

## Agenda

# Finance and Audit Committee Meeting

July 12, 2023 | 3:00–3:45 p.m. Eastern  
Virtual Meeting

**Attendee WebEx:** [Join Meeting](#)

**Attendee password:** FACOpen723 (32267367 from phones or video system)

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

### **NERC Antitrust Compliance Guidelines**

### **Agenda Items**

1. **Interregional Transfer Capability Study and Reserve Use Request\* – Approve**
2. **Other Matters and Adjournment**

\*Background materials included.

# NERC 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.

## **Interregional Transfer Capability Study and Reserve Use Request**

### **Action**

Approve and authorize staff to file with applicable regulatory authorities.

### **Summary**

On June 5, 2023 NERC was congressionally mandated to conduct a study on interregional transfer capability as part of the Fiscal Responsibility Act of 2023 with a delivery date to FERC on or before December 2, 2024. The Interregional Transfer Capability Study (ITSC) aligns with NERC's obligation to perform long-term reliability assessments and by conducting the ITSC, the ERO fulfills its roles as the trusted and independent authority for BPS reliability.

NERC leadership will present to the Finance and Audit Committee (FAC) a proposed phased approach for the study; a resource plan which reviews the need for internal, consultants, and Regional Entity resources; and a funding strategy which includes a proposed Assessment Stabilization Reserve (ASR) of up to \$700k in 2023.

At the conclusion of the presentation, NERC Leadership, pursuant to the Working Capital and Operating Reserve Policy and Paragraph 7(b)(ii) of the Settlement Order and Agreement in Docket No. FA11-21-000 will seek FAC approval of the ASR funding strategy and authorization to file with FERC for approval.

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# Interregional Transfer Capability Study and Reserve Use Request

Finance and Audit Committee Meeting  
July 12, 2023

**RELIABILITY | RESILIENCE | SECURITY**

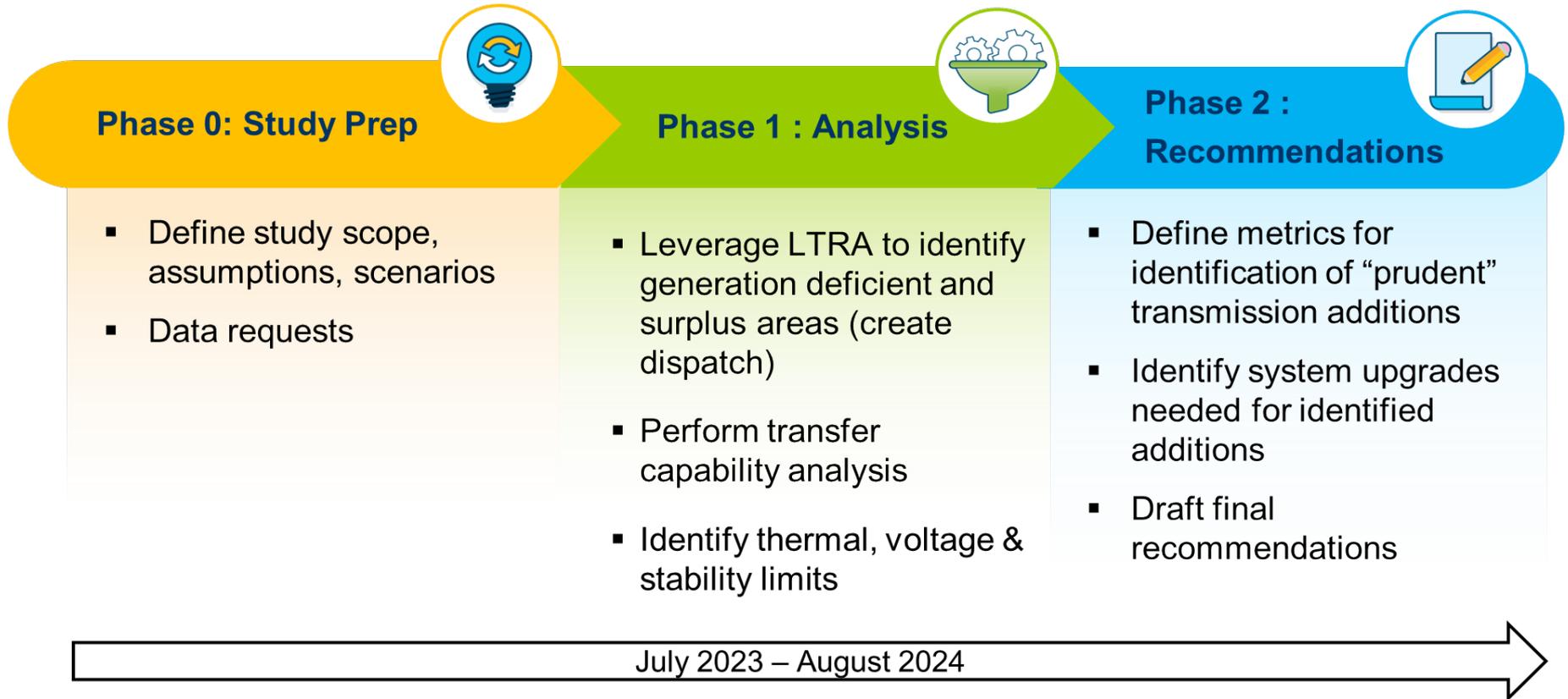


- **NERC was congressionally mandated to conduct a study on interregional transfer capability as part of the Fiscal Responsibility Act of 2023.**
  - NERC, as the ERO, in consultation with the Regional Entities and “each transmitting utility that has facilities interconnected with a transmitting utility in a neighboring planning region” to perform the Interregional Transfer Capability Study (ITCS).”
- **NERC must deliver the study to FERC on or before December 2, 2024.**
  - FERC will subsequently publish the study, seek public comment, and submit a report on its conclusions to Congress within 12 months from the public comment period.

- NERC's role as the independent voice for reliability
- Strong transmission system is crucial to a reliable supply and the delivery of electricity
- The rapidly changing resource mix requires greater access and deliverability of resources to maintain
- Efficient use of resources

- **The ITCS is a study to examine the total current transfer capabilities between each pair of neighboring transmission planning regions to include:**
  1. Current total transfer capability between each pair of neighboring transmission planning regions
  2. A recommendation of prudent additions to total transfer capability between each pair of neighboring transmission planning regions that would demonstrably strengthen reliability within and among such neighboring transmission planning regions; and
  3. Recommendations to meet and maintain total transfer capability together with such recommended prudent addition to total transfer capability between each pair of neighboring transmission planning regions.

- **The ITCS aligns with NERC's obligation to perform long-term reliability assessments for several reasons:**
  - Independent and objective
  - System-wide perspective
  - Risk and reliability analysis
  - Collaboration and coordination
  - Compliance with statutory requirements
  - Strategic planning
- **By conducting the ITCS, the ERO fulfills its role as the trusted and independent authority for BPS reliability**



- **NERC Internal Resources**

- 1 – Project manager
- 1 – Engineering manager
- 2 – Engineers
- 1 – Communications support

- **Consultants**

- Executive leadership support
- Technical study support
- Public affairs support

- **Regional Entity Resources**

- Varies—increase existing case development support. The Regional Entities will need to collect data, validate models, run studies and/or supply the study results/models to the consultant to compile study results

- **ERO Project Team**

- NERC and Regional Entity staff responsible for defining study scope and requirements and coordinating Regional Entity activities
- Develop the statement of work (SOW) for consulting work

### Engineering Support

- (2) Steady-state load flow/contingency modeling (West and East focus)
- (1) Dynamics and frequency stability
- (1) Production cost and dispatch modeling, probabilistic resource adequacy, resilience and climate modeling

- **2023 Work Plan Priorities**

- Will not conduct special assessment on new and evolving electricity market practices
  - Will capture in this year's Long-Term Reliability Assessment (LTRA) as well as in the ITCS

- **Temporarily Defer/Repurpose Funds**

- Contracts & Consultants
  - GMD/EMP research
  - Emerging technology/cyber risk studies
  - Environmental analysis – Will incorporate emerging environmental impacts within the scenario analysis of the ITCS
- Personnel Expense
  - Hiring of three (3) open positions in Bulk Power System Awareness, Engineering and Security, and Standards will be deferred until 2024
  - Some impact to current projects, but will help keep total NERC 2023 personnel expense close to original budget

- Up to \$700k Assessment Stabilization Reserve (ASR) draw in 2023
  - ASR funded by US penalties
  - No increase to 2023 assessments
- Funding strategy for 2024 costs being evaluated; will be reflected in 2024 business plan and budget (BP&B) submitted to the Finance and Audit Committee (FAC) and Board of Trustees (Board) in August
- Reprioritization of current work and repurposing of open positions/existing resources ongoing

- Made pursuant to the Working Capital and Operating Reserve Policy and Paragraph 7(b)(ii) of the Settlement Order and Agreement in Docket No. FA11-21-000
- FAC approval to be followed by request for FERC approval
- Requests timed to allow commencement of work by August 15, 2023

- Cost vs. benefit
  - Importance of the ITCS study to the future of our industry
- Updates will be provided throughout the process
- Next steps
  - Updates on ITCS impact and final 2024 BP&B provided to MRC BP&B Input Group and Trades and Forums in late July
  - Board and Committee meetings in Ottawa
    - ITCS approach presented at the August 16 NERC Technical Session
    - NERC final 2024 BP&B presented at the August 16 FAC meeting
      - Updated to include ITCS resources, costs, and funding
    - Update on 2023 Work Plan Priorities at the August 17 Board meeting
  - Final 2024 BP&B filed with FERC in late August

A stylized map of North America is centered on the page. The map is divided into three horizontal color bands: a light blue band at the top, a dark blue band in the middle, and a light grey band at the bottom. The dark blue band is the widest and contains the text 'Questions and Answers'.

## Questions and Answers