Agenda
Corporate Governance and Human Resources Committee
May 3, 2018 | 2:00-3:00 p.m. Eastern
Conference Call

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Call to Order

Introductions and Chair’s Remarks

NERC Antitrust Compliance Guidelines

Agenda Items

1. Minutes* — Approve
   a. February 7, 2018

2. 2017 Board Committees Self-Assessment Results* — Review

3. 2018 ERO Enterprise and Corporate Metrics Update* — Review

4. Annual Review of Trustee Compensation — Update

5. Staffing and Recruiting Update* — Review

6. Adjournment

*Background materials included.
Antitrust Compliance Guidelines

I. General

It is NERC’s policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC’s compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC’s antitrust compliance policy is implicated in any situation should consult NERC’s General Counsel immediately.

II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants’ expectations as to their future prices or internal costs.
- Discussions of a participant’s marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.
Any other matters that do not clearly fall within these guidelines should be reviewed with NERC’s General Counsel before being discussed.

III. Activities That Are Permitted

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC’s Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.
Chair Robert G. Clarke called to order a duly noticed open meeting of the Corporate Governance and Human Resources Committee (the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on February 7, 2018, at 8:00 a.m. Eastern, and a quorum was declared present. The agenda is attached as Exhibit A.

Present at the meeting were:

**Committee Members**
- Robert G. Clarke, Chair
- Janice B. Case
- Frederick W. Gorbet
- George S. Hawkins
- Roy Thilly

**Board Members**
- Charles A. Berardesco, Interim President and CEO
- Kenneth W. DeFontes, Jr.
- David Goulding
- Jan Schori

**NERC Staff**
- Tina Buzzard, Associate Director to the Office of the President and CEO
- Scott Jones, Vice President, Chief Financial and Administrative Officer, and Corporate Treasurer
- Mark G. Lauby, Senior Vice President and Chief Reliability Officer
- Sonia C. Mendonça, Vice President, Acting General Counsel and Corporate Secretary, and Director of Enforcement
- Janet Sena, Senior Vice President and Director of Policy and External Affairs
- Michael Walker, Senior Vice President and Chief Enterprise Risk and Strategic Development Officer

**NERC Antitrust Compliance Guidelines**
Mr. Clarke directed the participants’ attention to the NERC Antitrust Compliance Guidelines included in the agenda, and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Mendonça.

**Minutes**
Upon motion duly made and seconded, the Committee approved the minutes of the January 24, 2018 meeting as presented at the meeting.
Report on Matters Discussed in January 24, 2018 and February 6, 2018 Closed Sessions
Mr. Clarke reported that during these meetings, the Committee addressed a number of compensation related items, including (a) acceptance of the 2017 metrics results, (b) review of performance management results for all officers, (c) approval of NERC officer compensation, (d) recommendation of the compensation for the Interim CEO, (e) approval of compensation metrics for 2018, and (f) recommendation of the Company contribution to the employees’ 401K accounts. The Board also conducted its annual review of the Board Chair, and reviewed the overall Board schedule and trustee stakeholder outreach.

Board Committees’ Self-Assessment Surveys
Ms. Mendonça presented the proposed revised Board Committees’ Self-Assessment surveys, referencing the material included in the advance agenda package. After discussion, and upon motion duly made and seconded, the Committee approved the surveys and recommended approval by the Board.

Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Results
Mr. Berardesco presented the results of the Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness, referencing the presentation included in the advance agenda package. He focused on the major themes resulting from the assessments, noting that there was little significant change from the prior year’s assessment. The Committee discussed the assessment results, focusing on potential future actions. Mr. Berardesco noted that staff was working with the assessment consultant and an overall update to the assessment approach that would be presented to the Committee.

Mr. Thilly noted the results were unsurprising but requested that survey responders provide more specific feedback regarding opportunities for improvement, particularly in areas where other type of input had been favorable, such as the cost effectiveness of standards.

2017 Year-End Performance Report
Mr. Lauby presented the 2017 NERC Performance Report, which had been included in the advance Committee materials.

NERC Governance Guidelines Annual Review
Ms. Mendonça reviewed the NERC Governance Guidelines and did not recommend any revisions.

Annual Conflict of Interest and Independence Report
Ms. Mendonça reviewed the Company’s processes for considering conflicts of interest for employees, officers, and Trustees, and for assuring the independence of the Trustees as required by the Bylaws and NERC Governance Guidelines.

Annual Review of Committee Mandate
Ms. Mendonça noted that the Committee is required to review its mandate on an annual basis. No changes were recommended to the mandate, and the Committee concurred.
Human Resources and Staffing Update
Mr. Jones provided an update on staff retention and attrition, referencing the information provided in the advance Committee materials. He noted the long-term improvement in the employee attrition rate, now at approximately nine percent.

Proposed 2018 ERO Enterprise Metrics Revisions
Mr. Clarke presented the 2018 ERO Enterprise metrics revisions, noting that the Board’s continued oversight of results resulted in a change to the 2018 metrics. Specifically, NERC will continue to measure performance associated with cold weather in light of the 2017 results.

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

Submitted by,

Sonia C. Mendonça
Acting Corporate Secretary
2017 Board Committees Self-Assessment Results

Corporate Governance and Human Resources Committee Meeting
May 3, 2018
Table of Contents

• Overview ................................................................. Page 3

• Assessments Results Summary ................................. Page 4

• Assessment Results by Committee ............................ Page 5
  ▪ Compliance Committee ........................................ Page 6-8
  ▪ Nominating Committee .......................................... Page 9-11
  ▪ Finance and Audit Committee ................................. Page 12-14
  ▪ Enterprise-wide Risk Committee ............................. Page 15-17
  ▪ Corporate Governance & Human Resources Committee Page 18-20

• Questions/Answers .................................................... Page 21
NERC engaged TalentQuest to conduct its annual Board of Trustees Committee Effectiveness Surveys. This report provides the results for the assessments from the following five committees:

- Compliance Committee (5 members)
- Nominating Committee (12 members)
- Finance and Audit Committee (5 members)
- Enterprise-wide Risk Committee (7 members)
- Corporate Governance and Human Resources Committee (5 members)
The assessments consisted of the same three Yes-No questions with comment fields for explaining responses.

- Is the organization and structure of the committee appropriate for effective operation?
- Is the committee effectively carrying out its purpose, as well as performing such other responsibilities as directed by the Board or the committee mandate?
- Is the committee's mandate appropriate?
• All five committees had 100% of their members complete the assessment.
• 100% of committee members were able to answer “Yes” to all three questions.
• Explanations provided for “Yes” answers appear on the following slides.
Assessment Results
By Committee
Q1. Is the organization and structure of the committee appropriate for effective operation? **100% “Yes”, N=5**

- “The committee's focus has been sharpened, number of meetings reduced while preserving and prioritizing the workload, longstanding issues/perceptions are being tackled methodically and addressed, inclusion of Regional representatives have reinforced new direction as they all hear the concerns and decisions directly and can consider and better prepare their own recommendations.”

- “The committee has made great progress over the last few years.”

- “Janice has done a superb job of focusing the Committee, making it more strategic, and also more transparent to the Regions. It is working very well indeed.”
Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=5

“The program alignment (consistency) initiative in particular is helping address a longstanding stakeholder concern/perception. The development and implementation of the new CMEP technology project is an important component of this initiative and needs to be implemented successfully. The resolution of the SPP situation is another successful outcome to a longstanding area of NERC concern.”
Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. **100% “Yes”, N=5**

- None
Q1. Is the organization and structure of the committee appropriate for effective operation? **100% “Yes”, N=12**

- “However, at times it feels like BoT members are not as open minded as they could be when considering new Board members. In my opinion C-suite experience is not required and should only be used to distinguish between candidates when all other qualifications are equal.”

- “I agree that the committee is appropriate. I do feel that more Canadian Representation on this particular year’s Nominating Committee would be appropriate. Not necessary but would be nice. We have one rep from the MRC.”

- “The Chair was inclusive and professional throughout the complete process.”

- “The formula used has been tested over the years and works well.”

- “The size and structure are appropriate. Board and MRC participation levels are also appropriate.”
Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=12

- “I have served for a couple of years - Committee works well and has the right representation across the enterprise.”
- “The NC did an effective job identifying two top notch candidates that will serve NERC well over the coming years.”
• Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% “Yes”, N=12

  “I believe the mandate is appropriate and we are following the approved mandate.”

  “The mandate is clear and concise and the work is carried on efficiently.”

  “The Nominating Committee's mandate is very clear and appropriate.”
Q1. Is the organization and structure of the committee appropriate for effective operation? **100% “Yes”, N=5**

- “The Chair did an outstanding job throughout the year.”
- “Budget and business planning process is working smoothly, good cooperation and input from Regions and stakeholders and clean FERC order of approval. Changes to investment policy debated and accepted after thorough discussion by members and staff. Charter change to implement responsibility for financial internal controls/board fiduciary responsibility approved and implementing policy adopted.”
• Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=5

  “A few MRC members have responded to the annual board survey with recommendation/concern re sufficiency of NERC review of Regional budgets but with no specifics. It will be helpful this year to ascertain from the MRC Budget Working Group whether there are additional measures to be considered in Regional budget reviews.”
Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% “Yes”, N=5

None
Q1. Is the organization and structure of the committee appropriate for effective operation? **100% “Yes”, N=7**

- “The meetings have become more productive and interactive over the last few years. It is evident that our feedback is valued.”

- “There is a challenge separating risks to the BPS and to the enterprise and in understanding how a risk moves to mitigated in part on the heat maps. The committee has an important job and is making good progress under the circumstances.”

- “We just made some revisions to the standing board committees including clarification of the EWRC role in relation to the FAC.”

- “Work done this year with FAC to clarify and strengthen audit responsibilities of the two committees is appreciated. CCC’s efforts and contributions, particularly on program alignment issues (consistency across regions/NERC) are helping to address a longstanding concern/perception with stakeholders.”
• Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? **100% “Yes”, N=7**

  - *See prior comments.*
Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. **100% “Yes”, N=7**

- “The mandate has been reviewed twice in the past year. Most recently the mandate was coordinated with the Finance and Audit committee to clarify the responsibilities of each.”

- “I believe the mandate effectively describes the role of the EWRC and its relationships with NERC, REs and the CCC (stakeholders). No changes are needed.”
• Q1. Is the organization and structure of the committee appropriate for effective operation? **100% “Yes”, N=5**

  ▪ “**Corporate Governance Chair has done an excellent job this year with all of the challenges and key deliverables.”**

  ▪ “**Great committee that did quality work in a challenging year.”**

  ▪ “**The cadence and structure of the Committee matches the scale and importance of the issues at hand. I appreciate that much of the work is being done prior to the Board meeting week, which has reduced the intense scheduling in that time frame.”**

  ▪ “**Bob Clarke is doing an excellent job.”**
Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=5

- “The committee completed all assigned tasks plus several additional projects during the year, implemented succession process with the change in CEO in a smooth and professional manner.”
- “This Committee has stepped up during a very challenging period and performed tremendously well.”
Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% “Yes”, N=5

“The mandate was reviewed by the committee and no changes were deemed necessary.”
Questions and Answers
2018 ERO Enterprise Metrics
First Quarter Status
Mark Lauby, Senior Vice President and Chief Reliability Officer
Corporate Governance and Human Resources Committee Committee Meeting
May 3, 2018
**Metric Status Definitions**

- **Green**
  - On schedule and expected to meet by year-end (YE)

- **Yellow**
  - Behind schedule but expected to meet by YE

- **Red**
  - Not expected to meet by YE

- **No Color**
  - Status not available or too early to tell
Metric 1: Fewer, Less Severe Events

• Why is it important?
  ▪ Measures risk to the bulk power system (BPS) from Bulk Electric System (BES) events

• How is it measured?
  ▪ Number of Category 3–5 events
  ▪ Cumulative trend line in the composite daily event Severity Risk Index (eSRI) for Category 1–3 events

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold 1</td>
<td>No Category 3 or above events</td>
<td></td>
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<tr>
<td>Target 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Threshold 2</td>
<td>Slope of trend line is negative</td>
<td></td>
</tr>
<tr>
<td>Target 2</td>
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</tbody>
</table>
### Metric 2: No Gaps in Reliability Standards and Compliance Monitoring

- **Why is it important?**
  - Reduces risk to BPS reliability from potential gaps in standards and compliance by employing corrective action

- **How is it measured?**
  - Using a consistent process, analysis of categorized events for any gaps in standards and compliance and mitigation implementation
  - Any gaps result in action plans to address reliability risks

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<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
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<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No Category 3 or above events to study</td>
<td></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>Ongoing assessments for Category 2 and below events; no gaps identified for Q1</td>
<td></td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
<td>No gaps identified/no action plans needed</td>
<td></td>
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</tbody>
</table>
Metric 3: Resource Deficiencies are Foreseen

• Why is it important?
  ▪ Ensures ERO Enterprise is performing comprehensive and timely reliability assessments that identify and spotlight resource adequacy deficiencies

• How is it measured?
  ▪ Number of resource or essential reliability services deficiencies or common mode failures that caused load outages over 300 MW, or Energy Emergency Alert Level 3s (EEA-3s) that did not lead to load shedding or were not identified in reliability assessments in the past three years

<table>
<thead>
<tr>
<th>Threshold 1</th>
<th>Data Trend</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No firm load outages over 300 MW due to resource or essential reliability services deficiency or common mode failures</td>
<td></td>
</tr>
<tr>
<td>Target 1</td>
<td>One EEA-3 issued but did not lead to load shedding</td>
<td></td>
</tr>
</tbody>
</table>
• **Why is it important?**
  - Measures risk to the BPS from cyber or physical security attacks

• **How is it measured?**
  - Number of load losses or disruptions to BES operations due to cyber attack
  - Number of load losses over 100 MW due to physical attack and the trend line for events over the most recent two year period
  - Reduction in rate of cases resulting in malware inside a network or device
  - Favorable trending of cyber hygiene and internet risk scores
  - Favorable trending of cyber and physical readiness
<table>
<thead>
<tr>
<th>Metric 4a: Number of Disruptions to BES Facilities Caused by Unauthorized Physical or Electronic Access</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data Trend</strong></td>
</tr>
<tr>
<td><strong>Threshold 1</strong></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
</tr>
<tr>
<td>No load loss or disruption of BES operations due to cyber attack</td>
</tr>
<tr>
<td><strong>Threshold 2</strong></td>
</tr>
<tr>
<td>No load loss over 100 MW due to physical attack</td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
</tr>
<tr>
<td>Number of physical security events indicates a decline from Q1 of 2017; actual weighted average of calculation pending</td>
</tr>
</tbody>
</table>
Metric 4b: Rate of Cases Resulting in Malware Inside a Network or Device that Require Remediation

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Data analysis still in progress</td>
<td></td>
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</table>
### Metric 4c: Cyber Hygiene and Internet Risk Scores

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tracking the scores of a sampling of anonymous BES owners and operators is not a good measure of the objective</td>
<td></td>
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</tbody>
</table>
Metric 4d: Cyber and Physical Readiness

<table>
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<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q1</th>
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<tbody>
<tr>
<td></td>
<td>Plan developed for working with members to gain input for the Cybersecurity Capability Maturity Model (C2M2) update</td>
<td></td>
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</tbody>
</table>
Metric 5: Reduced Reliability Risk from Noncompliance

- **Why is it important?**
  - Incent discovery and mitigation of violations by registered entities and measures violation severity as well as completion of mitigations

- **How is it measured?**
  - Percentage of self-identified noncompliance
  - Mitigation completions rate
  - Number of serious risk violations resolved as compared to the total noncompliance result
  - Trend of repeat moderate and serious violations
<table>
<thead>
<tr>
<th>Threshold 1</th>
<th>Data Trend</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target 1</td>
<td>83% of all noncompliance was self-identified</td>
<td></td>
</tr>
<tr>
<td>Threshold 2</td>
<td>Mitigation completion rates are 46% (2017), 85% (2016), and 99.9% (2015 &amp; older)</td>
<td></td>
</tr>
<tr>
<td>Target 2</td>
<td>Serious risk violations resolved (excluding CIP V5 and beyond): 2014-2016 at 4.9%; 2015-2017 at 4.4%; and 2016-2018 at 3.6%</td>
<td></td>
</tr>
<tr>
<td>Target 3</td>
<td>Serious risk violations resolved for CIP standards (all versions): 2014-2016 at 5.9%; 2015-2017 at 5.7%; and 2016-2018 at 4.6%</td>
<td></td>
</tr>
<tr>
<td>Target 5</td>
<td>Downward trend of repeat moderate and serious risk violations: 301 in 2016; 219 in 2017; 3 so far in 2018</td>
<td></td>
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</tbody>
</table>
• **Why is it important?**
  - Measures risks to BPS reliability from five priority causes:
    a. Generating unit forced outages due to cold weather
    b. Misoperations rate of performance
    c. Automatic AC transmission outages caused by human error
    d. Transmission outages due to AC substation or circuit equipment failures
    e. Transmission line outages due to vegetation
Metric 6a: Reduced Events Caused by Generating Unit Forced Outages Due to Cold Weather

• How is it measured?
  - Number of load losses from generating units forced outages due to cold weather
  - Comparison of annual Weighted Effective Forced Outage Rate (WEFOR) of generating units to previous years during the most extreme cold winter months

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
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<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No events with firm load loss caused by cold weather</td>
<td>![Green Circle]</td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>Data not available until Q4</td>
<td>![White Circle]</td>
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</table>
• How is it measured?
  - Annual Misoperations rate (cumulative rate through Q2 2018), with a threshold of less than 7.5% and target of less than 7%

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<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
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<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>2018 Q1 and Q2 data not available; 2017 Q3 and Q4 Misoperations rate was 7.4%</td>
<td></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td></td>
<td></td>
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</tbody>
</table>
**Metric 6c: Number of Automatic AC Transmission Outages Caused by Human Error**

- **How is it measured?**
  - Number of load losses greater than 300 MW caused by human error
  - Trend of outages per circuit caused by human error
  - Trend of outages caused by human error resulting in firm load loss compared to previous five-year average

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No events with load loss greater than 300 MW from human error</td>
<td>✅</td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>Data not available until Q3</td>
<td>❌</td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
<td>Average number of events was fewer than the five-year average (average is 4 events; there were 0 so far in 2018)</td>
<td>✅</td>
</tr>
</tbody>
</table>
Metric 6d: Number of Transmission Outages Due to AC Substation Equipment Failures

• **How is it measured?**
  - Number of load losses greater than 300 MW due to AC substation or circuit equipment failures
  - Trend of outages per circuit caused by AC substation or circuit equipment failures
  - Trend of outages caused by AC substation or circuit equipment failures resulting in firm load loss compared to five-year average
<table>
<thead>
<tr>
<th>Metric 6d: Number of Transmission Outages Due to AC Substation Equipment Failures</th>
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<tr>
<th>Data Trend</th>
<th>Q1</th>
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<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No events with load loss greater than 300 MW from substation equipment failures</td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>Data not available until Q3</td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
<td>Average number of events was fewer than the five-year average (average is 7.2 events; there were 0 events so far in 2018)</td>
</tr>
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### Metric 6e: Number of Transmission Line Outages Due to Vegetation

- **How is it measured?**
  - Number of transmission line outages due to FAC-003 violations that are identified, processed, and filed

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q1</th>
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<tbody>
<tr>
<td>No outages due to FAC-003 violations reported</td>
<td>[Green Circle]</td>
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Metric 7: Efficiency and Effectiveness

• Why is it important?
  ▪ Measures performance in meeting important financial and operational objectives:
    a. Financial performance
    b. Implementation of ERO Enterprise technology solutions
    c. ERO Enterprise Effectiveness Survey
    d. Program efficiencies
Metric 7a: Execution of Business Plan and Budget

- How is it measured?
  - NERC and each Regional Entity performance against annual financial performance parameters established by their respective governing bodies

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<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q1</th>
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<tbody>
<tr>
<td>Data is still being collected across the ERO Enterprise</td>
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</tbody>
</table>
Metric 7b: Implementation of ERO Enterprise Technology Solutions

• How is it measured?
  ▪ Quantitative and qualitative value of ERO Enterprise applications
  ▪ Completion of ERO Enterprise CMEP Technology Project 2018 milestones within budget guidelines

<table>
<thead>
<tr>
<th>Target</th>
<th>Data Trend</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target 1</td>
<td>User Management and Records preliminary score indicates the system would benefit from an additional feature; additional feature will be added and rescoring. Scoring for other projects scheduled for later quarters.</td>
<td>![Yellow Icon]</td>
</tr>
<tr>
<td>Target 2</td>
<td>Vendor for CMEP Technology Project selected</td>
<td>![Green Icon]</td>
</tr>
</tbody>
</table>
Metric 7c: ERO Enterprise Effectiveness Survey

• **How is it measured?**
  - Improvement in favorability percentages for the top three unfavorable questions from the last survey

<table>
<thead>
<tr>
<th>Data Trend</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target 1</strong></td>
<td></td>
</tr>
<tr>
<td>Survey results not available until Q4</td>
<td></td>
</tr>
</tbody>
</table>
• How is it measured?
  - Identification of opportunities to reduce combined ERO Enterprise budgeted operating and fixed asset costs

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>Draft framework circulated</td>
<td></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>No deliverable for Q1</td>
<td></td>
</tr>
</tbody>
</table>
Questions and Answers
Human Resources and Staffing Update

Action
Review

Background
The company remains engaged in a multi-year human resources (HR) strategy focused on attracting, developing and retaining the staff necessary to achieve the company’s long-term strategy and operating plan. Building additional technical and cyber security strength remains the primary focus.

Our primary investments in training are targeting leadership development and communications. The officer team continues their engagement in coaching and leadership training, and this coaching access has been extended down to the next level of emerging leaders and succession candidates. Managers are working with staff members to establish long-term training and development plans that focus on competencies and developmental needs. A comprehensive 2018 training plan has been developed that includes a combination of classroom-based competency, technical, and industry training, offsite utility visits and e-learning.

Management continues to see signs of strengthening culture and overall workforce satisfaction, with a particular focus on the NERC mission. After the last climate survey in late 2016, the organization worked through a series of initiatives to address key areas of improvement.

These significant investments in hiring, training, and leadership development are reaping benefits in NERC’s workforce through stability, performance, and opportunities for succession. Staff attrition trended sharply downward to 9% in 2017, while simultaneously achieving success toward ERO Enterprise metrics and financial targets.