feedback, as discussed here, may include, but is not limited to:

- The effectiveness on the rollout of new or updated standards and associated processes under Reliability Standards development;
- Key initiatives related to ERO Program development;
- Program administration to support the success of the ERO Enterprise;
- Reviewing consistent implementation of the NERC CMEP, Registration program, and/or Certification program;
- Feedback on an emerging risk area that may impact ERO Enterprise activities.



## Chapter 3: Reporting and Disclosure

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The CCC will report to NERC Management, the EWRC, the BOTCC, and the Board on results on stakeholder perceptions and feedback gathered. In addition, in collaboration with NERC Management, the CCC may develop initiatives and will provide updates on those initiatives, if necessary, to address stakeholder questions or concerns applicable to the ERO Enterprise.

EROMS will provide an update on stakeholder perception activities to the CCC, as needed. In addition, the CCC will communicate any findings to CCC membership and will provide recommendations, in partnership with NERC, on any follow-up steps or activities to improve or enhance stakeholder perception.

Upon completion of a report, the CCC will summarize any findings, recommendations on any follow-up activities and the status of those steps to the NERC Board, the BOTCC and / or the EWRC.

For any stakeholder perception process conducted at the request of NERC Management, a final report will be provided and recommendations on follow-up initiatives discussed with NERC Management, if applicable. For any stakeholder process conducted at the request of the NERC Board, a final report will be provided and recommendations on follow-up initiatives discussed with Board members, if applicable. The CCC will report the results of all stakeholder perception processes to the Board and the EWRC and a version of a final report may be prepared for public release and posted on the CCC's webpage.

## Chapter 4: Data Retention and Confidentiality

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### **Records Management**

All records associated with this program will be maintained by NERC. The associated records management policy will provide for a routine and orderly process for the retention and disposal of electronic and paper records related to this program, and ensure verification of compliance with appropriate business, regulatory, and legal requirements. The policy will allow for the maintenance of records as required to implement the CCC's work on soliciting stakeholder's perceptions on of the policies, practices, and effectiveness of the CMEP, Registration program, and Certification program.

### **Retention Management**

NERC's records management policy will require that information and data generated or received pursuant to activities associated with this program be retained for a minimum of five (5) years. If the information or data is material to the resolution of a controversy, the retention period for such data will not commence until after the controversy is resolved.

### **Confidentiality Management**

NERC and the CCC will maintain confidentiality of all Confidential Information in accordance with Section 1500 of the ROP. Information deemed to be critical energy infrastructure information will be redacted and will not be released publicly.

## Chapter 5: Revision History

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Date	Version Number	Comments
January 1, 2011	1.0	Approved by the Compliance and Certification Committee
January 2011	1.0	Approved by the Board of Trustees
Date TBD	2.0	Approved by the Compliance Certification Committee
Date TBD	2.0	Approved by the Board of Trustees

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# Introduction

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# Chapter 1: Monitoring Processes

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- EROMS, the CCC, and NERC Management will maintain confidentiality of all sensitive information and will maintain the anonymity of all survey feedback received from participating stakeholders.

### Focus Group Discussions

From time to time, EROMS may recommend that a focus group be formed to assess stakeholder perceptions on specific area(s) or topic(s) and will make recommendations to the broader CCC and NERC Staff on the scope, the specific area(s) or topic(s) to address, the format, the participants or target group, and the timing.

### Regional Entity Feedback

~~The CCC may gather input from stakeholders through the Regional Entities. As appropriate, When necessary,~~ the CCC ~~may~~will coordinate with a Regional Entity to solicit input related to a specific focus area or initiative on content related to the CMEP, ORCP, Reliability Standards development, and ERO Program Alignment:

- Topics of interest and/or concern will be developed in collaboration with the CCC, NERC Staff and members representing each Regional Entity under the leadership of a CCC member (or assignee).
- Input provided by stakeholders will be forwarded to the CCC by the Regional Entity, with EROMS assigned to analyze the input and provide recommendations to the CCC and NERC staff.
- Tools to solicit stakeholder feedback will be provided to the Regional Entity, as ~~required.~~ required.

### Industry Organizations

~~The CCC may gather input from stakeholders through Industry Organizations. As appropriate, When necessary,~~ the CCC ~~may~~will coordinate with industry organizations, such as Pre-Qualified Organizations (defined in CCCPP-11), to solicit feedback:

- Stakeholder feedback gathered by Industry Organizations will be communicated to the CCC, NERC Staff, and members representing the Industry Organization(s).
- Input provided by stakeholders will be forwarded to the CCC by the Industry Organization, with EROMS assigned to analyze the input and provide recommendations to the CCC and NERC Staff.
- Tools to provide stakeholder feedback will be provided to the Pre-Qualified Organization(s), as ~~required.~~ required.

### Direct Stakeholder Input

Stakeholder feedback may be provided directly to the CCC through the following:

- Respective sector CCC member representatives
- The **“Complaints to the CCC”** link on the CCC Webpage on NERC’s Website.
  - This allows stakeholders to file a confidential concern directly to the CCC. Concerns received through this webpage are forwarded directly to the CCC Chair and NERC’s Director of Internal Audit for review and action.
- The **“NERC Compliance Hotline Form”** available on each Regional Entity website.

### CCC Representative or Alignment Working Group Input

CCC representatives and/or the Alignment Working Group (AWG) may provide stakeholder feedback to other members of the CCC and NERC staff. CCC members and/or AWG members may also solicit or receive comments and opinions from constituents represented by that member and convey those comments and opinions to the CCC and NERC Staff.



## Chapter 2: NERC Collaboration

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### NERC Requests

NERC Management may request that the CCC solicit feedback from stakeholders on issues or initiatives related to the policies, programs, practices, and effectiveness of the NERC CMEP, Registration program, and Certification program. In addition, once feedback is received, NERC Management may request additional feedback or action items of the CCC in response to the stakeholder feedback. Feedback, as discussed here, may include, but is not limited to:

- The effectiveness on the rollout of new or updated standard and associated processes under Reliability Standards development;
- Key initiatives related to ERO Program development;
- Program administration to support the success of the ERO Enterprise;
- Determining the consistent implementation of the NERC CMEP, Registration program, and Certification program.
- Feedback on an emerging risk area that may impact ERO Enterprise activities.

### NERC Board of Trustees Direction

The NERC Board, NERC BOTCC, and/or the NERC EWRC may request that the CCC solicit feedback on stakeholder perception(s) related to issues or initiatives related to the policies, programs, practices, and effectiveness of the NERC CMEP, Registration program, and Certification program. In addition, once feedback is received, the Board may request additional feedback or action items of the CCC in response to stakeholder feedback received. Feedback, as discussed here, may include, but is not limited to:

- The effectiveness on the rollout of new or updated standards and associated processes under Reliability Standards development;
- Key initiatives related to ERO Program development;
- Program administration to support the success of the ERO Enterprise;
- Reviewing consistent implementation of the NERC CMEP, Registration program, and/or Certification program;
- Feedback on an emerging risk area that may impact ERO Enterprise activities.

## Chapter 3: Reporting and Disclosure

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The CCC will report to NERC Management, the EWRC, the BOTCC, and the Board on results on stakeholder perceptions and feedback gathered. In addition, in collaboration with NERC Management, the CCC ~~may~~ will develop initiatives and will provide updates on those initiatives, if necessary, to address stakeholder questions or concerns applicable to the ERO Enterprise.

EROMS will provide an update on stakeholder perception activities to the CCC, as needed. In addition, the CCC will communicate any findings to CCC membership and will provide recommendations, in partnership with NERC, on any follow-up steps or activities to improve or enhance stakeholder perception.

Upon completion of a report, the CCC will summarize any findings, recommendations on any follow-up activities and the status of those steps to the NERC Board, the BOTCC and / or the EWRC.

For any stakeholder perception process conducted at the request of NERC Management, a final report will be provided and recommendations on follow-up initiatives discussed with NERC Management, if applicable. For any stakeholder process conducted at the request of the NERC Board, a final report will be provided and recommendations on follow-up initiatives discussed with Board members, if applicable. The CCC will report the results of all stakeholder perception processes to the Board and the EWRC and a version of a final report may be prepared for public release and posted on the CCC's webpage.

## Chapter 4: Data Retention and Confidentiality

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### **Records Management**

All records associated with this program will be maintained by NERC. The associated records management policy will provide for a routine and orderly process for the retention and disposal of electronic and paper records related to this program, and ensure verification of compliance with appropriate business, regulatory, and legal requirements. The policy will allow for the maintenance of records as required to implement the CCC's work on soliciting stakeholder's perceptions on of the policies, practices, and effectiveness of the CMEP, Registration program, and Certification program.

### **Retention Management**

NERC's records management policy will require that information and data generated or received pursuant to activities associated with this program be retained for a minimum of five (5) years. If the information or data is material to the resolution of a controversy, the retention period for such data will not commence until after the controversy is resolved.

### **Confidentiality Management**

NERC and the CCC will maintain confidentiality of all Confidential Information in accordance with Section 1500 of the ROP. Information deemed to be critical energy infrastructure information will be redacted and will not be released publicly.

## Chapter 5: Revision History

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Date	Version Number	Comments
January 1, 2011	1.0	Approved by the Compliance and Certification Committee
January 2011	1.0	Approved by the Board of Trustees
<del>Date TBD</del> <a href="#">June 17, 2020</a>	2.0	Approved by the Compliance Certification Committee
Date TBD	2.0	Approved by the Board of Trustees

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Procedure for the Selection of Members to the NERC Compliance and Certification Committee

June 17, 2020

RELIABILITY | RESILIENCE | SECURITY



3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
404-446-2560 | [www.nerc.com](http://www.nerc.com)

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# Introduction

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## Background

This document establishes procedures for the NERC Compliance and Certification Committee (CCC) Nominating Subcommittee for the purpose of executing its responsibilities in accordance with the CCC Charter. The procedures are intended to provide a consistent and fair approach enabling the Nominating Subcommittee to effectively execute its responsibilities.

## Scope

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The scope of these procedures is to assist the Nominating Subcommittee with maintaining a full and active hybrid representation model consisting of the following:

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

It is expected that CCC voting members will be from an entity/organization in the NERC Membership<sup>1</sup> but it is not required. It is acceptable for a member or an industry/trade organization to nominate an individual to represent their sector if the nominee meets the minimum qualifications of the CCC.

The industry sector membership consists of two (2) representatives from the following:

- 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 (U.S. State Sub-sector only<sup>2</sup>).

The at-large membership shall consist of six (6) representatives from various sectors of the NERC Membership and balance representation on the CCC in the following areas:

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

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<sup>1</sup> Not the same as NERC Compliance Registration or the Registered Ballot Body for Standards development. See active NERC Membership list on the ERO Portal.

<sup>2</sup> Nominations from the U.S. State sub-sector are expected to be provided by NARUC.



The non-voting membership consists of four (4) representatives from the following sub-sectors of Sector 12 of the NERC Membership<sup>3</sup>:

- U.S. Federal – 2
- Canadian Federal – 1
- Canadian Provincial – 1

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<sup>3</sup> 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. Canadian organizations such as the Canadian Electricity Association and Canada's Energy and Utility Regulators will be consulted and solicited for assistance in recruiting Canadians to serve on the committee.

## Processes and Procedures

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### Open Nomination Process

CCC members serve a three (3) year term beginning on January 1 and concluding on December 31. The terms of members shall be staggered according to the CCC-approved schedule posted on the NERC website. This rotation ensures that approximately one-third of the committee is subject to reappointment or replacement each year. Therefore, the Nominating Subcommittee shall adhere to the following timetable to facilitate annual appointments:

- June – The Nominating Subcommittee Chair updates the CCC on future openings and solicits input on specific needs based on qualification criteria and upcoming items in the CCC Work Plan. The Nominating Subcommittee also evaluates current member’s adherence to CCC expectations as described in the Member Expectation Monitoring Process below.
- Early-July – NERC staff prepares a request for nominations that includes open seats and terms concluding on December 31. The CCC Chair and the Nominating Subcommittee Chair reviews the draft request and confirms content.
- Mid-July – NERC staff releases the formal request for nominations to industry with a 30-day response deadline.
- Mid-August – Nominating Subcommittee begins reviewing information on nominees and selects recommendations in accordance with the Selection Process by the due date for meeting materials for the next CCC meeting.
- September – Nominating Subcommittee informs CCC Membership of their recommendations.
- October – The Nominating Subcommittee Chair or designee prepares the slate of recommendations and submits to the NERC Board of Trustees (Board) for approval at their November meeting.
- November – The Board considers the CCC recommendations and completes their actions.
- If approved, the term for these members begins on January 1.
- If not approved, it will remand back to the Nominating Subcommittee for a different recommendation.

### Selection Process

The Nominating Subcommittee shall process nominations as follows:

- NERC staff receives nomination forms from industry participants and reviews to verify the following:
  - Response to all requested information;
  - The nominator’s NERC Membership status<sup>4</sup> in the ERO Portal, Registered Entity status or membership in an applicable trade organization;
  - Nominee’s qualifications to current posting;
  - Only one nomination per entity/organization (including affiliates);
  - The nominee’s entity/organization does not already have a member on the CCC; and
  - If nomination is received from another entity/organization, then confirm nominee’s willingness to serve.

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<sup>4</sup> The entity’s/organization’s NERC Membership must be active on the deadline date for receiving nominations. Nominations submitted by a non-member or member in different sector are only considered for the at-large membership.

- If discrepancies are found, then NERC staff notifies the CCC Chair and Nominating Subcommittee Chair to determine a resolution.
- If no discrepancies are found, then NERC staff posts the nomination form on the public and extranet sites and notifies the Nominating Subcommittee.
- The Nominating Subcommittee Chair and NERC staff coordinate a call with the members of the Nominating Subcommittee to select recommendations.
- The Nominating Subcommittee shall independently select nominations using the qualification criteria below and may give preference to existing members, nominations from industry/trade organizations and/or current needs of the CCC.
  - Senior-level industry expertise
  - Knowledge of topics within the scope of the CCC
  - Experience within their respective organizations in at least one of the following areas:
    - Compliance administration
    - Compliance enforcement
    - Risk management
    - NERC Registration
    - NERC Certification
    - NERC Standards
  - Geographical representation
  - Adherence to CCC expectations (If applicable)
  - Participation in other ERO committees, trade organizations, membership organizations (NATF, NAGF, etc.), or regional forums
  - Input from the CCC Executive Committee
- Nominating Subcommittee Chair or designee prepares meeting materials to inform the CCC of the selected nominees prior to their posting deadline.
- Nominating Subcommittee Chair or designee prepares meeting materials for Board approval of the CCC recommendations prior to their posting deadline.

## Member Expectation Monitoring Process

To maintain an active and productive CCC membership, the Nomination Subcommittee shall review records of recent meetings and solicit feedback from the CCC Executive Committee to identify members who are deficient with one or more of the following expectations in the CCC Charter:

- Act consistently with the procedures in this Charter and Robert’s Rules of Order during meetings;
- Adhere to NERC Antitrust Guidelines and Participant Conduct Policy;
- Demonstrate and provide expertise in support of Committee activities;
- 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;

- Solicit comments and opinions from constituents and groups of constituents or trade organizations represented by the member and convey them to the Committee;
- Respond promptly to all Committee requests, including requests for reviews, comments, and votes on issues before the Committee;
- Arrange for a proxy to attend and vote at Committee meetings in the member's absence; or
- Respond promptly to all requests to register for Committee meetings.

Some additional considerations are:

- Consistent attendance in CCC meetings during their term except for extenuating circumstances.
- Non-participation/contribution on a CCC subcommittee;
- Unwillingness to mentor new CCC members when requested by CCC leadership;
- Unwillingness to participate as an observer in periodic NERC Internal Audit efforts when requested, to the extent practicable;
- Mergers or acquisitions that result in more than one member from an entity/organization; or
- A conflict of interest that would impair his or her ability to fulfill obligations under the Charter.

Member deficiencies shall be reported to the CCC Chair for resolution.

The CCC Chair may request any CCC member who ceases to participate in the CCC consistent with member expectations (above) and to the satisfaction of the CCC Executive Committee, 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. If the written response is considered incomplete or requires additional action, the matter will be resolved by the CCC Chair with support and endorsement by the CCC Executive Committee.

## Resignation Process

Appointment to the CCC is based on qualifications and is attributed specifically to an individual – not an entity/organization. Therefore, members who cannot complete their term for any reason, will not be replaced outright with an individual from the same entity/organization. The Nominating Subcommittee will recommend a replacement for the open position during the open nomination cycle via the normal Selection Process. If possible, the member can provide a proxy to CCC meetings during the interim period. CCC members serve at the pleasure of the Board. The Board may initiate a request for resignation, removal, or replacement of a member from the CCC, as it deems appropriate or at the request of the CCC Chair.

## Re-appointment Process

There is no limitation on the number of times a member may be re-appointed. However, to ensure transparency and fairness to other industry participants, the member will not be re-appointed outright and therefore must apply for membership consistent with the annual Open Nomination Process. The member's past participation in CCC activities and current information will be evaluated during the Selection Process. Preference is given to existing members who are in good standing with CCC expectations, maintain the minimum qualifications and meet the current needs of the CCC.

## **CCC Chair and Vice-Chair Election Process**

Prior to the annual appointment of representatives to the CCC, the CCC shall select a Chair and Vice Chair of the CCC from among its voting members by majority vote of the members of the CCC to serve a two-year term. The incumbent Chair and Vice Chair shall not vote or otherwise participate in the selection of the incoming Chair or Vice Chair. The newly selected Chair and Vice Chair shall not have been representatives of the same sector. The selection of the Chair and Vice Chair of the CCC shall be subject to approval of the Board.

## **Subordinate Group Appointment Process**

A significant amount of CCC responsibilities are executed through an active membership in subordinate groups. Therefore, the Nominating Subcommittee can assist the chair of each subordinate group with staffing needs and balancing representation. As part of the annual Open Nomination Process, the Nominating Subcommittee solicits input from chairs of each subordinate group via the CCC Executive Committee to identify: 1) specific areas of expertise or experience to request from industry; and 2) the recommended placement of new members to a subordinate group. The recommendations are submitted to the chair of the subordinate group for appointment. For subcommittees, the member's term shall conclude in conjunction with their CCC membership term.

Subordinate group appointments from outside the CCC membership are allowed and can provide additional perspective and expertise as needed. However, the appointees must meet the same qualifications and expectations of the CCC membership. If a need is identified by the chair of the subordinate group and approved by the CCC Chair, then a request for nominations could be made, consistent with the process for soliciting CCC members to ensure transparency and fairness to all industry participants. The chair of the subordinate group reviews all valid nominations and selects an appointment. The appointee is eligible to serve a three (3) year term. If the need still exists after the term concludes, then another request for nominations is made and the member is eligible for reappointment.

## **Nominating Subcommittee Appointment Process**

The Nominating Subcommittee shall consist of five (5) CCC members from various sectors of the voting membership. The members are nominated by the CCC Chair, approved by the CCC membership and appointed by the CCC Chair to serve a one (1) year term beginning on January 1 and concluding on December 31. The Nominating Subcommittee Chair will be appointed by the CCC Chair from among the five members.

This is typically performed during the annual Open Nomination Process. Member deficiencies shall be reported to the CCC Chair for resolution.

## **Sector Vacancy Process**

It is essential that all voting seats are filled with active participants in order to effectively administer the business of the CCC. Therefore, during the annual Open Nomination Process the Nominating Subcommittee will strive to obtain nominations to fill all open seats. However, if the Nominating Subcommittee receives no valid nominations from a voting sector, then the open seat will convert to the at-large membership for the term and a nomination is selected by the Nominating Subcommittee in accordance with the Selection Process. This process continues until the sector provides a valid nomination

## Revision History

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Date Version	Number	Comments
June 17, 2020	1.0	Creation

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2020 ERO Enterprise Reliability Indicators

Third Quarter Status

Thomas Coleman, Director of Risk Issue Management  
Board of Trustees Meeting  
August 18, 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)**

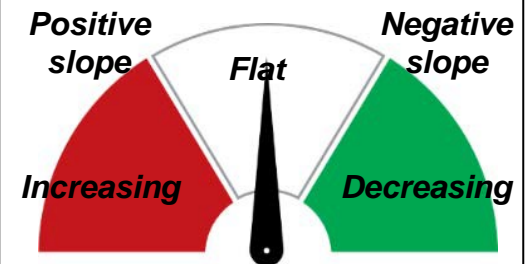
- Threshold: No Category 3 or above events: *Zero is green, else is red*

**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><b>Data (Annual Measurement)</b></p> <ul style="list-style-type: none"> <li>▪ Percent moderate and serious risk violations with relevant compliance history of similar past conduct compared with total noncompliance filed with FERC--- 1%</li> </ul>	<p><b>2020 Status</b></p> 
<p><b>Data (Annual Measurement)</b></p> <ul style="list-style-type: none"> <li>▪ Percent of noncompliance self-reported (Self-certified noncompliance is not included)</li> <li>----Current number is 81%</li> </ul>	
<p><b>Data (Compared to a 3-year rolling average)</b></p> <ul style="list-style-type: none"> <li>▪ The number of serious risk violations resolved compared to the total noncompliance resolved</li> <li>--- Current number is 1.4%</li> </ul>	

\* 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 2015 through Q2 2020\*. Five-year average: 8.374%*

*\* Data for Q2 2020 not available until Q3. Includes reports through Q1 2020.*

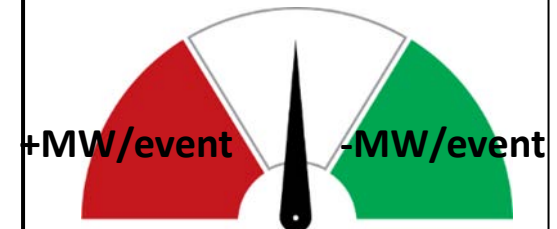
### 2020 Status



### 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

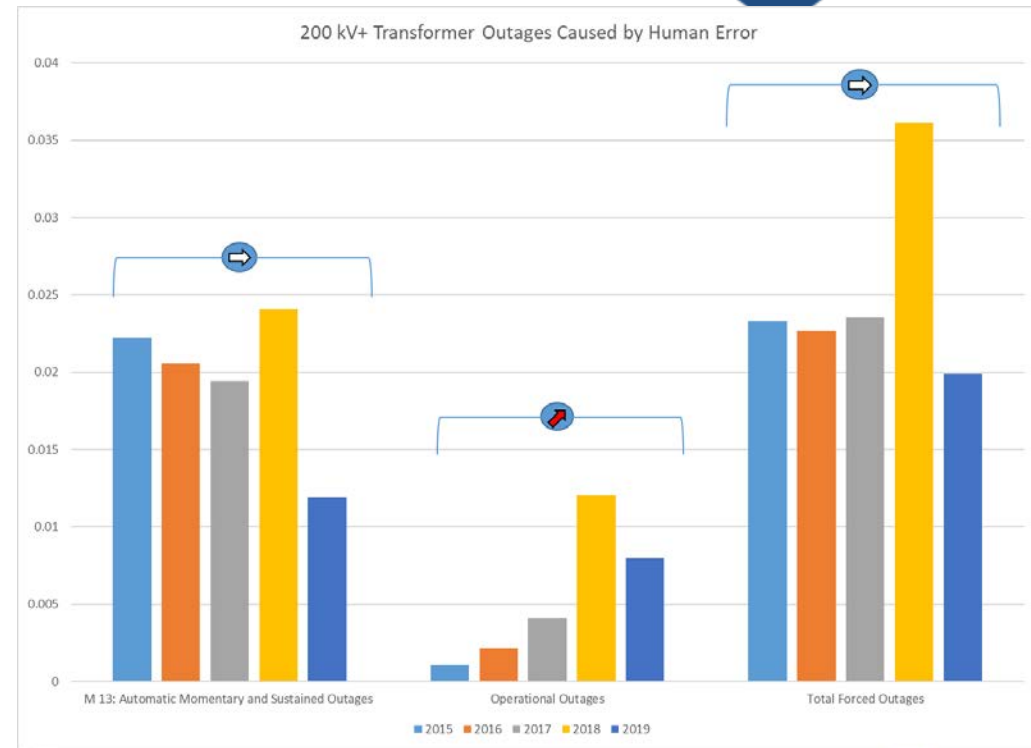
<p><b>Data (Annual Measurement)</b></p> <ul style="list-style-type: none"> <li>▪ No firm load loss due to gas-fired unit outages during cold weather: <i>Zero is green, else is red</i> (Cold weather months: January – March and December of the same calendar year) <i>As of 6/30/2020, Metric status is Green.</i></li> </ul>	<p><b>2020 Status</b></p> 
<p><b>Data (Annual Measurement)</b> (Match with 4.4, year defined as Q3-Q2)</p> <ul style="list-style-type: none"> <li>▪ No firm load loss due to gas unavailability: <i>Zero is green, else is red</i> <i>As of 6/30/2020, Metric status is Green.</i></li> </ul>	
<p><b>Data (Compared to a 5-year rolling average)</b></p> <ul style="list-style-type: none"> <li>▪ 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></li> </ul>	<p>0.00149%      0.00053%</p> 
<p><b>Data (Compared to a 5-year rolling average)</b></p> <ul style="list-style-type: none"> <li>▪ 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></li> </ul>	<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

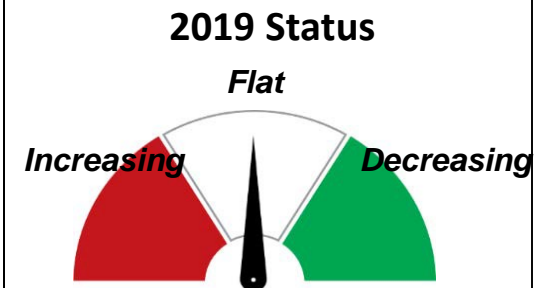
- **How is it measured?**

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



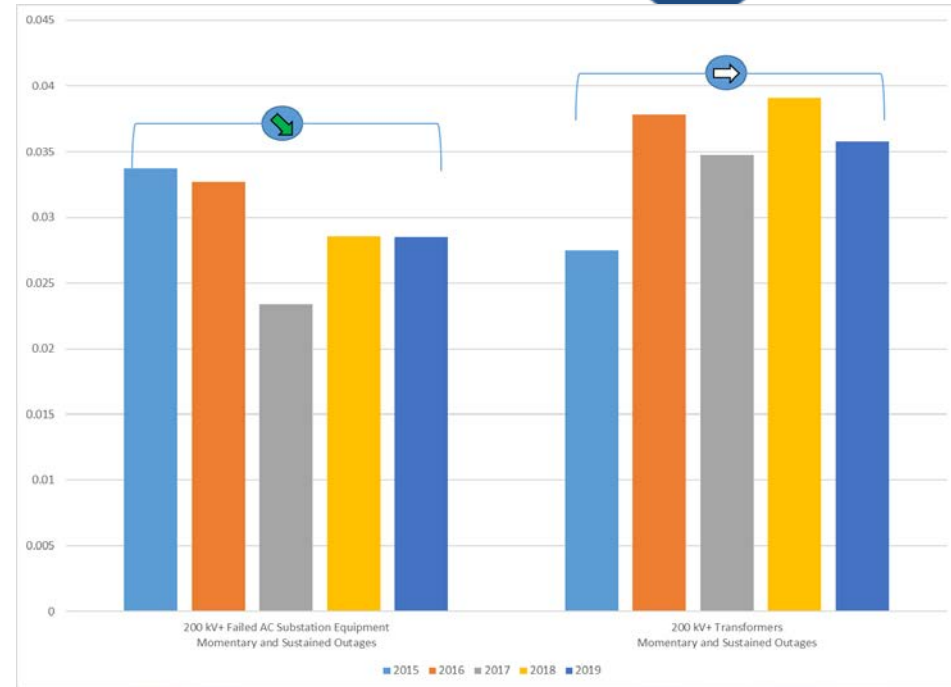
### Data (Compared to a 5-year rolling average)

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



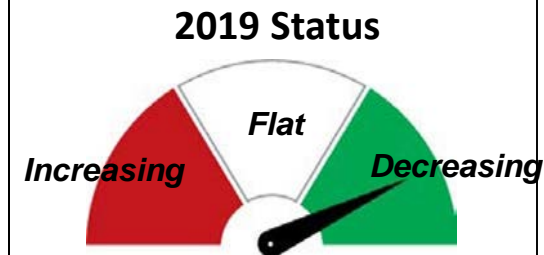
- **How is it measured?**

- 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



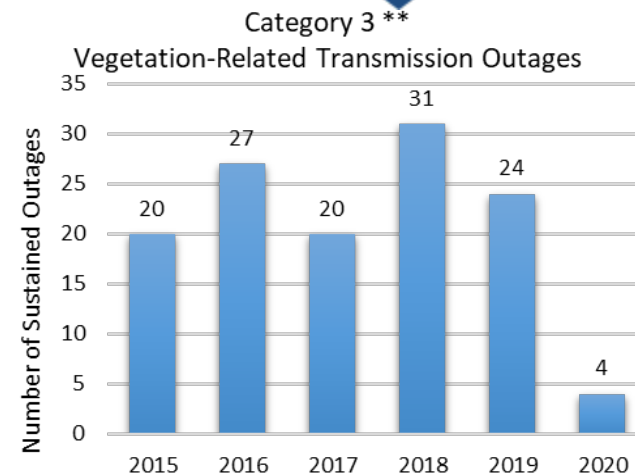
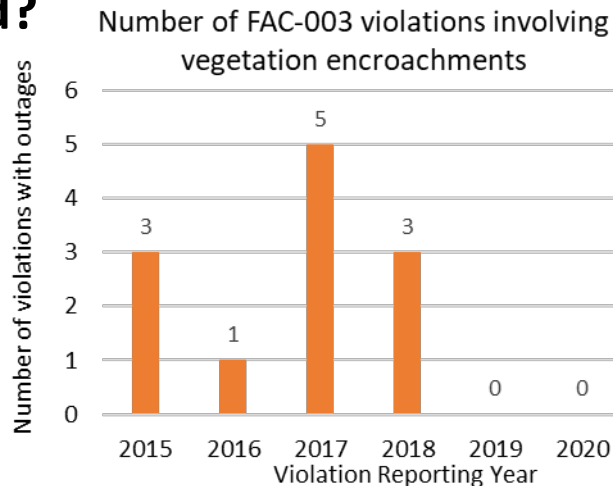
### Data (Compared to a 5-year rolling average)

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



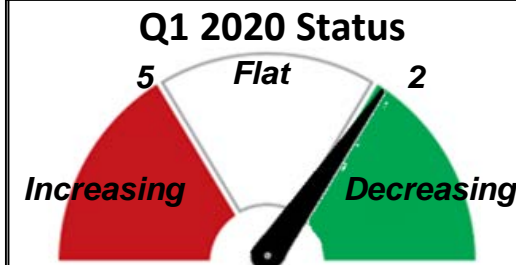
## • How is it measured?

- Number of vegetation encroachments and Sustained Outages



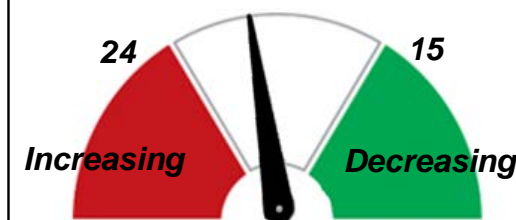
### Data\* (Compared to a 5-year rolling average)

- 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 1.8



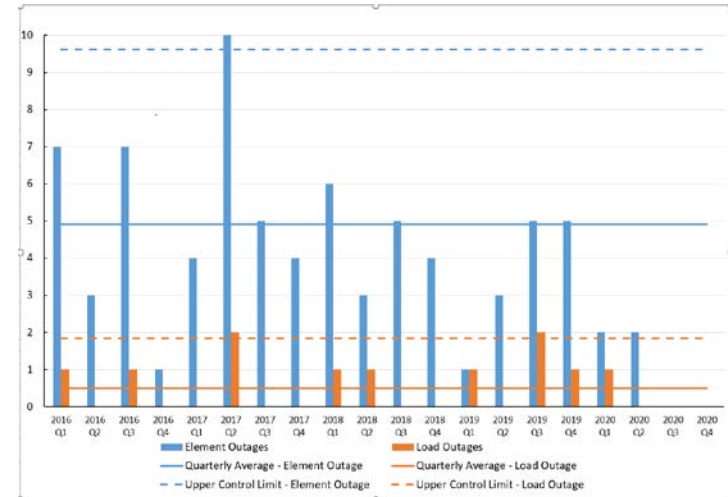
### Data\*\* (Compared to a 5-year rolling average)

- Fall-ins: Number of vegetation encroachments decreasing (within one standard deviation, based on 6-year sample) -- 5-year average is 21.2



## • 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 Q2***
- 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 Q2***

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





- **Why is it important?**

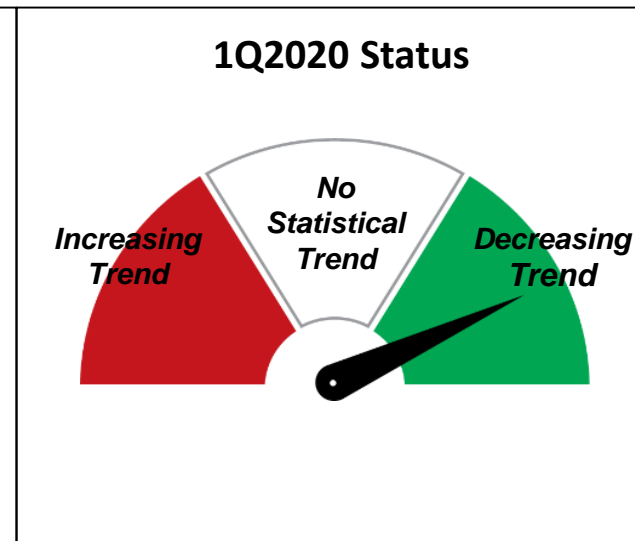
- Measures risk to the BPS by monitoring the number of Disturbance Control Standard (DCS) events that are greater than the Most Severe Single Contingency (MSSC)

- **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 1Q20: Green** - DCS data for the most recent 28 quarters shows a statistically significant decreasing trend



- **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 1Q20:** *No Interconnection experienced a BAL-003-1 event where their IFRM was below their IFRO*

**2020 Status**





# Questions and Answers

## **Personnel Certification Governance Committee Report**

### **Action**

Information

### **Background**

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

### **Summary**

PCGC's second quarter meeting held on May 12-13, 2020 via WebEx.

Highlights from the May PCGC meeting include the following items:

- The PCGC vice chair is leaving the committee at the end of 2020. The PCGC Nominations Task Force (TF) held open nominations to replace open position on the committee and received one nominee.
- The PCGC Nominations TF held open nominations for two open positions on the Exam Working Group and received three nominees.
- Began discussions and investigation on remote proctoring for System Operator (SO) exams
- Began discussions and investigation on importance of 42 day wait rule between exams
- Exploring the development of new demographic questions in System Operator Certification and Continuing Education Database (SOCCED) for SOs.

Future items:

- Request cost estimate from SOCCED vendor for the addition of questions for SOs
- Work with SOCCED vendor on moving SOCCED to vendor's main platform in order to gain advantage of main platform enhancements and additional functionality.

## Standards Committee Report

### Action

Information

### Background

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

At its April 22 meeting, the SC:

1. Remanded the Project 2015-09 System Operating Limits posting to create consistent use of terms throughout the Standards impacted; and
2. Discussed the Standards Committee Guideline *Drafting Team Nominee Selection Criteria*, and whether relevant documents need to be updated based on current process.

The May 20 meeting was cancelled due to lack of time sensitive agenda items.

At its June 17 meeting, the SC:

1. Authorized initial posting for Project 2015-09 System Operating Limits of proposed Reliability Standards IRO-008-3 and TOP-001-6 for a formal comment and ballot period.
2. Authorized soliciting additional nominations for Project 2019-06 Cold Weather SAR drafting team (DT) for a 15-day nomination period to supplement the team with small entity representation.
3. Appointed Standard Authorization Request (SAR) drafting team members to Project 2020-01 Modifications to MOD-032-1.
4. Endorsed a project for the Standards Committee Process Subcommittee (SCPS) to identify and document relevant materials and processes for orientation and/or training for SC members, making recommendations for enhancements as necessary.

**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Reliability Standards

Quarterly Report

August 20, 2020

RELIABILITY | RESILIENCE | SECURITY



3353 Peachtree Road NE  
Suite 600, North Tower  
Atlanta, GA 30326  
404-446-2560 | [www.nerc.com](http://www.nerc.com)

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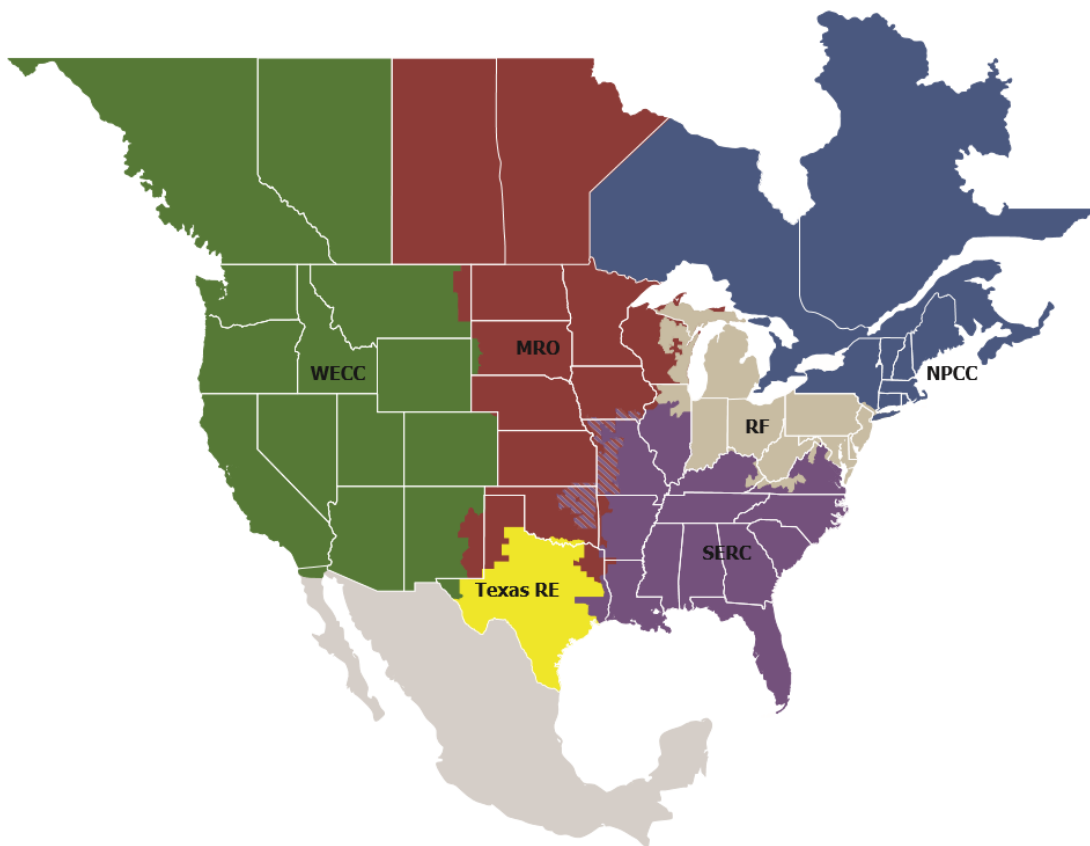
## Preface

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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 RE while associated Transmission Owners (TOs)/Operators (TOPs) participate in another.



<b>MRO</b>	Midwest Reliability Organization
<b>NPCC</b>	Northeast Power Coordinating Council
<b>RF</b>	ReliabilityFirst
<b>SERC</b>	SERC Reliability Corporation
<b>Texas RE</b>	Texas Reliability Entity
<b>WECC</b>	WECC



# 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.

### August 2020

- None

### November 2020

- Project 2015-09: Establish and Communicate System Operating Limits
- Project 2019-02: BES Cyber System Information Access Management
- Project 2019-03: Cyber Security Supply Chain Risks

### February 2021 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 July 31, 2020, there are three standards-related directives to be resolved through standards development activities (not including non-standards related directives).<sup>1</sup>

<b>Project</b>	<b>Regulatory Directives</b>	<b>Regulatory Deadline</b>
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

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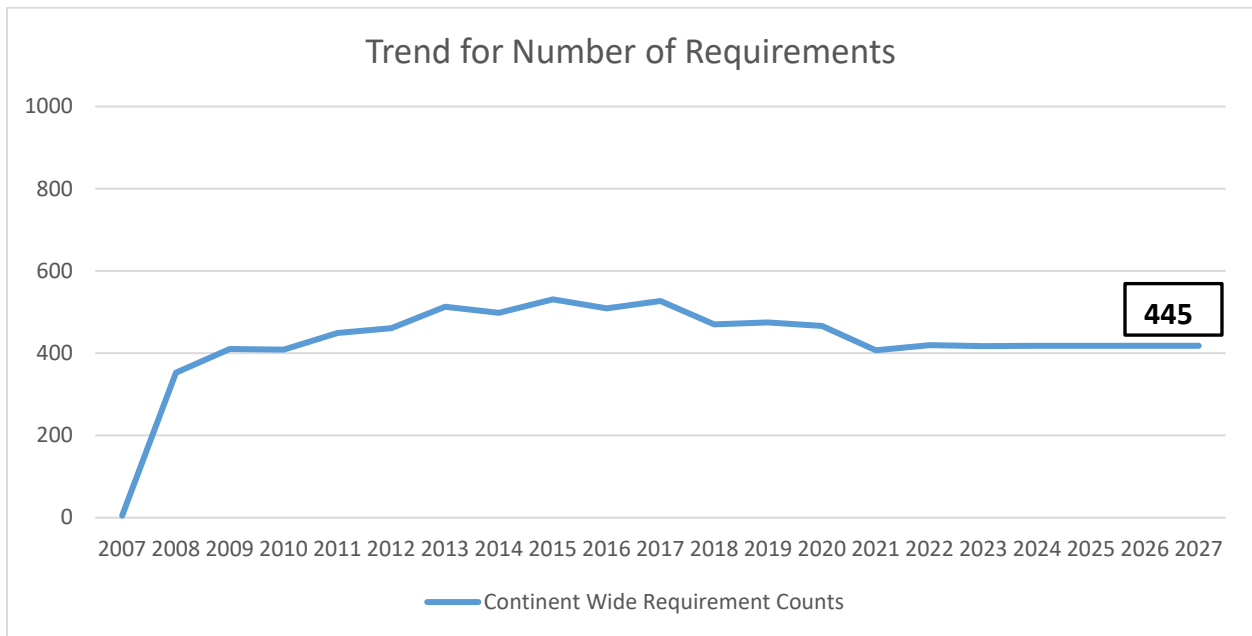
<sup>1</sup> A fourth directive requires NERC to file quarterly updates in the project schedules for Project 2016-02 Modifications to CIP Standards and Project 2019-02 BES Cyber System Information Access Management.

## 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*<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup>

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.

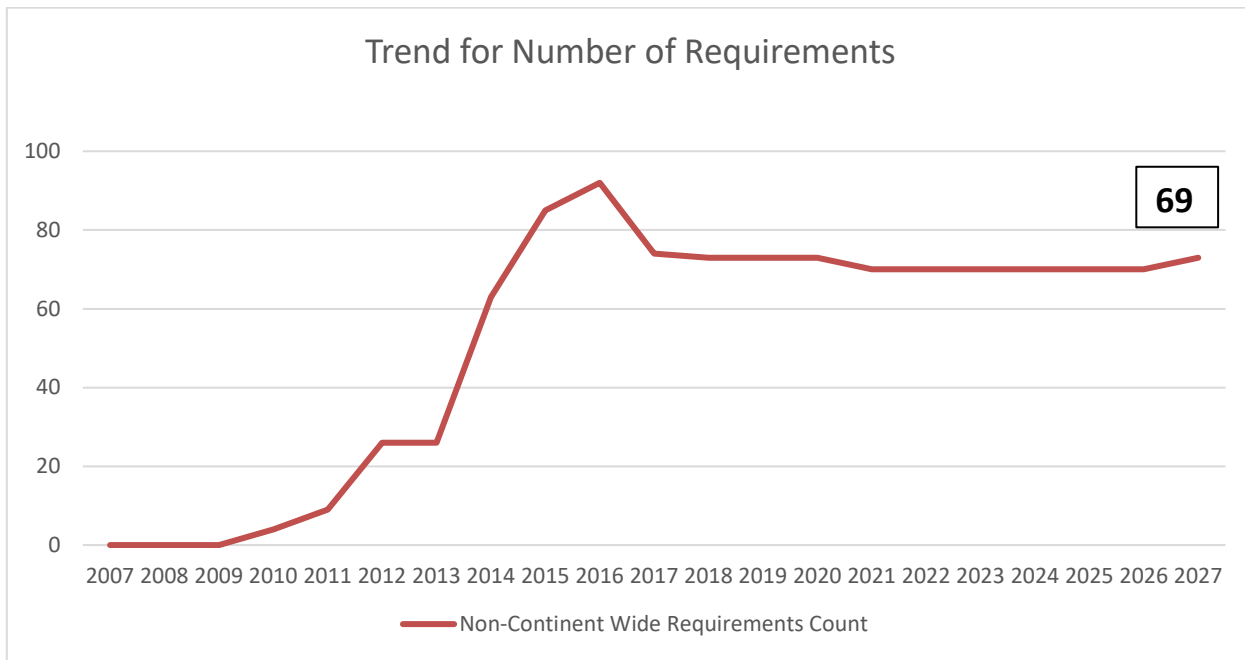


<sup>2</sup> Available from the Standards section of the NERC website: <http://www.nerc.com/pa/Stand/Pages/default.aspx>

<sup>3</sup> Charts were developed using end of Q2 2020 data.

<sup>4</sup> 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

April 1, 2020 – June 30, 2020

FERC Docket No.	Filing Description	FERC Submittal Date
RM19-16-00, RM19-17-000	<a href="#">NOPR Comments Regarding SER Retirements</a> NERC submitted comments on the Notice of Proposed Rulemaking (“NOPR”) regarding NERC’s proposal to retire requirements in Reliability Standards under the Standards Efficiency Review (“SER”).	4/6/2020
RM15-4-000, RM16-22-000, RM17-13-000, RD-4-000	<a href="#">Motion to Defer Implementation of Reliability Standards</a> NERC submitted a motion requesting FERC delay upcoming implementation deadlines of certain Reliability Standards in response to coronavirus-related disruptions.	4/6/2020
RD20-8-000	<a href="#">Petition for approval of erratum to TPL-001-5</a> NERC submitted a petition for approval of erratum to Reliability Standard TPL-001-5.	4/23/2020
RM19-16-000	<a href="#">Withdrawal of proposed Reliability Standard VAR-001-6</a> NERC submitted a notice of withdrawal by NERC of its petition for approval of proposed Reliability Standard VAR-001-6.	5/14/2020
RM19-20-000	<a href="#">Response to Data Request regarding BAL-002-WECC-3</a> NERC and WECC submitted a response to FERC's data request regarding proposed regional Reliability Standard BAL-002-WECC-3 (Contingency Reserve).  <a href="#">Attachment 1</a> <a href="#">Attachment 2</a>	5/18/2020
EL20-46-000	<a href="#">Motion to Intervene and Comment of NERC</a> NERC submitted a motion to intervene and comments regarding a complaint about Reliability Standard CIP-013-1.	6/11/2020

RM20-17-000	<a href="#">Petition for Approval of CIP-002-6</a> NERC submitted a petition for approval of proposed Reliability Standard CIP-002-6.	6/12/2020
RD20-2-000	<a href="#">CIP SDT Schedule June Update Informational Filing</a> 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.	6/19/2020

### FERC ISSUANCES

FERC Docket No.	Issuance Description	FERC Issuance Date
RM15-4-000, RM16-22-000, RM17-13-000, RD18-4-000	<a href="#">Order Granting Motion to Defer Certain Reliability Standards Implementation</a> FERC issued an order granting NERC's motion to delay upcoming implementation deadlines of certain Reliability Standards in response to coronavirus-related disruptions.	4/17/2020
RD20-5-000	<a href="#">Letter order approving BAL-001-TRE-2</a> FERC issued a letter order approving Reliability Standard BAL-001-TRE-2.	5/19/2020
RD20-8-000	<a href="#">Letter order approving TPL-001-5 Erratum</a> FERC issued a letter order approving NERC's proposed erratum to Reliability Standard TPL-001-5. The revised standard is TPL-001-5.1.	6/10/2020
RM20-12-000	<a href="#">Notice of Inquiry Re: CIP Reliability Standards Enhancements</a> FERC issued a Notice of Inquiry seeking feedback on potential enhancements to the Critical Infrastructure Protection Reliability Standards.	6/18/2020

## Chapter 3: Standards Committee Report

---

### Summary

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

At its April 22 meeting, the SC:

- (1) Remanded the Project 2015-09 System Operating Limits posting to create consistent use of terms throughout the Standards impacted; and
- (2) Discussed the Standards Committee Guideline *Drafting Team Nominee Selection Criteria*, and whether relevant documents need to be updated based on current process.

The May 20 meeting was cancelled due to lack of time sensitive agenda items.

At its June 17 meeting, the SC:

- (1) Authorized initial posting for Project 2015-09 System Operating Limits of proposed Reliability Standards IRO-008-3 and TOP-001-6 for a formal comment and ballot period,;
- (2) Authorized soliciting additional nominations for Project 2019-06 Cold Weather SAR drafting team (DT) for a 15-day nomination period to supplement the team with small entity representation.
- (3) Appointed Standard Authorization Request (SAR) drafting team members to Project 2020-01 Modifications to MOD-032-1.
- (4) Endorsed a project for the Standards Committee Process Subcommittee (SCPS) to identify and document relevant materials and processes for orientation and/or training for SC members, making recommendations for enhancements as necessary.

## **Reliability Issues Steering Committee Report**

### **Action**

Information

### **Summary**

The RISC met via conference call on August 6, 2020 to review the progress on the Committee's 2020 Work Plan Priorities. The Committee reviewed and approved amendments to its Charter and will present the proposed amendments to the Board of Trustees for approval at the Board's August 20, 2020 meeting.

In addition, the Committee reviewed the first draft deliverable on documenting its annual process to include discussion on the process of conducting the next RISC Reliability Leadership Summit in 2021. The Committee also reviewed the next draft of the Risk Identification and Mitigation Framework, which includes the coordination process with the Reliability and Security Technical Committee (RSTC).

Chair Peeler will provide further highlights of the Committee's work at the Board of Trustees meeting on August 20.

## Compliance and Certification Committee Report

### Action Information

### Highlights

The CCC convened the second quarter meeting via WebEx on June 16-17, 2020.

- In response to the May 2020 approval of the revised CCC Charter by the Board of Trustees, the Committee has produced several documents supporting these changes:
  - To add clarity and transparency for the selection of CCC members, a new CCC program procedure, CCCPP-013, was approved by the CCC and is presented to the Board in this package for consideration. The Committee will make any necessary accommodations or adjustments in response to FERC action on the Charter filing once received.
  - In addition to the program procedure, the Committee approved a transition schedule that will move the proposed membership to an annual rotation and call for nominations. The schedule is presented to the Board in collaboration with the procedure for consideration.

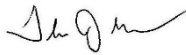
In response to pending FERC action on the CCC charter, the Committee will make any necessary accommodations or adjustments to the transition schedule once received.

- 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). Revisions to the CCC Program Procedure addressing stakeholder feedback have been approved by the Committee and are presented here for Board consideration. In addition, CCC and EROMS leadership held an initial discussion with the MRC subgroup focused on stakeholder feedback. We anticipate further engagement with the subgroup after the September Committee meetings.
- The Committee approved a total of four CCC Program Procedures, some previously mentioned in this report. The following procedures were presented earlier for Board of Trustees consideration:
  - CCCPP-003: Monitoring Program for NERC's Reliability Standards Development Program
  - CCCPP-007: Monitoring Program for NERC's Adherence to NERC's Rules of Procedure for Registration and Certification
  - CCCPP-008: Program for Monitoring Stakeholder's Perceptions
  - CCCPP-013: Procedure for the Selection of Members to the NERC Compliance and Certification Committee



- The Committee approved the RSTC Application to become a Prequalified Organization to submit implementation guidance, consistent with CCCPP-011. In addition, the Committee took action to retire the Prequalified Organization designation from the Operating, Planning and Critical Infrastructure Protection Committee(s).
- Consistent with CCCPP-001 and CCCPP-007, EROMS prepared the self-certification request to NERC management for the Compliance Monitoring and Enforcement, Organization Registration and Certification Programs. This was presented to NERC management by the Committee Chair in June. The self-certification requests NERC management certify its adherence to the ROP with respect to a subset of performance items selected by the CCC on a periodic basis. As directed by procedure, the results of Self-Certifications are communicated to the Board through the EWRC upon completion.
- The CCC's Organization and Registration Subcommittee (ORCS) worked with NERC Management on proposed revisions to the Rules of Procedure specific to Organization Registration and Certification. In a specially held meeting on July 28, 2020, the full Committee took action on the submission of Appendix 5A for the Board of Trustees consideration.
- The Committee Chair appointed Silvia Parada Mitchell, NextEra Energy Resources, representing the Merchant Generator Sector as the incoming Chair of the Alignment Working Group (AWG).
- 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.
- Stakeholder Feedback and Creation of CCC Task Forces: The CCC has a role to provide stakeholder feedback to the Electric Reliability Organization (ERO) related to Enterprise Programs, Standards adherence and Enterprise Tools. Consistent with CCCPP-008, the CCC has created a process that will allow the committee to use the expertise of the membership to explore concerns that industry has raised that might have a material impact on the effectiveness of the CMEP. As part of that effort, the CCC has created two task forces expected to provide recommendations to NERC. The CCC has provided additional documents about the task forces for broader industry awareness with this report.
- The September meeting focus will include updates on task force activities, further discussions on stakeholder feedback and Committee business.

The next CCC meeting will be September 23-24, 2020 via WebEx, which will include a portion that will be held jointly with the Standards Committee.

**To:** NERC Board of Trustees (BOT)  
**From:** Thomas J. Galloway, NATF President and CEO   
**Date:** July 13, 2020  
**Subject:** NATF Periodic Report to the NERC BOT (August 2020)  
**Attachments:** NATF External Newsletter (July 2020)

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

## Response to COVID-19 Challenges

Like NERC and other industry organizations, the NATF continues to work with members on responding to the epidemic by sharing information and conducting virtual activities. We appreciate the successful and ongoing collaboration with NERC, DOE, and FERC on the epidemic/pandemic response plan resource.

## Update on Pilot Collaborations with NERC, RF, and SERC

As previously reported to the NERC BOT and detailed in the NATF's April 2020 external newsletter, the NATF has been working with two of the regions—ReliabilityFirst (RF) and SERC—to pilot a collaboration approach to advance NATF and ERO mutual objectives, leverage respective strengths, and minimize duplication of effort on two important topics: facility ratings accuracy and supply chain risk mitigation. Although the pilot is centered on RF and SERC, the effort overall and associated learnings are being communicated to all the other regions.

For the supply chain collaborations, plans were well underway to conduct two regional workshops focused 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. Unfortunately, these face-to-face workshops had to be postponed indefinitely due to the pandemic. In the meantime, we are working together to plan and conduct a webinar later in 2020 on a related supply chain cyber security risk mitigation topic that will be suitable for a virtual audience.

In the facility ratings collaboration, the NATF has published for its members a facility ratings practices document, crafted by subject-matter experts from over 15 companies, providing a guide to members for establishing and maintaining accurate facility ratings. These practices address issues and controls described in the ERO problem statement provided to the NATF as part of the collaboration. The NATF board and member representatives have approved an action plan, beginning in the fall 2020, for members' facility ratings practices implementation, monitoring, and reporting, including periodic status updates to the ERO.

## Grid Security Emergency Work

The NATF-NERC Grid Security Emergency (GSE) Communication Project Team has reached a milestone in its GSE communications work. The team was formed in late 2019 to implement shorter-term communications solutions

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for Bulk Electric System activities during GSE events. The NATF has led the team's work during the first half of 2020, culminating in the development of a "GSE Communications Implementation Outline" in mid-June.

The outline contains protocols, technical details, necessary security provisions, and cost estimates for both verbal and electronic GSE communications solutions. The outline, which will be used to guide the expansion of current processes and tools for use during GSE events, was provided to NERC, who will lead the implementation phase. As we engage and work closely with the U.S. Department of Energy (DOE) on implementation, the GSE Communications Project Team will remain in place for support and consultation. NERC will provide periodic updates to report implementation progress.

## Supply Chain Executive Order

The NATF has been in contact with the DOE to offer support for aspects of the implementation of the Executive Order 13920 *Securing the United States Bulk-Power System*, outlining several potential roles and activities where the NATF would bring value to the DOE's efforts. In particular, the NATF highlighted the ongoing work and resources of the NATF-led Supply Chain Industry Organizations Team, bringing together industry, suppliers, assessment organizations, and solution providers for a congruent approach to supplier risk assessment with a common set of criteria and questions to help identify supplier security practices, including an indication of the source of supplier products. These resources can form a foundation for the DOE efforts.

Further, the NATF is working with members on potential ways to assist with member responses to the associated NERC Alert and DOE request for information.

## Reliability and Security Technical Committee (RSTC)

The NATF has assigned senior leadership to routinely attend RSTC meetings to provide status on relevant work activities and offer added support as appropriate.

# North American Transmission Forum External Newsletter

July 2020

## Resource Developed to Help Organizations Update Pandemic Response Plans

The COVID-19 pandemic has resulted in unprecedented challenges for utility planning, operations, and response, prompting organizations to review existing or create epidemic/pandemic-response plans. To assist in these efforts, the North American Transmission Forum, North American Electric Reliability Corporation, U.S. Department of Energy, and Federal Energy Regulatory Commission jointly developed a resource to help utilities create, update, or formalize their plans.

The [Epidemic/Pandemic Response Plan Resource](#)—which focuses on planning/preparedness, response, and recovery activities for a severe epidemic/pandemic—was issued in May and recently updated with additional information on testing and an overview of contact tracing. Due to current circumstances, the document contains COVID-19-specific information; however, the intent is to evolve and maintain the document over time so it can be used as an effective resource for any epidemic or pandemic.

For more information, please visit: <https://www.natf.net/industry-initiatives/covid-19>.

\*\*\*

## NATF Continues Monitoring COVID-19 and Implementing Virtual Activities

The NATF's primary focus during this pandemic has been the health and safety of our staff and members. From the start, 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 to help inform our decisions.

The NATF's physical office remains closed, as staff works from home, with travel cancelled until further notice. We have postponed near-term in-person events and are working with members and our industry partners to reschedule as appropriate. The NATF has also been working with industry partners to coordinate on response activities and reduce duplication of effort wherever possible.



## Member Support and Engagement

We have continued existing and implemented new information-exchange mechanisms for ongoing and pandemic-specific activities to assist our members. As always, our members have actively engaged to help one another by sharing insights, approaches, and experiences. Our system operations webinars for COVID-19 have been a particularly successful endeavor, with member-wide attendance and support.

To ensure we continue to deliver our full range of services, we have recently been working with members to plan web-based peer reviews and to conduct more assistance activities virtually. While we have been unable to hold face-to-face workshop events as planned, we are drawing on workshop topics to conduct timely special webinars.

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## Energy Sector Supply Chain Risk Questionnaire

The NATF posted the "Energy Sector Supply Chain Risk Questionnaire" for industry use.

This questionnaire, developed by a group of more than 20 U.S. energy companies, is designed to provide utilities with a set of supplier- and equipment-focused questions to obtain better information on a supplier's security posture. The questionnaire works in conjunction with the NATF Criteria, and together these complementary tools can help the industry drive convergence on information that is needed from suppliers.

The questionnaire gathers information to determine a supplier's level of adherence to the NATF Criteria and additional insight into a supplier's cyber security actions. Further, these tools had identified the need to understand a supplier's dependencies and sourcing from other countries and include questions to gather information that is pertinent to and will support the May 1 executive order. Specific information is obtained regarding a supplier's sourcing, activities, and staffing in other countries.

Consistent use of the tools will support the growing acceptance from suppliers. Currently, suppliers are recognizing the tools and beginning to have responses for the questionnaire and NATF Criteria prepared so the information can be readily available upon entities' requests.

The questionnaire and NATF Criteria are living documents that will be revised as industry continues to converge on what information is needed from suppliers. An Industry Organizations Team is developing a revision process, and you can submit your thoughts and comments on the questionnaire and NATF Criteria to [supplychain@natf.net](mailto:supplychain@natf.net).

Learn more at <https://www.natf.net/industry-initiatives/supply-chain-industry-coordination>.

\*\*\*

## 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 the third quarter.

The NATF envisions incorporating the TRMM as an additional service offering for its members, including facilitated self-assessments, metrics, and targeted assistance (in areas where members seek improvements).

\*\*\*

## Redacted Operating Experience Reports

Since our last newsletter, we have posted four 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.

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*For more information about the NATF, please visit [www.natf.net](http://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: August 3, 2020**

**SUBJECT: NAGF 2020 Summer Report**

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The NAGF continues to move forward during these unprecedented times for industry and the nation. The NAGF provides its members with the opportunity to share COVID-19 operational plans/trigger points for resuming the “new normal” business operations 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). On June 8th, the IRPTF held a WebEx on the Technical Report: **BPS-Connected Inverter-Based Resource Modeling and Studies**. 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 2019-04: Modifications to PRC-005-6

The original SAR, developed and submitted by the NAGF, requests to clarify the applicability of PRC-005-6 to the protective functions within an Automatic Voltage Regulator (AVR) and provide the prescribed maintenance activities. The NAGF submitted comments regarding the revised SAR v1 to NERC during the project formal comment period that ended 7/8/2020.

NERC Project 2019-06: Cold Weather:

The NAGF submitted comments regarding the Project 2019-06 Extreme Cold Weather Preparedness revised SAR v3 to NERC during the project formal comment period that ended 5/21/2020. In addition, the CWPWG is working to update existing NAGF Generator Cold Weather documentation.

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 is exploring the development of a Physical Security Working Group to provide additional value to membership. The NAGF held conference calls with NPCC and NERC to discuss this opportunity and potential value-add activities/discussion topics to be addressed by this working group.

In June 2020, the NAGF provided comments for consideration to NERC regarding the draft NERC Alert – Supply Chain Risk III.

The NAGF is in the process of developing comments for submittal regarding the U.S Department of Energy (DOE) Request For Information (RFI) for the Bulk-Power System Executive Order (EO) issued on July 8, 2020.