

April 5, 2023

Ms. Jennifer Flandermeyer, Chair
NERC Member Representatives Committee

Dear Jennifer:

I invite the Member Representatives Committee (MRC) to provide input on a matter of particular interest to the NERC Board of Trustees (Board) in preparation for its May 11, 2023, meeting in Washington, DC. In addition, input is requested on any items on the preliminary agendas for the quarterly Board, Board Committees, and MRC meetings. The preliminary agenda topics will be reviewed at the April 12, 2023, MRC Informational Session and attached hereto (**Attachment A**).

Efforts to Address Effectiveness and Efficiency

As you are aware, the Board has been focused on improving effectiveness and efficiency related to our engagement with stakeholders. When NERC was first certified as the ERO, its processes reflected the needs of a very different industry. The amount of change to the industry and the risks the industry now faces are very different. In conversations with stakeholders and policymakers, NERC has stressed the step change in the risk environment surrounding reliability and security of the grid. Managing this pace of change the industry is undergoing is a key to maintaining a reliable and secure grid.

The core of NERC's processes is that standards are developed by the technical experts in the industry. Many of you and your representatives including the trade associations have worked to help address weatherization, extreme weather planning, and inverters, but each effort is taking far longer than the pace of change – in some cases **five to 10 years**. This is unacceptable to the Board given the magnitude and pace of changes occurring to the grid.

Last year, a cross-sectional Standards Process Stakeholder Engagement Group (SPSEG) was formed to develop recommendations for improvements to the standards process that would enhance NERC's ability to address reliability needs with appropriate agility, while maintaining an open and inclusive process. The Board requested input on their consensus recommendations and subsequently approved them at its November 16, 2022, meeting, subject to several revisions to address concerns raised by stakeholders. In addition to these efforts, the Board and NERC's CEO held conversations with industry and trade association executives noting the stakeholder efforts to focus on improving our standards process. The response was broadly supportive of developing more agile processes to better match the rapid transition the industry is facing.

The proposed revisions to the *Standard Processes Manual* were recently [posted](#) for comment and initial ballot. The ballot concluded on March 6, 2023, and failed by a significant margin with only a 37.7% approval:

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Atlanta, GA 30326
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Ballot Results. This outcome was very disappointing to the Board, especially after crafting meaningful changes to the initial proposal based on MRC and trade association input. Despite significant stakeholder engagement and involvement in the development of these changes, a review of the votes cast shows that even votes from members of the same sectors, MRC representatives, and others were not consistent.

A second ballot is being pursued and NERC staff is working with industry to address their comments. The Board remains hopeful the second ballot will be successful, but remains concerned that, based on the existing process, this ballot will not occur until after the May Board meeting with implementation pushed later in the year if the ballot passes.

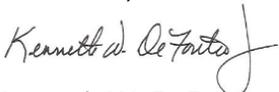
The Board understands that not every standard project is going to pass on the first ballot and that the balloting process is a key element of soliciting input and commentary from subject matter experts. But this result requires some reflection from all stakeholders. The engagement with industry and stakeholder input regarding these standard process improvements was thoughtful and sincere, but resulted in one of the most disparate ballots seen recently. Further, we observe frustration among many top utility executives with the pace of our response to rapidly developing issues of high concern (e.g., inverter performance), which does not align with what we experience in our actual stakeholder engaged processes.

Therefore, the Board requests MRC input on the following:

- 1. How can we promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standards ballots?**
- 2. What can the Board, the MRC, or trade associations do to better identify the value of the standards developed by the industry to be supported by the industry?**
- 3. Given past outreach efforts with stakeholders, what other considerations for engagement should the Board consider?**

Written comments in response to the input requested above, the preliminary agenda topics, and on other matters that you wish to bring to the Board's attention are due by **April 26, 2023**, to Kristin Iwanechko, MRC Secretary (Kristin.Iwanechko@nerc.net). Please include a summary of your comments in your response (i.e., a bulleted list of key points) for NERC to compile into a single summary document to be provided to the Board for reference, together with the full set of comments. The formal agenda packages for the Board, Board Committee, and MRC meetings will be available on April 27, 2023, and the presentations will be available on May 4, 2023. The Board looks forward to your input and discussion of these matters during the May 2023 meetings.

Thank You,



Kenneth W. DeFontes, Jr., Chair
NERC Board of Trustees

cc: NERC Board of Trustees
Member Representatives Committee

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Member Representatives Committee (MRC)

Pre-Meeting and Informational Webinar
April 12, 2023

RELIABILITY | RESILIENCE | SECURITY



- Review schedule and preliminary agenda topics for the May 2023 Board, Board Committees, Technical Session, and MRC meetings
- Review input letter topic
 - Efforts to Address Effectiveness and Efficiency

- **April 5:** Input letter issued
- **April 26:** Written comments due on input topics and preliminary agenda topics
- **April 27:** Open meeting agenda packages and input letter comments posted
- **May 4:** Open meeting presentations posted
- **May 10-11:** Board, Board Committee, Technical Session, and MRC open meetings

Wednesday, May 10, 2023	
9:00 – 9:45 a.m.	Compliance Committee Meeting— <u>Open</u>
10:00 – 11:00 a.m.	Technology and Security Committee Meeting — <u>Open</u>
11:15 a.m. – 12:15 p.m.	Corporate Governance and Human Resources Committee Meeting— <u>Open</u>
1:30 – 3:30 p.m.	Technical Session
4:00 – 6:00 p.m.	Member Representatives Committee Meeting— <u>Open</u>
Thursday, May 11, 2023	
10:00 a.m. – 12:00 p.m.	Board of Trustees Meeting— <u>Open</u>

In person attendance limited to MRC and Board members and NERC senior staff, all other participants will attend remotely.

- Cold Weather Small Group Advisory Sessions Update

- Cyber Strategy Update
- E-ISAC Operations Update
- ERO Enterprise Business Technology Update

- Review Board of Trustees 2022 Evaluation Results
- People and Culture Update

- Bulk Power System Awareness Update
- 2023 Summer Assessment
- 2023 State of Reliability Report
- Gas/Electric Coordination (NAESB/NERC Collaboration)

- **General Updates and Reports**
 - Board of Trustees Nominating Committee Update
 - Business Plan and Budget Input Group Update
 - Update on FERC Activities
 - Regulatory Update
 - Report on the May 9 Closed Meeting
- **Responses to the Board’s Request for Input**
 - Efforts to Address Effectiveness and Efficiency
- **Additional Discussion on Second Quarter Open Meetings**
 - Board Committee Meetings (May 10)
 - Technical Session (May 10)
 - Board Meeting (May 11)

- Approve Texas RE Regional Reliability Standards Development Procedure
- Approve Cold Weather Level 3 Alert
- Standards Process Improvement Opportunities Update
- Rules of Procedure Amendments Update
- Inverter-Based Resources/Distributed Energy Resources Work Plan Update
- Cold Weather Standards Status Update



Questions and Answers

MEMORANDUM

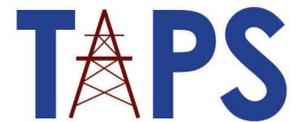
TO: Ken DeFontes, Chair
NERC Board of Trustees

FROM: John McCaffrey, Senior Regulatory Counsel, American Public Power Association
John Di Stasio, President, Large Public Power Council
Terry Huval, Executive Director, Transmission Access Policy Study Group

DATE: April 26, 2023

SUBJECT: Response to Request for Policy Input to NERC Board of Trustees

The American Public Power Association, Large Public Power Council, and Transmission Access Policy Study Group concur with the Policy Input submitted today by the State/Municipal and Transmission Dependent Utility Sectors of the Member Representatives Committee, in response to NERC Board Chair Ken DeFontes' April 5, 2023, letter requesting policy input in advance of the May 11, 2023, NERC Board of Trustees meeting.



NERC Board of Trustees Policy Input – Q2 2023

Electricity Canada appreciates this opportunity to provide policy input to the NERC Member Representatives Committee (“MRC”) and Board of Trustees (“Board”).

Summary of Key Points:

- Electricity Canada appreciates NERC’s ongoing efforts to improve the effectiveness and efficiency of its standard development process and engagement with stakeholders.
- We encourage NERC to continue to improve alignment with the industry by addressing issues that are communicated upstream in the standard development process.
- NERC should aim for maximum clarity of the purpose and value of proposals, given that ambiguity will result in negative votes. This can be addressed by being more receptive to calls for clarification prior to ballots.
- NERC should take measures that help members reach organization-wide alignment on NERC proposals, which can be challenging because of capacity constraints. This can include:
 - Conducting targeted engagement with the "voting bloc" prior to ballots.
 - Leveraging regional entities to communicate information discussed at high-level committees directly to executives at the voting organizations.
 - Prioritize communicating the "why" behind each proposal, clearly explaining and communicating the rationale behind proposals, as well as how it benefits members.’

Electricity Canada appreciates NERC’s ongoing efforts to improve the effectiveness and efficiency of its standard development process and engagement with stakeholders. While we understand the Board’s disappointment over the ballot result of the proposed revisions to the *Standard Processes Manual*, the situation has prompted constructive discussions within our membership on opportunities to improve the ballot success rate in the future. Below are comments that reflect our membership’s thinking on these issues, and that broadly address the three questions that were put forward in the MRC’s input letter.

Addressing issues that are communicated upstream in the standard development process

Prioritizing stakeholder engagement at the beginning of the standards development process, such as at the Standard Authorization Request (SAR) stage, will allow NERC to better align with the industry. Because the SAR has a formal or informal comment period, but no industry vote, it is an opportunity to collect information on the level of industry support before a proposal moves to the next stage in the standards development process.

We encourage NERC to improve alignment with the industry by addressing issues that are communicated upstream in the standard development process. For example, during the stakeholder comment period for *Project 2020-04 – Modifications to CIP-012-1*, sixty-seven stakeholders were asked a yes or no question as to whether they agreed with the proposed scope of the SAR. Only



thirty-eight answered, with nineteen yes votes and nineteen no votes. The remaining twenty-nine who abstained (43% of participants) did not confirm whether they agreed with the scope, however, many provided comments indicating their reservations.

In that example, given most of the participants were not in favor of the SAR, it is not surprising that the project has gone through multiple iterations which have repeatedly gone to the ballot. In contrast, the *Project 2021-04 Phase 1 – Modifications to PRC-002-3* SAR received overwhelming support during the comment period. That project was able to move from a first ballot to a final ballot in approximately six months.

We also encourage NERC to review the value proposition of projects where there appears to be a disconnect between the standards development team and industry feedback. In the first example provided above (*Project 2020-04*), a close read of the comments received on the SAR would have shown that the industry was divided on the value of the proposed modifications to the standard. We encourage NERC to ensure supporting documentation in the projects clearly states why the changes are needed and how they would be advantageous.

Allowing industry participation in the projects as observers will also help participants to understand the process and outcomes of projects, and will increase support.

Negative ballot results can be disappointing, however negative votes or abstentions should not be automatically interpreted as a rejection of the proposals. A negative vote or abstention may indicate that individual organizations require more time to consider the proposal, or that further clarifications are needed before organizations can fully support it.

Proposals should aim for maximum clarity, given that ambiguity will result in negative votes. This can be addressed by being more receptive to calls for clarification prior to ballots. NERC should proactively engage with members who have expressed concerns as needed to address any questions or clarify ambiguities.

Finally, we encourage NERC to leverage industry feedback collected through the RISC surveys to improve alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standard ballots.

Helping members reach organization-wide alignment on NERC proposals

Member organizations have significant capacity constraints. As NERC conducts engagement during standard development, NERC staff should be mindful of these constraints, which can impact the ability of member organizations to action the numerous requests from NERC and its regional entities.

Because of capacity constraints, ensuring organization-wide alignment on every NERC proposal is challenging. Member representatives voting in ballots often do so with limited or incomplete internal engagement. Tight deadlines and excessive workload often mean that getting them appropriately briefed prior to a ballot is simply not possible. While some member representatives are more involved



in NERC standard development and related engagement activities, individuals' understanding of specific proposals can vary, even within the same organizations.

We suggest that NERC consider conducting targeted engagement with the "voting bloc" prior to ballots, and help members reach organization-wide alignment on NERC proposals. This could be achieved by developing concise summary documents to ensure that voters have the necessary information and context to make decisions.

We encourage NERC to use its regional entities to communicate the information discussed at high-level committees directly to executives at the voting organizations. Regional entities can engage with member executives and provide a clear understanding of the purpose and benefits of individual proposals, as well as answer questions from the voting organizations.

NERC should prioritize communicating the "why" behind each proposal. It cannot be assumed that the needs underlying the proposals are self-evident. Clearly explaining and communicating the rationale behind them and how it benefits members will improve support and alignment when it comes time to vote on the proposals.

We hope the comments provided in this letter prove useful and help NERC conduct effective engagement and promote alignment among its members, leading to successful standard development. Please contact us if you have any questions or concerns.

Dated: April 26, 2023

Contact:

Francis Bradley
President & CEO
Electricity Canada
Bradley@electricity.ca



**Policy Input for the NERC Board of Trustees
Provided by the Edison Electric Institute
April 26, 2023**

On behalf of our member companies, the Edison Electric Institute (“EEI”) Reliability Executive Advisory Committee appreciates the opportunity to provide the following policy input for the NERC Board of Trustees to review in advance of the May 10 - 11, 2023, meetings. Our perspectives on bulk-power system (“BPS”) reliability are informed by our CEO Policy Committee on Reliability, Security, and Business Continuity and the Reliability Executive Advisory Committee with the support of the Reliability Technical Committee.

In the April 5, 2023, policy input letter, NERC Board of Trustees Chair, Kenneth W. DeFontes, Jr., seeks stakeholder feedback on industry and stakeholder engagement and input for alignment in addressing the rapidly changing grid.

I. SUMMARY OF COMMENTS

- EEI supports continued enhancement of communication and collaboration among NERC, the NERC Board, and industry.
- EEI recommends improvements in selecting participants for significant activities that impact industry.
- EEI supports increased active engagement among NERC, the NERC Board, and industry to understand the rationale behind the use of industry comments or recommendations.
- Broad iterative communication and feedback are part of the consensus-building process. These iterations are important to ensure future NERC Reliability Standards are technically feasible, implementable, and ultimately address the root cause of the identified reliability concerns.
- Coordination among stakeholders and the numerous jurisdictional entities early in the process is critical to addressing the changing grid.
- The EEI Reliability Executive Advisory Committee is committed to engaging with NERC prior to a ballot and other activities that require industry approval or support.

II. COMMENTS

Given the rapidly changing resource mix, upholding and reinforcing stakeholder collaboration is more critical than ever to ensure a reliable and secure grid now and in the future. We appreciate the continued desire of the NERC Board to seek input

and collaborate with industry. We applaud NERC and the NERC Board for making themselves available to the EEI community to discuss concerns with the proposal for enhancing the agility of the standards process and for making subsequent changes to the process to address some of these concerns. While industry is supportive of continuous improvement and agility in the standards development process, iterative processes that enable discussion of the details of the proposed changes are key to ensuring solutions that are implementable and technically feasible while addressing the agility and effectiveness of the process. We remain committed to working with NERC to quickly address the most urgent risks to reliability and provide the following input in response to the NERC Board's questions.

1. How can we promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standards ballots?

When reviewing the manner in which NERC currently proposes substantive changes to the Board to various new or existing processes, there continues to be opportunities to improve communication and collaboration among NERC, the NERC Board, and all stakeholders that could result in more successful outcomes.

- Often NERC utilizes small teams to develop proposals and changes, sometimes significant, for both existing and new processes and activities (e.g., Standards Process Stakeholder Engagement Group). This approach may result in recommendations that have not included a large and diverse body of stakeholders and/or have not included sufficient representation from the community of stakeholders that will be directly impacted by the proposal to obtain support and, ultimately, a successful outcome. One enhancement NERC could make is to give the responsibility of selecting representatives for these teams to members of the various sectors that are directly impacted by the proposed changes.
- When NERC brings proposals to the industry, they often appear to be fully evaluated and final solutions. At times, these solutions have been presented without the industry collaboration that could have helped validate that they are practical, implementable, and technically feasible. In these instances, engagement with industry to share solutions is perceived as an effort to convince industry to support the NERC proposal rather than to work together with industry to develop consensus. The EEI community recommends that NERC Staff and the NERC Board collaborate with industry prior to presenting potential solutions to fully understand and consider stakeholder feedback and to allow for fulsome development of effective, comprehensive solutions that address the issue. Moreover, engaged members of the EEI community expend significant time and resources developing and providing input on various NERC products and proposals.

When this feedback is provided, it is sometimes unclear whether or how the input was considered in subsequent versions. Additional engagement with the EEI community to discuss feedback and understand industry stakeholders, NERC Staff, and the NERC Board's thinking on important issues would be invaluable.

- Industry executives and stakeholder leadership broadly support improving NERC processes and recognize the need for agility. However, our leaders also support meaningful stakeholder engagement and collaboration—even where it may result in tension, which can be important and constructive—to reach the most effective solutions. Consequently, NERC processes will be most effective where there is an appropriate balance between agility and engagement that does not sacrifice one for the sake of the other.
- Activities that require NERC Board action should include more fulsome discussions during MRC informational sessions. This would allow the industry time to provide input on these topics, as well as encourage more engagement with NERC leadership and the NERC Board during these meetings, thereby creating an opportunity for industry and the NERC Board to understand any potential concerns prior to Board action. It is important for NERC and the NERC Board to fully understand industry's perspectives and have a complete picture of reliability issues that are impacting the grid prior to making important decisions.
- The standards development process, from inception, was intended to be an iterative process, with the comment and ballot periods creating an opportunity for users, owners, and operators of the BES to provide feedback to ensure the Reliability Standard is implementable and technically feasible. When used in this way, the standards development process allows feedback from a diverse set of BES participants to a small group of industry standards drafting team members. Multiple ballots allow all stakeholders an opportunity to provide comments while moving the proposed Reliability Standard forward in a timely manner. These iterations should be preserved as they are important to ensure future NERC Reliability Standards are technically feasible, implementable by users, owners, and operators of the grid, and ultimately address the root cause of the identified reliability concern. Additionally, industry must comply with the Reliability Standards. The concept of "good enough" language in a Reliability Standard often means that the expectations are unclear. This creates issues for compliance professionals at NERC, the Regions and in the industry. EEI recommends industry participation by compliance and legal experts as quality reviewers of proposed standards to advise the drafting teams to mitigate potential compliance language concerns more quickly.
- To address agility in the standards process, it is critical that the problem statement is clear and well understood by the industry. Investing more time up front explaining and soliciting broad stakeholder feedback on an issue, and subsequently on the proposed solution, should result in more alignment, less rework, and a more agile and robust process. The ability to develop

robust solutions in a timely manner is impaired when industry and NERC do not have the same understanding of the underlying problem.

- While the Standards Process Manual states that all comments should be addressed by the drafting team, industry has experienced that when the ballot is affirmative, the comments submitted with an affirmative vote carry less importance to the drafting team than comments submitted with a negative ballot. If the comments provided by entities supporting a ballot (i.e., a “yes” vote) were fully considered and addressed by the standard drafting team(s), where appropriate, there might be an increased willingness for industry to vote affirmative for a new or revised standard earlier in the process.

2. What can the Board, the MRC, or trade associations do to better identify the value of the standards developed by the industry to be supported by the industry?

The EEI community reads this question to ask, “How can the Board, MRC, or trade associations better align the whole industry behind the standards being developed by the technical experts participating on the standards drafting teams?”

- The policy input letter notes that efforts to address certain risks are, in some cases, taking five to 10 years. This statement does not contemplate the mitigating activities beyond a Reliability Standard, such as reliability analysis, reliability guidelines, white papers, technical documents, and lessons learned and assumes that efforts are not complete until a Reliability Standard is developed. It is important to ensure messaging acknowledges work previously accomplished to mitigate reliability risks. It is also important to examine the causes of prolonged efforts to address reliability risks to ensure timely mitigation of the risks.
- As noted above in EEI’s response to Question 1, the NERC Reliability Standards Process was designed to provide reasonable notice and opportunity for public comment, due process, openness, and balance of interests in developing Reliability Standards. Broader two-way communication and formalized feedback loops are important parts of the consensus-building process. EEI is supportive of MRC efforts to build out feedback loops for a more robust process.

3. Given past outreach efforts with stakeholders, what other considerations for engagement should the Board consider?

Continuing to enhance NERC, NERC Board, and stakeholder collaboration is critical to quickly addressing the changing grid and emerging reliability risks. A collaborative process will lead to better work products and improved reliability.

- The EEI community supports the NERC identified priority focus areas being part of the risk prioritization process. Prioritization of the issues that need to be addressed is important. We recommend a bi-annual progress report from the RSTC to the Board and RISC that is responsive to the ERO Risk Reliability report to ensure that recommendations and progress remain at the forefront, thereby driving actions to address the risks identified as paramount to BPS reliability.
- It is unclear if the Board always fully understands stakeholder comments and feedback. There are often limited questions on provided input, and the input does not always appear to have been considered or integrated into subsequent versions. While industry does not expect every comment to be incorporated, it would be useful to better understand why recommendations are not incorporated in the final solution. NERC and the NERC Board should actively engage and ask questions to understand industry's perspective and the "why" behind comments or recommendations.
- The risks that must be addressed with the evolving grid are complex, broad, and often impact multiple jurisdictions, including those overseen by state and local regulators. Consequently, coordination among stakeholders and the numerous applicable jurisdictional entities early in the process is critical.
- The EEI Reliability Executive Advisory Committee is committed to engaging with NERC prior to a ballot and other key activities that require industry approval or support. A collaborative process where all parties seek to understand and engage will lead to a better work product.

The EEI Reliability Executive Advisory Committee looks forward to continuing its long-standing collaboration with NERC in prioritizing activities that efficiently and effectively mitigate risk to the BPS. The improvements recommended herein can help reduce extended timelines while preserving the iterative process and its value.

Thank you for the opportunity to provide policy input.

TO: Kenneth W. DeFontes, Jr., Chair
NERC Board of Trustees

FROM: Edison G. Elizeh
Federal Utility/Federal PMA Portion Sector 4

DATE: April 26, 2023

SUBJECT: Response to Request for Policy Input to NERC Board of Trustees

The portion of Sector 4 representing the Federal Utilities and Federal Power Marketing Administrations (Federal PMAs) appreciate the opportunity to respond to your April 5, 2023 letter to Ms. Jennifer Flandermeyer, Chair NERC Member Representative Committee (MRC) requesting input on certain policy issues. The Federal PMAs also appreciate the opportunity to provide comments to the NERC Board of Trustees (Board) based on the recent May 2023 meeting.

- The Federal PMAs have no further input on the Board and MRC's agenda. The items listed in the draft agenda adequately represent the issues the Board and MRC need to discuss and approve.
- The Federal PMAs continue to be broadly supportive of developing more agile processes to better match the rapid transition the industry is facing. Unfortunately, the proposed revisions to the Standard Processes Manual do not address issues and comments that the Federal PMAs and our Ballot Bodies have provided to NERC Staff and the standards drafting team. We appreciate NERC Staff taking into account some of the comments provided through the first ballot as was presented at the April 12, 2023 NERC Reliability Stakeholder meeting.

The Federal PMAs continue to encourage the Board to;

- Make sure the standards are clear and concise and not subject to different interpretations. And,
- Expedite the process of expanding the registered entities field. The Board needs to make sure any owner/operator of facilities, regardless of their connection point, is registered under NERC and needs to follow the standards if they are impacting the bulk electric system. And,
- Be much more proactive in proposing standards that also address monitoring the equipment installed and how being operated in the field to ensure that they are aligned with what is modeled in our reliability and risk analysis tools.

The Federal PMAs also encourage Board to look into the segment vs sector issue as part of the governance process. The current structure does not promote the necessary alignment that the Board hopes to achieve. Further collaborative discussions between the Board and MRC is needed in this area.

The following are more specific responses to questions asked by the Board in the Policy Input Letter;

1. How can we promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standards ballots?

There are times when valid comments about issues in draft standards are not addressed with actual response. Enhancing the Standard Drafting Teams' (SDTs') responses to such comments could contribute to better alignment among some stakeholders on successive drafts. We appreciate NERC Staff taking into account some of the comments provided through the first ballot as was presented at the April 12, 2023 NERC reliability Stakeholder meeting. It will be good for a copy of the presentation used during that meeting to be posted on the NERC website.

2. What can the Board, the MRC, or trade associations do to better identify the value of the standards developed by the industry to be supported by the industry?

The value of a standard is in its ability to address a security or reliability risk. The value is diminished in the eyes of some stakeholders when the standard is written in a way that is subject to multiple interpretations (which causes problems because the ERO will eventually choose one correct interpretation), or when a standard is written such that the difficulty of implementation seems to be out of alignment with the risk it addresses. Adjusting the process to result in simpler standards written in plain language, with greater consideration of risk when identifying applicability, could address the issues that detract from the perceived value.

As we move forward, we need to examine the apparent gap between segments and sectors. The ballot bodies under the registered entities are not necessarily in concert with sector representations and we need to work on the governance processes, including possibly redefining the sectors. The ballot body voting is looking to the compliance standards strictly on the basis of their business requirements while a sector representative looks at the global implications for that sector. Alignment between MRC representatives with all ballot bodies of that particular sector is a tall order and not necessarily doable. Each ballot Body has their own distinctive business objectives. The Board needs to collaboratively work with MRC to discuss this gap and plan the right course of action to close the gap. MRC is a committee under the Board and has no other committees reporting to it, and it does not get involved to the level it should on SDT or

deeper understanding of the issues and comments provided by the Ballot Bodies. An option to consider for greater alignment to objectives is to have expanded technical sessions with specific focus on standards. Another possibility is to devote a portion of the MRC agenda for a deeper analysis of the course of actions MRC need to review the industry comments and have follow-ups with NERC Staff and make sure adequate response is provided to stakeholders who provided comments. This approach could potentially ease the process of approving proposed standards by the Ballot Bodies

The Federal PMAs also recommend a clear process to be established and implemented on monitoring the equipment in the field and ensure their settings and operations are aligned with what is modeled in analysis of reliability and risk mitigation.

3. Given past outreach efforts with stakeholders, what other considerations for engagement should the Board consider?

The Board could require the SDTs to perform outreach to the industry when developing the first draft of a standard to solicit initial feedback.

The Board needs to look at the current NERC governance structure to determine if it is sufficiently responsive and agile to meet challenges of the grid transformation.

The Federal PMAs appreciate the opportunity to provide this policy input to the NERC Board of Trustees.



ISO/RTO Council's (IRC) Policy Input to Board of Trustees

April 26, 2023

The ISO/RTO Council¹ (IRC) offers the following input to the Member Representatives Committee (MRC) in response to Mr. Kenneth W. DeFontes, Jr.'s, letter dated April 5, 2023 on Efforts to Address Effectiveness and Efficiency.

IRC Summary Comments

The IRC believes NERC engagement opportunities with industry have been fruitful and beneficial for aligning interests between industry and the Board in the past. Nevertheless, improvements to current processes and consideration of new ideas can help the industry work together more effectively given the challenges facing NERC and the industry today. The IRC offers several proposals to increase information sharing and garner better industry alignment on key policy decisions and reliability standard projects.

Improving Alignment on Key Standards Ballots

- Issue a "Reliability Standard Advisory" ahead of key standard ballots
- Communicate any relevant MRC policy input during NERC webinars
- Improve reliability standard project reporting to the Board
- Improve email communications to be more distinctive for different purposes

Better Identification of a Standard's Value

- Include an Executive Summary when a standard goes out for ballot
- Ask industry to identify the specific parts of a standard influencing their vote

Additional Considerations for Industry Engagement

- Identify MRC policy input topics sooner and solicit input appropriately
- Initiate a forum to address jurisdictional and cost recovery issues
- Invite industry organizations to advise standard drafting teams

IRC Responses to Specific MRC Policy Input Questions

1. How can we promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standards ballots?

¹ The IRC is comprised of the Alberta Electric System Operator (AESO), the California Independent System Operator Corporation (California ISO), Electric Reliability Council of Texas, Inc. (ERCOT), the Independent Electricity System Operator of Ontario, Inc., (IESO), ISO New England, Inc. (ISO-NE), Midcontinent Independent System Operator, Inc., (MISO), New York Independent System Operator, Inc. (NYISO), PJM Interconnection, L.L.C. (PJM), and Southwest Power Pool, Inc. (SPP).



NERC should be more proactive in seeking industry alignment between the policy level and the subject matter experts at the standard drafting/voting level and not assume a single notice to one group will be effectively disseminated to all parties within an organization.

It is equally important for NERC staff to report all diverse viewpoints provided by stakeholders on matters that the Board and MRC may be asked to support so that NERC's leadership has a better expectation of industry support for any recommended actions. This applies to all NERC Enterprise activities where industry feedback is considered, not just standards projects.

Issue a "Reliability Standard Advisory" ahead of key standard ballots: When a need for alignment between policy decision makers and standards subject matter experts is identified, broad communication of this need and the information discussed below will help work towards this goal. NERC can create a "Reliability Standard Advisory" ² to explain the risk being addressed, and how the proposed reliability standard addresses the risk, in order to better align policy discussions with stakeholder input and voting. This new type of advisory should be limited to use only for High-Priority projects, such as extreme cold weather or Inverter-Based Resource standards, where industry alignment with priorities is of concern. The Standards Committee can be a resource to identify this need.

Communicate any relevant MRC policy input during NERC webinars: When appropriate, the information contained in the Reliability Standard Advisory or relevant MRC Policy Input requests should also be communicated in reliability standard webinars, including the feedback received from the MRC. These webinars reach a much broader audience than the MRC meetings, include industry SMEs, and are recorded so interested parties can listen to them at their convenience.

Improve reliability standard project reporting to the Board: The IRC is concerned that the consensus building process in recent standard projects, including Phase I of the Cold Weather Standards Project, may have resulted in requirements which did not adequately address Board expectations. Therefore, we ask that when NERC staff presents a standard project to the Board for approval that they also disclose any areas where language that would have required a higher level of performance was discussed and rejected during standard development. NERC's reliability standards report to the Board should also include delays such as industry's failure to approve the CIP virtualization standards that involve cloud usage.

Improve NERC's email communication to industry: With so many changes in the industry, NERC is very active in sending numerous email communications to stakeholders on a continuous basis. This includes meeting notices, information on the current twenty-two (22) active standard projects, reliability guidelines, conference notices, lessons learned, alerts, etc. which all appear similar in the inbox. This volume of NERC communication by email is needed but can be overwhelming for recipients who can easily miss information on key standard projects. The IRC suggests that NERC consider ways to better distinguish the emails on key projects to ensure that it is not missed. We suggest that a small stakeholder group be formed to consider ways to improve NERC's email communication to industry.

² The IRC suggests that the Reliability Standard Advisory distribution list include all of the lists maintained by NERC including, but not limited to, Standard Balloting System distribution list, standard drafting teams, committees, working groups, Compliance, Monitoring and Enforcement (CMEP) contacts and trade associations.

2. What can the Board, the MRC, or trade associations do to better identify the value of standards developed by the industry to be supported by the industry?

NERC should convey additional information to industry when standard projects go out for ballot and commenting and seek further information from industry during the ballot and comment process. This information exchange in the early stages of a project should assist the Standard Drafting Teams (SDT) and improve industry acceptance.

Include an Executive Summary when a standard goes out for ballot: An Executive Summary (ES) prepared by the SDT can be included in each comment posting package. Often times, unless one participates on an SDT, it is difficult to understand why the team believes the proposed standard is the best solution to addressing the identified risk. The ES should provide the SDT's rationale for the redline changes and discuss any alternatives that were not adopted. The ES should also explain why responsible entities were given standard obligations and why it believes those will close reliability gaps. Also, given the current number of open standards projects, the ES should provide a priority ranking statement, including whether it has been designated High-Priority, so industry has a greater understanding of where to expend efforts to help expedite consensus.

Ask industry to identify the specific parts of a standard influencing their vote: NERC should ask industry what specific parts of a standard are influencing their vote in support or in opposition. This can be done by adding an additional comment on the Comment Form or numerically through a change in the Standard Balloting System.³ This information would provide the SDT a clear understanding of what needs to be addressed without having to take a "requirement by requirement" approach to balloting.

3. Given past outreach efforts with stakeholders, what other considerations for engagement should the Board consider?

The IRC suggests improvements in the way NERC seeks policy input, engages stakeholders on issues that continue to be obstacles to standards approval, and utilizes expertise from other industry organizations. We believe these additional outreach efforts will greatly increase industry's acceptance of policies and reliability standards.

Identify MRC policy input topics sooner and solicit input appropriately: Increased lead time for MRC Policy Input would allow trade organizations more time to gather feedback from their stakeholder groups. For issues that need feedback beyond the MRC members, the IRC recommends the Board engage the appropriate standing committee(s). One such issue is the review of the Registered Ballot Body (RBB). Even though all MRC sectors supported this review, the Board initially limited that task to NERC staff. We suggest the Board include the Standards Committee and representation from all RBB segments and issue broad-reaching communication (e.g., a Reliability Standard Advisory) on any proposed changes to achieve full industry support.

³ NERC should ensure that the Standard Ballot System will only allow a voter to conclude a ballot when this information has been provided. The IRC suggests that one way to facilitate the gathering of this information is for the SDT to include a granular series of yes/no questions for entities to indicate their agreement or disagreement with particular proposed requirements or particular aspects of the proposed revisions.



Initiate a forum to address jurisdictional and cost recovery issues: For cost recovery issues that require engagement from regulators beyond those that traditionally participate in NERC activities, the IRC suggests that NERC convene a conference or forum. This would be very effective for cross-jurisdictional or cost recovery related policies and standards. Participants should include state and provincial regulators, federal agencies, industry partners, and stakeholders.

Invite industry organizations to advise SDTs: We also urge NERC to invite industry organizations such as Electric Power Research Institute (EPRI), Institute of Electrical and Electronics Engineers (IEEE), and National Institute of Standards and Technology (NIST) to participate as technical resources for certain SDTs. These organizations have the consultative expertise that may be helpful for particular drafting teams and lead to faster and better risk mitigation solutions. Many NERC stakeholders are aware of and support work in these other organizations. These perspectives should be offered first hand rather than through stakeholders.

Conclusion

The IRC appreciates the opportunity to provide our policy input to the MRC for NERC's upcoming Board meeting and asks that the Board consider our recommendations to broaden communication and improve support for key policy decisions and reliability standard projects.

**Policy Input to the NERC Board of Trustees
May 11, 2023 Meeting
Provided by the North American Generator Forum**

The North American Generator Forum (NAGF) appreciates the opportunity to provide policy input for the NERC Member Representatives Committee (“MRC”) and Board of Trustees (“BOT”) in response to BOT Chair Kenneth W. DeFontes, Jr.’s letter dated April 5, 2023. The NAGF provides the following policy input in advance of the NERC BOT meeting.

Summary

Item 1: How can we promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standards ballots?

The NAGF agrees that there is a disconnect in the existing standards development process between the products developed by the subcommittees reporting up to the Reliability and Security Technical Committee (RSTC) and those supported by industry as a whole, in particular with the generator segment. Identification of the cause and enhancing existing processes to address this disconnect are discussed below.

Item 2: What can the Board, the MRC, or trade associations do to better identify the value of the standards developed by the industry to be supported by the industry?

The NAGF believes that prioritization of NERC projects along with improved outreach, and communication are key to promoting the value and support for the NERC standards process.

Item 3: Given past outreach efforts with stakeholders, what other considerations for engagement should the Board consider?

NERC outreach efforts with stakeholders need to occur at multiple levels within industry organizations. High-level

discussions with industry/trade associations executives are just one aspect of the outreach efforts that need to be undertaken by NERC.

Discussion

The BOT requests MRC policy input on the following:

1. How can we promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standards ballots?

The NAGF agrees that there is a disconnect in the existing standards development process between the products developed by the subcommittees reporting up to the Reliability and Security Technical Committee (RSTC) and those supported by industry as a whole, in particular with the generator segment. The possible reasons for this disconnect:

- a. The subject matter/technical experts may be deficient in the following areas:
 - i. They do not have the appropriate level of expertise.
 - ii. They have a high-level knowledge/expertise but do not have experience implementing compliance activities.
 - iii. The subject matter/technical experts do not represent the “boots on the ground” employees that implement work activities for ensuring compliance with Reliability Standards.
 - iv. The subject matter/technical experts may not align with the voting position of their organizations. Organizations gather input from various departments (compliance, regulatory policy, generation, transmission, customer load, etc.) when developing a voting position for NERC activities.
 - v. Group think among the subject matter/technical experts.

The NAGF recommends that NERC consider revising its processes so that stakeholder input be more focused during the product development or the RSTC review/approval stage to alleviate the current disconnect.

The NAGF recommends that NERC review the make-up of the RSTC to ensure there is sufficient representation from IBR/renewable Generator Owners/Generator Operators. Increased representation at the RSTC from renewable generation side will make it more effective and transparent for the SARs and the other products (guidelines and whitepapers) that require RSTC review/approval.

The NAGF notes that its members do not have the bandwidth to effectively support all the on-going NERC initiatives. As of April 19, 2023, there are twenty-two (22) Projects in Active Formal Development along with three (3)

Reliability Guidelines, one (1) White Paper, and one (1) Process document posted for industry review/comment. Generation companies simply do not have the staff to support all these NERC activities. Therefore, NERC needs to prioritize its efforts via improved project prioritization criteria to reduce overall workload and communicate that to industry so industry can effectively focus its limited resources accordingly. The NAGF believes this type of prioritization, outreach, and communication is key to promoting improved alignment among industry and NERC.

As part of the recommendation for NERC to improve criteria for project prioritization to reduce the overall workload, the NAGF recommends reducing the number of Projects in Active Formal Development to help industry focus its limited resources.

NERC and FERC need to do a better job of listening to industry. NERC (perceived to be driven by FERC) has demonstrated time and again that they want to achieve a specific outcome regardless of industry input. This undermines the whole stake holder process and discourages participation. The NAGF and its members are here to support NERC in achieving its goals. Effectively communicating these goals in detail with the NAGF and industry early on will lead to better understanding among all parties as well as improved solutions and efficiencies.

2. What can the Board, the MRC, or trade organizations do to better identify the value of the standards developed by the industry to be supported by the industry?

The NAGF believes the keys to gaining the support of industry and identifying the value for standards are:

- a. NERC Board/MRC
 - i. improve criteria for prioritization of projects/activities
 - ii. reduce the overall work load including the Projects in Active Formal Development queue
 - iii. multi-level communication/outreach to industry
 - iv. listen to industry
 - v. work with FERC to reduce and prioritize the amount of high-priority political directives
- b. Trade Organizations
 - i. reinforce prioritization of NERC projects/activities with membership
 - ii. partner with NERC to enhance two-way communications with membership
 - iii. Communicate with FERC

The NAGF notes that the reasonableness of considering the ability of the functional model participants to attain compliance needs to be contemplated. Several current standard development projects are promoting compliance levels that simply are not achievable (e.g., retroactive

performance requirements for old inverter-based equipment, EMT modeling of older IBR facilities, performance requirements for synchronous generator facilities).

3. Given past outreach efforts with stakeholders, what other considerations for engagement should the Board consider?

NAGF appreciates the ability to comment on draft NERC Alerts and other activities outside of the standards process, but we ask that NERC limit the number of alerts and Section 1600 data requests to those that are truly needed and don't duplicate FERC requests. It is usually the same subject matter/technical experts responding to these requests that are also tasked with meeting compliance to new standards, engaging in NERC processes, and responding to FERC requests. This makes it difficult for members to provide constructive input across the board.

NERC outreach efforts with stakeholders need to occur at multiple levels within industry organizations. High-level discussions with industry/trade associations executives are just one aspect of the outreach efforts that need to be undertaken by NERC. High-level support from industry executives is an important step, however buy in from lower-level employees tasked with responsibility for NERC balloting and implementing compliance activities is essential to success. Targeted outreach to specific trade organizations and GO/GOPs that own IBRs in regards to development of IBR standards (ex. EMT modeling, PRC-004 revisions, etc.) will elicit better participation and feedback.

The NAGF notes that past outreach efforts with trade association executives regarding proposed revisions to the Standards Processes Manual did not include the NAGF executives. The NAGF executives look forward to engaging with NERC on future outreach efforts.

Cooperative Sector Policy Input to the NERC Board of Trustees

The Cooperative Sector appreciates the opportunity to provide policy input to the NERC Board of Trustees (BOT) regarding the continuing efforts for improving effectiveness and efficiency of the ERO engagement with stakeholders.

Summary of Policy Input

The Cooperative Sector continues to support improvements to the ERO processes and procedures to address emerging risks. Cooperatives, to set priorities for our legislative and regulatory advocacy, have identified five main factors impacting reliability and our industry's ability to provide the Essential Reliability Services (ERS): rising demand driven by electrification; a failure to fully replace retiring power plants; challenges in permitting new infrastructure; supply chain bottlenecks; and a lack of gas when power plants need it in grid emergencies. These identified concerns provide focus areas for Cooperative participants in ERO stakeholder activities. Additional insights into the Cooperative perspectives respecting these factors can be found at: <https://www.electric.coop/issues-and-policy/reliability-and-affordability>

Responses to the specific questions asked by the NERC Board

1. **How can we promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standards ballots?**
 - Cooperatives believe it is important for the NERC Board and staff to understand how our sector manages providing a uniform representative voice to requests for input to the ERO. Our G&T Managers Association formed the Grid Management Committee made up of G&T CEOs and Senior level Executives (MRC, ESCC and other Industry lead committees) and cooperative personnel participating on NERC committees. Through this advocacy framework, the cooperatives communicated and understood the purpose of NERC's proposed changes to the SPM which resulted in the vast majority of cooperatives supporting the changes.

The Grid Management Committee ERO focus include the following:

- Formulate positions and comments for response and advocacy.
 - Facilitate discussions to formulate positions for response and the identification of consensus positions for Policy Input, FERC response and standard development from a Sector position.
 - Provide input for policy positions and requests of comments from NERC, FERC, ESCC and Joint Trade Associations input.
- Ultimately, Cooperatives and NERC are focused on improving reliability and the Grid Management Committee will support NERC in aligning on and identifying the activities that have the most impact on reliability. Cooperatives will continue to evaluate

improvements to our process to continue to gain sector consensus and provide support for requests for stakeholder engagement.

2. What can the Board, the MRC, or trade associations do to better identify the value of the standards developed by the industry to be supported by the industry?

- Cooperatives believe efforts to have balanced and diverse representation, as described in SPM section 4.3, when forming drafting teams allow the evaluation of impacts of standards on registered entities of various sizes. In addition, this diversity may highlight varied regional reliability priorities.
- Cooperatives recognize that scarcity of resources continues to be a challenge for industry participation in Standards development activities. With support from NRECA, the G&T leadership will continue to encourage participation and/or help identify candidates for Standards Drafting Teams to ensure representation from Cooperatives.
- Cooperatives suggest a more robust ballot communications plan, that can help stakeholders understand the benefits and impacts of a proposed standard or requirement that may be construed as contentious. These communications efforts could be tailored to the specific industry sectors and coordinated via MRC representatives and trade associations.
- Cooperatives encourage more emphasis on a cost-benefit analysis of new or modified Standards to provide stakeholders a better understanding of the value of proposed new or modified Reliability Standards.

3. Given past outreach efforts with stakeholders, what other considerations for engagement should the Board consider?

- Cooperatives suggest additional outreach efforts with the Registered Ballot Body (RBB), particularly to those sectors that may not have strong advocacy infrastructure, to explain the importance of staying abreast of standards activities to allow more informed balloting.
- The NERC Board and staff have conveyed disappointment in SPM draft revisions not gaining industry consensus upon initial ballot. During the ballot process, it was evident some entities were closer to these proposed revisions than others.
 - An example is as follows: Multiple negative ballots were cast, and comments received which opposed NERC not pursuing ANSI accredited standards. The fact of the matter is that NERC closely follows the ANSI accredited standards development process, however NERC has never pursued an ANSI accreditation for any specific standard.
 - Going forward, to gain support for its efforts, NERC could begin providing broader, additional documented context on the “what” and “why” that is driving each revision theme.
- Cooperatives have noticed reminders for Proxy voters for an organization are no longer being automatically sent. These types of reminders are helpful to ensure that an organization participates in an active ballot.

As stated in previously submitted Policy Input, the Cooperative Sector continues to believe the exceptional reliability of the North American Bulk Electric System is based on collaboration and consensus that is the basis of the ERO Enterprise and its programs.

Submitted on behalf of the Cooperative Sector by:

Patti Metro

Senior Grid Operations & Reliability Director

Business & Technology Strategies | National Rural Electric Cooperative Association

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NERC Board of Trustees
April 26, 2023
Policy Input of the Merchant Electricity Generator Sector

Sector 6, Merchant Electricity Generator Sector, takes this opportunity to provide policy input in advance of the upcoming North American Electric Reliability Corporation (NERC) Member Representatives Committee (MRC) and Board of Trustees (Board, BOT) meetings.

In a letter to MRC Chair Jennifer Flandermeyer dated April 5, 2023, Board Chair Kenneth DeFontes requested MRC input on three questions regarding efforts to address effectiveness and efficiency. Sector 6 makes the following comments in response.

Key Points

- NERC should be mindful of the economic disparities between entities with rate recovery and those without by taking a risk-based approach to prioritizing key initiatives.
- NERC should consider the costs of implementation relative to the reliability and security benefit it expects to achieve early in the standards development process.
- NERC outreach efforts with stakeholders need to occur at multiple levels.

Sector 6 Comments for Policy Input

1. How can we promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standards ballots?

Engaging in the NERC process is a significant commitment in time and resources. Unlike a rate-based utility, merchant electric generators are not able to obtain cost recovery on resources dedicated to NERC engagement. NERC should be mindful of the economic disparities between entities with cost recovery, and those without, by ensuring it takes a risk-based approach to standards development and other initiatives. That would signal to merchant generators where its comparatively scarce resources can be most efficiently applied, thus enhancing improved alignment between its subject matter experts and NERC on key standards ballots.

2. What can the Board, the MRC, or trade associations do to better identify the value of the standards developed by the industry to be supported by the industry?

NERC frames reliability in only technical terms, and generally, the solutions are often prescriptive standards. This approach has led to a bewildering assortment of what NERC deems critical initiatives, thus creating challenges for even industry experts to communicate what is most important and why. While industry consensus on prioritization may be impossible, the lack of more objective measures to ensure that the costs of proposed reliability standards yield a commensurate reliability and security benefit makes it difficult for some SMEs to make informed decisions on risk prioritization. We recommend that the Board and the MRC encourage NERC to consider the reliability benefit relative to the cost of implementation earlier in the standards development process and more clearly communicate the value of the proposed standard (including the cost of doing nothing), which would achieve greater stakeholder alignment and allow stakeholders to prioritize their efforts. While we understand that NERC is not the economic regulator, this does not prevent NERC from analyzing the drivers of the very entities they are seeking to engage. This understanding is essential to understand part of the disconnect.

3. Given past outreach efforts with stakeholders, what other considerations for engagement should the Board consider?

Sector 6 agrees with the NAGF that NERC outreach efforts with stakeholders need to occur at multiple levels within industry organizations. High-level discussions with industry/trade associations executives are just one aspect of the outreach efforts that need to be undertaken by NERC. High-level support from industry executives is an important step, however buy in from lower-level employees tasked with responsibility for NERC balloting and implementing compliance activities is essential to success.

Sincerely,

/s/

Sector 6 Merchant Electricity Generator Representatives:

Mark Spencer

LS Power

Sean Cavote

PSEG

MEMORANDUM

TO: Kenneth W. DeFontes, Jr, Chair NERC Board of Trustees

FROM: Michael Moody and Darryl Lawrence – MRC Sector 9 Small End-Use Electricity Customer Representatives

DATE: April 26, 2023

SUBJECT: Small End-Use Sector (9) Response to Request for Policy Input to the NERC Board of Trustees

The representatives to the NERC Member Representatives Committee for the Small End-Use Customer Sector (9) appreciate the opportunity to provide these comments in response to the request in your letter to Ms. Jennifer Flandermeyer on April 5, 2023.

The NERC Board of Trustees requested MRC sector policy input regarding improving effectiveness and efficiency related its engagement with stakeholders.

The Small End-Use Sector (9) responds to the BoT's specific questions as follows:

The Board requested MRC policy input on the following specific questions:

1. How can we promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standards ballots?
Sector 9 Response: The Board's question, which leaves out end-users as being among the stakeholders with an "interest" in NERC standards ballots, actually identifies some of the problem through this omission. Sector 9 believes one way to improve alignment between MRC and other parties including electricity users, is to reexamine the Registered Ballot Body Segment Criteria and process. All NERC members should automatically be registered as potential ballot body participants and be eligible for voting on Reliability Standards according to their interests. The process is heavily skewed toward only those NERC Members that are subject to the standards. NERC needs to do much more to make the standards processes accessible to small users. This registration should continue through the term of the NERC member. In addition, the qualification of members within Segment 8 (Small Electricity Users) of the Registered Ballot Body should be further examined. It appears that the majority of the votes cast by Segment 8 for the past several years are by individuals or organizations that do not meet segment qualification guidelines for Segment 8. This could have an impact on ballot results, and thus is something the Board should examine.
2. What can the Board, the MRC, or trade associations do to better identify the value of the standards developed by the industry to be supported by the industry standards?

Sector 9 Response: Sector 9 believes that it could better assist in identifying the value of standards and support outreach to its end-use stakeholders as well as others through a dedicated NERC funding mechanism. Such a mechanism for Sector 9 representatives could be used to assist the representatives in effectively participating at the MRC and NERC committees by engaging experts similar to what utility consumer advocates do before their respective state utility commissions. The success of the MRC and NERC depends on the meaningful participation of all stakeholders so that their views can be heard and considered. Sector 9 represents the small end-use electricity customer that eventually pays for the majority of the costs to support the mission of NERC. Small users have a significant interest in bulk power reliability since the outcomes of NERC's efforts impacts their daily lives.

FERC has already recognized the importance of separate funding for consumer advocates before PJM. In a February 29, 2016, Order, FERC approved a mechanism for funding the organization Consumer Advocates of the PJM States, Inc. (CAPS). In that Order,

PJM states that the consumer advocates are the only entities charged by state statutes with officially representing the interests of consumers. PJM also asserts that the stakeholder process benefits from state consumer advocates being able to inform stakeholders on matters affecting the interests of consumers and advocate on behalf of consumers consistent with their state mandates. PJM states that the CAPS Funding Schedule enhances the participation by these state-designated organizations especially given resource constraints that individual state consumer advocates may otherwise face in traveling to stakeholder meetings on matters relevant to their statutory mission.¹

As the NERC Bylaws explain, Sector 9 membership includes “organizations (including state consumer advocates) that represent the interests of such entities [person or entity that meets the standard for a small end-use electricity customer.] Thus, Sector 9 is the consumer advocate sector for the MRC. A similar funding mechanism to assist Sector 9 representatives benefits the MRC and NERC because it would provide for effective stakeholder participation by knowledgeable representatives on behalf of small-end use electricity customer. This would also allow the Sector 9 representatives to better identify the value of the standards to small users and other stakeholders as developed through NERC's processes.

3. Given past outreach efforts with stakeholders, what other considerations for engagement should the Board consider?

Sector 9 Response: See responses above.

¹ *Order Accepting Tariff Revisions*, 154 FERC ¶ 61,147 (Feb. 29, 2016), Docket No. ER16-561-000.

MEMORANDUM

TO: Ken DeFontes, Chair
NERC Board of Trustees

FROM: Brian Evans-Mongeon
Terry Huval
Roy Jones
John Twitty

DATE: April 26, 2023

SUBJECT: Response to Request for Policy Input to NERC Board of Trustees

The Sector 2 and 5 members of the NERC Member Representatives Committee (MRC), representing State/Municipal and Transmission Dependent Utilities (SM-TDUs), appreciate the opportunity to respond to your April 5, 2023, letter to MRC Chair Jennifer Flandermeyer in which the Board of Trustees (Board) requests MRC input concerning efforts to address effectiveness and efficiency in connection with NERC's engagement with stakeholders. In particular, the Board requests MRC input on the following three questions:

1. How can we promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC on key standards ballots?
2. What can the Board, the MRC, or trade associations do to better identify the value of the standards developed by the industry to be supported by the industry?
3. Given past outreach efforts with stakeholders, what other considerations for engagement should the Board consider?

The SM-TDUs respond generally to the Board's questions below. We look forward to discussing these issues and other agenda items during the meetings of the Board and the MRC on May 10-11, 2023.

Summary of Comments

- The SM-TDUs share the Board's goal of improving the standards development process, although we draw different conclusions than the Board from the recent failed ballot on the proposed changes to the Standards Processes Manual (SPM).
- The SM-TDUs attribute the ballot results, not to a lack of alignment among key stakeholders, but to valid concerns that some of the particular proposed SPM changes could actually be counterproductive to improving the standards process. We are optimistic that Draft 2, which responds to many of these concerns, will be approved by the ballot body.
- The SM-TDUs nonetheless remain concerned that the proposed changes to the SPM and the NERC Rules of Procedure (ROP) neglect the root causes of delays in standards

development. The proposed changes are thus unlikely to significantly accelerate the development of standards that protect reliability by addressing reliability issues clearly, adequately, and appropriately in light of the diverse set of entities and facilities to which they are to apply. We encourage NERC to engage with industry and/or the appropriate committee in a process to identify changes and/or opportunities to make the standard development process more efficient and effective.

- The SM-TDUs greatly appreciate the efforts of the Standards Process Stakeholder Engagement Group (SPSEG), but the SPM ballot results and comments on the ROP demonstrate that the SPSEG should not be considered a substitute for reaching industry-wide consensus. It is vital that stakeholder comments be addressed.
- The SM-TDUs strongly believe that the solution to maintaining the resilience and reliability of the Bulk Power System (BPS) lies in cooperation and collaboration, and we reiterate our commitment to working collaboratively and cooperatively with NERC to improve the effectiveness of the standards process for NERC and all stakeholders.

SM-TDUs' Response

The SM-TDUs share the Board's goal of improving the standards development process. We have consistently endorsed the notion that ERO agility is increasingly important given the rapid changes in the electricity sector and the challenges that such changes pose for the reliability of the BPS. In this regard, the SM-TDUs agree that the recent initial ballot results for proposed SPM revisions present an opportunity to reflect on effective stakeholder engagement in promoting standards efficiency, although we respectfully draw different conclusions than the Board from the SPM vote.

The Board suggests that the failure of the first draft SPM changes to win ballot body approval reflected a lack of "alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC," given that "industry and trade association executives" had been "broadly supportive of developing more agile processes." And the Board's three questions suggest that it believes any lack of "alignment" (with respect to the standards process changes and other "key standards ballots") or failure of a proposal to win ballot body approval must be attributable to faulty or inadequate "outreach." The SM-TDUs respectfully question these assumptions.

Again, the SM-TDUs are broadly supportive of a more agile standards development process. But as we have previously articulated, the SM-TDUs are concerned that the *particular methods* proposed by NERC could actually be counterproductive to improving the standards process. A common thread in many of the concerns raised by the SM-TDUs (and members of the sectors they represent) is that certain of NERC's proposals could truncate opportunities for stakeholders to build consensus on proposed standards. As the Board correctly observes, industry participation in developing standards is at the core of NERC's processes. Stakeholder engagement leads to the development of world-class Reliability Standards, just as envisioned by Congress under Section 215 of the Federal Power Act. Ensuring robust stakeholder engagement will promote the core objective of producing consensus-based, technically sound, and fairly enforceable standards that industry is likely to support at FERC, reducing opposition and controversy and speeding the approval process.

The SM-TDUs believe the Draft 2 revisions to the proposed SPM changes are an example of the consensus stakeholder process working as intended – not a failure of that process. While the SM-TDUs (and their sector members) are still reviewing the recently posted revisions, we appreciate the changes proposed by NERC staff, and we are optimistic that Draft 2 will be approved by the ballot body. Refining a proposed standard to achieve industry consensus on a second ballot in this way is by no means unusual – recent examples include the revisions to EOP-12 and to PRC-002. To be sure, requiring a second ballot may be perceived by some as slowing down the process somewhat. In practice, it actually reinforces the SM-TDUs’ view that devoting additional time up-front to achieving consensus on proposed standards (which requires revising a proposal as needed to address concerns raised by stakeholders) promotes the overall effectiveness and efficiency of the standards development process.

While the SM-TDUs are optimistic that Draft 2 of the SPM revisions will secure ballot body approval, we nonetheless reiterate our previous observation that the SPM changes do not address the root causes of delays in standards development. Instead, NERC should seek to facilitate reaching consensus at three stages of standards development: (1) defining the nature and scope of the issue (unless the issue has been identified by a regulatory directive); (2) determining how to address the issue; and (3) drafting clear, enforceable language. Some concrete steps that could promote these goals include:

- Where NERC is aware of an emerging issue, it should consider encouraging or directing the development of technical documentation by appropriate committees or working groups. This effort could inform NERC’s and stakeholders’ assessment of whether the issue should be addressed in a standard or via the use of one of NERC’s other tools. And if a Standards Authorization Request (SAR) is ultimately submitted, the technical justification would already be available, thus saving time during the SAR and standard drafting phases.
- Improved training for Standards Drafting Team (SDT) members on drafting enforceable language.
- Including Compliance Monitoring and Enforcement Program (CMEP) staff in SDT discussions. CMEP staff should not, of course, attempt to influence the content of a standard, but their input regarding how they would interpret language being considered by the SDT could be invaluable.
- Improved/expanded quality review before a proposed standard is posted for ballot.

Further, subject matter expert (SME) perspectives are critical to crafting refinements to proposed standards (and the SPM) during the balloting process in order to develop durable consensus standards that can be fairly and reasonably applied to the range of registered entities that will be subject to the standard. Accordingly, the SM-TDUs question the apparent premise of Question No. 2 that stakeholders do not always recognize the value of standards developed by industry SDTs. Ballot body members devote significant SME time and resources to reviewing and commenting on draft standards. If a significant number of SMEs believe that a draft standard should not be approved, they likely have a serious technical basis for their concerns meriting consideration for further revisions. Accordingly, instead of these concerns being possibly viewed

as eroding the standards development process or diminishing the proposed standards, they should be considered important feedback/input intended to strengthen reliability.

The Board's letter highlights its efforts to obtain stakeholder input on the proposed SPM and ROP changes, including the work of the SPSEG, and, in this regard, perhaps the SPM ballot results do highlight flaws related to how this process has been implemented.

As the Board notes, NERC's interactions with the SPSEG apparently led NERC to believe that it had industry-wide consensus on these items, yet that consensus was not realized at the ballot box or in the ROP comments. We have no doubt that the SPSEG members were engaged in these discussions in good faith and for the right reasons, but the results of this process demonstrate that the SPSEG should not be considered a substitute for reaching industry-wide consensus. The Board also notes that it solicited policy input on the SPSEG recommendations in advance of the Board's November 16, 2022, meeting. The SM-TDUs responded to that request with detailed input on the recommendations, and only some of that input was reflected in the SPM (and ROP) changes posted for industry comment and/or vote. As a result, many of the SM-TDU sector comments on the Draft 1 SPM revisions echoed the issues raised in our November policy input. The changes in Draft 2 are, as noted, largely responsive to the concerns raised regarding the SPM.

The SM-TDUs' November policy input also highlighted significant concerns with the proposed revisions to the ROP, and how they might dilute stakeholder participation in the standards development process. Meaningful conversations between NERC and the industry regarding those concerns did not occur in response to those comments, and the same concerns were therefore reiterated in feedback provided when the ROP changes were posted for comment. We understand that NERC is still reviewing its proposed changes to the ROP, and we hope for and look forward to further dialogue regarding the ROP. For this process to work effectively, NERC and its stakeholders must trust and collaborate with each other.

At least in the context of the proposed SPM and ROP changes, what is needed is not necessarily more or different "outreach" to stakeholders making the case for the current proposals. Rather, we believe that it is vital that stakeholder comments be addressed, augmented by ample respectful dialogue that includes the SMEs who deal with standards development and compliance on a daily basis. Furthermore, we suggest that NERC should seek to maximize the use of in-person meetings, because much more collaboration can occur when the parties are in the same room as opposed to being on the same screen.

Thus, while the SM-TDUs have a different perspective than the Board on the recent SPM vote and related standards process improvement efforts, we strongly believe that the solution to maintaining the resilience and reliability of the BPS lies in cooperation and collaboration. We want to reiterate our commitment to working collaboratively and cooperatively with NERC to improve the standards process for NERC and all stakeholders. There is no doubt that NERC and its stakeholders have more things in common than things that divide them, and we are committed to working with NERC in good faith to find solutions to these sometimes-vexing problems that demand a solution. We all strive for the development of Reliability Standards and governing documents that are clear, concise, and effective. We all hope for a robust, trust-based process in which the best ideas can rise to the top. And we all seek an outcome with shared accountability for us in which we continue to lead the world in stakeholder-driven grid reliability and resilience.