Agenda
Board of Trustees
June 13, 2019 | 1:00-2:00 p.m. Eastern
Conference Call

Participant Line: 1-800-239-9838 | Conference Code: 4066368

Call to Order

Introductions and Chair’s Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. 2019 State of Reliability Report – **Accept**
2. Request to Use Expedited Procedures for Requesting Time-Sensitive Data or Information – Supply Chain – **Authorize**
3. Appointment of NERC Interim Controller – **Approve**
4. 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.
2019 State of Reliability Report

Action
Accept

Background
The State of Reliability (SoR) is NERC’s independent assessment developed in concert with the Planning and Operating Committee’s Performance Analysis Subcommittee (PAS). The SoR focuses on bulk power system (BPS) performance during the prior complete year as measured by a predetermined set of reliability indicators and metrics. The objective of the report is to provide objective, credible, and concise information to policy makers, industry leaders, and the NERC Board of Trustees on issues affecting the reliability and resilience of the North American BPS. Specifically, the report:

- Identifies system performance trends and emerging reliability risks,
- Determines the relative health of the interconnected system, and
- Measures the success of mitigation activities deployed.

The key findings and recommendations of the report serve as the technical foundation for NERC’s range of risk-informed efforts addressing reliability performance and serve as key inputs to the ERO Reliability Risk Priorities Report prepared by the Reliability Issues Steering Committee (RISC). The metrics measured in the report address the characteristics of an adequate level of reliability (ALR). In developing the 2019 SoR, NERC staff and the PAS have undertaken a significant effort to tailor content for the policy maker and industry leader audience.

An embargoed draft of the report was provided for technical committee review and feedback May 9 – 20, and the report was ultimately endorsed for submission to the NERC Board of Trustees in early June.

Request to Use Expedited Procedures for Requesting Time-Sensitive Data or Information - Supply Chain

Action
Authorize

Background
In May 2019, the Board of Trustees (Board) accepted in substantial form NERC Staff’s final supply chain report titled *Cyber Security Supply Chain Risks: Staff Report and Recommended Actions*. In this report, NERC Staff evaluates the risks posed by different categories of devices and systems not currently addressed by the Supply Chain Standards (Reliability Standards CIP-005-6, CIP-010-3, and CIP-013-1) and makes recommendations for further action.

With respect to low impact BES Cyber Systems, NERC Staff recommended that NERC use its authority under Section 1600 of the NERC Rules of Procedure obtain more information about the nature and number of BES Cyber Systems currently in use. This information would help NERC better understand the risks associated with low impact BES Cyber Systems, particularly those with External Routable Connectivity. This information, combined with the results of voluntary industry surveys, would assist NERC and its stakeholders in determining whether to modify the Supply Chain Standards to include these systems.

In accepting the report, the Board stated that it expected NERC would move with all deliberate speed to collect the necessary data to assess the potential risks associated with low impact BES Cyber Systems and report back to the Board.

Summary
In order to meet the Board’s expectations for a prompt evaluation of the cyber security supply chain risks associated with low impact BES Cyber Systems, NERC Staff proposes a shortened posting schedule for the proposed Section 1600 request for data or information. This schedule will enable NERC to present the proposed data request to the Board for approval at the August 15, 2019 Board meeting and to collect and evaluate the requested data by the end of 2019.

Section 1606 of the NERC Rules of Procedure allows for a shortened time period to issue a request for data or information in circumstances such as these, where the data or information must be obtained in order to evaluate a threat to the reliability or security of the bulk power system. The proposed data request would provide NERC with information needed to evaluate supply chain cyber security risks associated with certain low impact BES Cyber Systems and determine whether revisions to the Supply Chain Standards are needed to address those risks. Through this data request, NERC will also seek information on the prevalence of equipment from certain foreign vendors identified as being high risk by the U.S. government.

Section 1600 of NERC’s Rules of Procedure normally require a twenty-one (21) day review period by FERC’s Office of Electric Reliability and a subsequent forty-five (45) day industry comment period before a request for data or information can be sent to the industry. Under Section 1606, these procedures can be shortened with NERC Board authorization. The
provisions in Section 1606 were used during the development of the bright line criteria in CIP-002 in 2010. NERC management recommends shortening the time for public comment to 20 days. NERC proposes an expedited (5 day) review with FERC staff, with plans to conduct outreach and coordination with FERC Staff during the data request drafting stage. NERC staff reached out to FERC, EEI, NRECA, APPA, and TAPS staff with the proposed schedule, and all expressed support of these shortened timeframes.

NERC proposes the following schedule:

- June 24–28, 2019: Send proposed data request to FERC for review.
- July 2–22, 2019: Post the proposed data request for a 20-day public comment period.
- August 15, 2019: Present proposed data request to NERC Board for approval.
- August 19, 2019: Issue data request to NERC registered entities (assuming NERC Board approval).
- October 3, 2019: Responses to data request due to NERC.
- November 6, 2019: Summary of responses to data request presented to NERC Board.
Appointment of NERC Interim Controller

**Action**
Approve

**Summary**
The President and CEO requests the NERC Board of Trustees appoint Meg Leonard as Interim Controller, and amend the authorized signatories for each banking or similar account NERC has with PNC Bank, National Association, to be:

James B. Robb
Andy Sharp
Meg Leonard