

## Minutes Board of Trustees

November 2, 2016 | 9:00 a.m.–12:00 p.m. Eastern

Ritz-Carlton Buckhead  
3434 Peachtree Road  
Atlanta, GA 30326

### Call to Order

Mr. Frederick W. Gorbet, 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 “Company”) in Atlanta, Georgia, on November 2, 2016, at 9:00 a.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

### Board Members

Frederick W. Gorbet, Chair  
Paul F. Barber  
Janice B. Case  
Gerald W. Cauley, President and Chief Executive Officer  
Robert G. Clarke  
Kenneth W. DeFontes, Jr.  
David Goulding  
George S. Hawkins  
Kenneth G. Peterson  
Jan Schori  
Roy Thilly

### NERC Staff

Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary  
Tina Buzzard, Associate Director  
Howard Gugel, Senior Director, Standards and Education  
Stan Hoptroff, Vice President and Chief Technology Officer  
Scott Jones, Vice President of Finance and Treasurer  
Mark G. Lauby, Senior Vice President and Chief Reliability Officer  
Ken McIntyre, Vice President of Standards and Compliance  
Sonia Mendonça, Vice President of Enforcement and Deputy General Counsel  
James Merlo, Vice President of Reliability Risk Management  
Timothy E. Roxey, Vice President and Chief E-ISAC Operations Officer  
Marcus H. Sachs, Senior Vice President and Chief Security Officer  
Janet Sena, Senior Vice President, Director of Policy and External Affairs  
Michael Walker, Senior Vice President and Chief Financial and Administrative Officer

## **NERC Antitrust Compliance Guidelines**

Mr. Berardesco noted the public nature of the meeting and directed the participants' attention to the NERC Antitrust Compliance Guidelines, which had been included with the advance meeting materials.

## **Welcoming Remarks/Executive Session**

Mr. Gorbet welcomed attendees to the meeting. He expressed his appreciation to Federal Energy Regulatory Commission Commissioner Colette Honorable for her attendance, as well as the attendance of Liz Dalton of the Department of Energy. Mr. Gorbet also recognized several FERC staff members in attendance, including David Ortiz and Joe McClelland.

## **Consent Agenda**

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

## **Minutes**

The draft minutes for the August 11, 2016 meeting were approved as presented to the Board at this meeting.

## **Committee Membership Appointments and Charter Revisions**

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

**RESOLVED**, that the Board hereby approves the appointment of the following individuals as members of the Compliance and Certification Committee, each for a term of three years:

- John D. Rhea of Oklahoma Gas & Electric Company, representing the Investor-Owned Utility sector
- Daniela Cismaru of Alberta Electric System Operator, representing the Canada Provincial sector

### ***Planning Committee Membership***

**RESOLVED**, that the Board hereby approves the appointment of the following individual to the Planning Committee for a term ending in June 2018:

- Bob Ramaekers of Tenaska, representing the Electricity Marketer sector

## **Regular Agenda**

### **Remarks by Board Chair**

Mr. Gorbet reported that before the open meeting, as is its custom, the Board met in closed session with NERC management, and subsequently in executive session without NERC management, to review NERC management activities. Mr. Gorbet referenced the discussions during the prior day's meeting, noting the value of the policy input before the meetings, and referenced the panel discussion during the Member Representatives Committee ("MRC") meeting on distributed energy resources and the importance of the issues that were discussed.

### **Remarks by Commissioner Colette Honorable, Federal Energy Regulatory Commission**

Ms. Honorable thanked the Board and NERC staff, particularly Mr. Cauley and Ms. Sena, for their warm welcome, and the recognition of the FERC staff in attendance. She noted the passion around the work being done at NERC and the engagement of all stakeholders. Ms. Honorable expressed appreciation for the way NERC works with FERC, as two independent entities that must and do work together well. She expressed an open invitation for stakeholders to visit with her, as trust and respect are key in the type of work being done by NERC and FERC. Ms. Honorable cited examples where NERC and FERC complement each other, using the work around gas/electric interdependence and reliability assessments as key examples, and thanked Mr. Lauby and John Moura for their efforts in these areas. She cited the work being done to integrate Mexico into the ERO and the cooperative efforts with FERC, NERC and DOE.

### **Remarks by Liz Dalton, Department of Energy**

Ms. Dalton provided an update on DOE rulemakings and reports, including FAST Act emergency authority rulemaking, strategic transformer reserve strategy, U.S./Canada grid strategy, Mexico strategy, Aliso Canyon implications and the quadrennial energy review. She noted the upcoming elections and the new approach to administration transitions, and encouraged interaction with transition teams after the election.

### **President's Report**

Mr. Cauley welcomed the regulatory staff that was present. Following on FERC Chairman Norman Bay's remarks in Halifax, he noted that NERC and stakeholders are making a positive impact on bulk power system (BPS) reliability as evidenced in the data, referencing Mr. Merlo's presentation the prior day. Mr. Cauley commented on the expertise of industry that is being utilized to address recent FERC directives on GMD and supply chain as examples of industry engagement. He noted the continued success in integrating ERO Enterprise leadership, referencing the dissolution of the separate Regional Entity Management Group. With respect to key challenges, he referenced the transition to risk-based compliance and enforcement and the implementation of new IT infrastructure across the ERO Enterprise to drive efficiencies and help enable consistent implementation. On the strategic plan metrics, Mr. Cauley noted the move to a smaller set of metrics that are outcomes based, i.e., designed to determine if BPS reliability is improving. With respect to the evolving partnerships with Canada and Mexico, he noted that these are more important than ever, as there is a need to ensure security as cross-border transactions increase. Mr. Cauley focused on key efforts going forward, including addressing gas/electric interdependence, resiliency of the grid, and changing technology. Mr. Lane Lanford commented on behalf of the Regional Entity chief executives, and referenced the work around the development of the Compliance Monitoring guide as an example of the evolving alignment across the ERO Enterprise.

### **Report on Semiannual Meeting of NERC Trustees and Regional Entity Boards**

Mr. Gorbet reported on the joint meeting of the ERO Enterprise board leadership, noting that they are designed to ensure communications are open and facilitate alignment. The group addressed a range of issues, including promoting industry excellence beyond writing standards and enforcement, an update on Mexico and Canada initiatives, and alignment of strategic plans across the ERO Enterprise.

### **Standards**

Mr. Gugel presented on the following Reliability Standards projects and other matters. After discussion, and upon motions duly made and seconded, the Board approved the following resolutions:

## **2017-2019 Reliability Standards Development Plan**

**RESOLVED**, that the Board hereby approves the proposed 2017-2019 Reliability Standards Development Plan, as presented to the Board at this meeting, together with such changes as are necessary to reflect Federal Energy Regulatory Commission directives relating to GMD and supply chain.

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

## **Florida Reliability Coordinating Council Regional Reliability Standard Development Process Manual Revisions**

**RESOLVED**, that the Board hereby approves the proposed Florida Reliability Coordinating Council Regional Reliability Standard Development Process Manual revisions, 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.

## **Response to FERC Directive to Change VRFs of IRO-018-1 and TOP-010-1 to High**

**RESOLVED**, that the Board hereby approves the proposed changes to the Violation Risk Factors for Reliability Standard IRO-018-1 Requirement R1 and Reliability Standard TOP-010-1 Requirements R1 and R2 from “medium” to “high.”

**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.

## **Interpretation of CIP-002-5**

**RESOLVED**, that the Board hereby adopts the proposed Interpretation of Reliability Standard CIP-002-5.1, as presented to the Board at this meeting.

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

## **WECC Interpretation BAL-002-WECC-2a**

**RESOLVED**, that the Board hereby adopts proposed Regional Reliability Standard Interpretation BAL-002-WECC-2a for Arizona Public Service Company, 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 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.

#### **BAL-004-2 – Time Error Correction**

**RESOLVED**, that the Board hereby adopts proposed standard document Implementation Plan for Reliability Standard BAL-004-0, as presented to the Board at this meeting.

**FURTHER RESOLVED**, that the Board hereby approves the proposed retirement of Reliability Standard BAL-004-0, 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 resolution.

#### **Other Matters and Reports**

##### **2016 ERO Reliability Risk Priorities: RISC Recommendations**

Mr. Peter Brandien, chairman of the Reliability Issues Steering Committee (the “RISC”), presented the RISC report for Board acceptance. He expressed his appreciation for the support of NERC staff and stakeholder engagement. Mr. Cauley noted the policy input, and that much of it could be reflected in future reports. Mr. Barber expressed his concerns around the aging work force challenges and his view that future reports should highlight that risk. After discussion, and upon motion duly made and seconded, the following resolution was approved:

**RESOLVED**, that the Board of Trustees hereby accepts the 2016 ERO Reliability Risk Priorities: RISC Recommendations to the Board, as presented to the Board at this meeting.

##### **2017-2020 ERO Strategic Plan and Metrics**

Mr. Lauby presented the ERO Strategic Plan and reliability metrics for approval. It was agreed that a number of the policy input comments could be included in the final metrics. Upon motion duly made and seconded, the following resolution was approved:

**RESOLVED** that the Board hereby approves the proposed 2017-2020 ERO Enterprise Strategic Plan and related Reliability Metrics, in substantially the form as presented to the Board at this meeting, together with such changes as are approved by the Chief Executive Officer and reported to the Board.

### **NERC Rules of Procedure Amendments**

Ms. Mendonça summarized the proposed revisions to the NERC Rules of Procedure to implement an optional consolidated hearing process, as set forth in the advance agenda materials. Upon motion duly made and seconded, the Board approved the following resolutions:

**RESOLVED**, that the Board hereby approves the proposed amendments to Section 400 and Appendices 2 and 4C to the NERC Rules of Procedure, 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 resolution.

### **E-ISAC Quarterly Update**

Mr. Sachs presented the quarterly E-ISAC update, referencing the materials included in the advance agenda package, including various statistics, advisories and reports, a technology update, and a staffing update. Ms. Dalton noted DOE's strong support of the E-ISAC and expressed appreciation for its work with DOE.

### **Update on Mexico**

Mr. Cauley provided an update on Mexico discussions to join the ERO, noting the statutory requirements for NERC to seek such an outcome. He referenced some of the key issues, including the standards approval process and the details of responsibilities for compliance monitoring and enforcement. Mr. Cauley noted that an agreement could be reached before year-end, which could require a special Board meeting for approval. He noted that in terms of budgets, 2017 would likely be a transition year to a more comprehensive approach for 2018.

### **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**

Jim Case, Committee Chair, referenced the written report and noted several items, including the use of the work plan, an upcoming joint OC/PC meeting, and sharing of operating lessons learned.

### **Planning Committee**

Brian Evans-Mongeon, Committee Vice Chair, referenced the written report, and noted key activities since the last Board meeting, including implementing the revised Committee charter and improved processes.

### **Critical Infrastructure Protection Committee**

Marc Child, Committee Chair, summarized and highlighted portions of the written report, including the upcoming strategic and work plans, work on industry mutual assistance and distribution of key lessons learned from the Ukraine and "Internet of Things" cyberattacks. He also noted a need for the Committee to be more nimble as issues arise.

### **Member Representatives Committee**

Nabil Hitti, MRC Chair, summarized the issues that had been discussed at the MRC meeting on the previous day, including the election of new officers. He noted that the MRC budget working group supports NERC on enhancement of the NERC metrics. Mr. Hitti expressed his appreciation to NERC staff for their work in developing policy input background materials.

### **Personnel Certification Governance Committee**

Brett Hallborg, Committee Chair, referenced the written report, focusing on efforts to update exams.

### **Standards Committee**

Brian Murphy, Committee Chair, noted that the written report had been reviewed the prior day.

### **Reliability Issues Steering Committee**

Peter Brandien, Committee Chair, thanked stakeholders for their feedback on the RISC report. He noted the need for RISC nominees, and that the 2017 leadership summit would be held in March, to facilitate an earlier RISC report issuance.

### **Compliance and Certification Committee**

Patti Metro, Committee Chair, referenced the written report, noting that the Committee will be posting the results of the CMEP review and that it had formed a task force to work on consistency issues with ERO Enterprise staff.

### **Electricity Subsector Coordinating Council**

Mr. Cauley noted the ESCC meeting at end of the month in light of the upcoming administration transition.

### **Forum and Group Reports**

#### **North American Energy Standards Board**

Michael Desselle, NAESB Chair, referenced the written report, noting coordination with NERC on time error correction and support of Mexico as it transitions its energy structure.

#### **North American Transmission Forum**

Tom Galloway, Forum CEO, referenced the written report and highlighted the excellent coordination with NERC.

#### **North American Generator Forum**

Allen Shriver, Forum COO, referenced the written report and expressed his thanks for NERC hosting the recent annual meeting.

### **Board Committee Reports**

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

Mr. Clarke, Committee Chair, summarized the Committee's open and closed meetings that occurred prior to this meeting, noting the Committee recommendation that the Board accept the Action Plans arising

out of the ERO Enterprise Effectiveness Survey, the approval of the Board assessment materials, reviews of metrics and HR matters (noting the much improved attrition levels), changes to the Company's approach on employee life insurance and 401K enrollment, and continued work on metrics for incentive compensation. Upon motion duly made and seconded, the following resolution was approved:

**RESOLVED**, that the Board, upon recommendation of the Corporate Governance and Human Resources Committee, hereby accepts the ERO Enterprise Effectiveness Survey Report and Action Plans, as presented to the Board at this meeting.

### **Compliance Committee**

Ms. Case, Committee Chair, summarized the recent sessions of the Committee, including approvals of notices of penalty, the CMEP quarterly report, and presentations on misoperations and compliance guidance.

### **Finance and Audit Committee**

Ms. Schori, Committee Chair, reported on the Committee's recent meetings. She noted the recent FERC approval of the 2017 budgets and expressed her congratulations to ERO Enterprise financial staff. She also noted the Committee recommendation of Board acceptance of the third quarter financials, review of the 2016 audit plan, and approval of the 2016 audit fees. Upon motion duly made and seconded, the following resolution was approved:

**RESOLVED**, that the Board, upon recommendation of the Finance and Audit Committee, hereby accepts the NERC Third Quarter 2016 Unaudited Statement of Activities, as presented to the Board at this meeting.

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

Mr. Goulding, Committee Chair, summarized the work of the Committee, including an update on work and audit plans, upcoming regional entity audits and oversight efforts and CCC activities.

### **Standards Oversight and Technology Committee**

Mr. Peterson, Committee Chair, reported on the Committee's open meeting, including recommendation of the Reliability Standards Development Plan, review of the cost effectiveness pilot, receipt of the quarterly standards report, and the review of IT activities.

### **Nominating Committee**

Mr. Peterson, Committee Chair, reported that the Committee will be interviewing four trustee candidates later in November.

### **Closing Remarks**

In his closing remarks, Mr. Gorbet thanked all participants and expressed his appreciation for the policy input and the leadership of MRC Chair Hitti. He also thanked NERC staff for their efforts, noting the continued improvement in the quality of presentations. Mr. Gorbet also referenced all of the efforts that occur prior to and during the meetings from an administrative perspective, and thanked all NERC staff engaged in those efforts.

**Adjournment**

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

Submitted by,



Charles A. Berardesco  
Corporate Secretary

## Agenda

### Board of Trustees

November 2, 2016 | 9:00 a.m.-12:00 p.m. Eastern

Ritz-Carlton Buckhead  
3434 Peachtree Road  
Atlanta, GA 30326

Conference Room: The Ballroom – Lobby Level

#### Call to Order

#### NERC Antitrust Compliance Guidelines—Public Announcement

#### Consent Agenda – Approve

1. **Minutes\***
  - a. August 11, 2016 Meeting
2. **Committee Membership and Charter Changes\***
  - a. Compliance and Certification Committee Membership
  - b. Planning Committee Membership

#### Regular Agenda

3. **Remarks and Reports**
  - a. Opening Remarks by Board Chair
  - b. Remarks by Commissioner Colette Honorable, FERC
  - c. Remarks by Liz Dalton, DOE
  - d. Remarks by Murray Doehler, CAMPUT
  - e. President’s Report
4. **Report on Semiannual Meeting of NERC Trustees and Regional Entity Boards – Information**
5. **Standards\***
  - a. 2017-2019 Reliability Standards Development Plan – **Approve**
  - b. Florida Reliability Coordinating Council Regional Reliability Standard Development Process Manual Revisions – **Approve**
  - c. Compliance Filing in Response to FERC Directive to Change VRFs of IRO-018-1 and TOP-010-1 to High – **Approve**
  - d. Interpretation of CIP-002-5.1 – **Adopt**
  - e. WECC Interpretation BAL-002-WECC-2a – **Adopt**
  - f. BAL-004-2 – Time Error Correction – **Retire**

## 6. Other Matters and Reports

- a. 2016 ERO Reliability Risk Priorities: RISC Recommendations\* – **Accept**
- b. 2017-2020 ERO Enterprise Strategic Plan and Metrics\* – **Approve**
- c. NERC Rules of Procedure Amendment – Consolidated Hearing Process\* – **Approve**
- d. E-ISAC Quarterly Update\* – **Information**
- e. Update on Mexico – **Information**

## 7. Committee Reports\*

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

## 8. Forum and Group Reports\*

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

## 9. Board Committee Reports

- a. Corporate Governance and Human Resources
- b. Compliance
- c. Finance and Audit
  - i. Third Quarter 2016 Unaudited Statement of Activities – **Accept**
- d. Enterprise-wide Risk
- e. Standards Oversight and Technology
- f. Nominating Committee

## 10. Adjournment

\*Background materials included.