Call to Order

Introductions and Chair’s Remarks

NERC Antitrust Compliance Guidelines

Agenda Items
1. Minutes* — Approve
   a. January 24, 2018
2. Report on Matters Discussed in January 24 and February 6, 2018 Closed Sessions — Discussion
3. Board Committees’ Self-Assessment Surveys* — Approve
4. Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Results* — Review
5. 2017 Year-End Performance Report* — Review
6. NERC Governance Guidelines Annual Review* — Review
7. Annual Conflict of Interest and Independence Report* — Review
8. Annual Review of Committee Mandate* — Review
9. Human Resources and Staffing Update* — Review
11. 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 January 24, 2018, at 12:00 p.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
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 with the advance agenda materials.

Minutes
Upon motion duly made and seconded, the Committee approved the minutes of the November 2, 2017 and December 7, 2017 meetings as presented at the meeting.

Proposed 2018 Board Committee and Vice Chair Appointments
Mr. Clarke presented the proposed 2018 Board of Trustees Committee membership, as well as Board Chair and Vice Chair appointments. He noted that, provided they are elected in February 2018, Suzanne Keenan and Robin E. Manning would also join the Nominating Committee. Upon motion duly made and seconded, the Committee approved the proposal and recommended approval by the Board.
Board of Trustees Composition Changes and 2018 Canadian Trustee Search
The Committee reviewed the proposal for the Board Nominating Committee to search for an additional Canadian Trustee, and to expand the number of Trustees for 2019 to 12, referencing the background materials included in the advance agenda materials. Mr. Thilly discussed the rationale and cost implication of the proposal, and noted the benefit of decreasing the frequency of searches in order to avoid the possibility of conducting two searches with different firms simultaneously. He also noted that the Committee was authorized to make such a change under the NERC Bylaws. A Canadian stakeholder expressed support for the proposal. Upon motion duly made and seconded, the Committee approved the proposal and recommended approval by the Board.

Board of Trustees Vice Chair Compensation
The Committee reviewed the proposed increase of the compensation to the Board Vice Chair to $10,000. Mr. Clarke noted the change to committee structure and the Vice Chair’s new role as liaison between the Board and the Standards Committee. The Committee approved the increase in compensation for the Board Vice Chair, and recommended approval by the Board.

Potential NERC Bylaws Amendments
Ms. Mendonça reviewed the proposed amendments to the NERC Bylaws, referencing the detailed material included in the advance agenda package. The amendments are intended to reduce the notice requirement for special Board meetings that are held in closed session. The Committee discussion emphasized the need to act quickly in emergencies, and noted the amendments had no impact on open meetings or requirements related to public notice of all meetings. Ms. Mendonça noted that the amendments would require approval by the Member Representatives Committee and FERC. After discussion, and upon motion duly made and seconded, the Committee approved recommending the amendments for Board approval.

Mr. Thilly also requested NERC Legal to perform a comprehensive review of the NERC Bylaws in the near future.

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
Board of Trustees and Board Committees’ Self-Assessment Surveys; MRC Annual Effectiveness Survey of the Board of Trustees

Action
Approve

Summary
In connection with the November 2017 approved revised approach for the 2018 Board Committee self-assessments, NERC management presents a draft of the proposed surveys, a copy of which is included in the materials, for Committee approval.

Management recommends the following timeline for the 2018 governance year-end Committee surveys:

- Surveys distributed to Board members February 12, 2018.
- Responses due by March 16, 2018.
- Draft summary of results provided to Board and Committee Chairs by April 16, 2018.
- Results presented at May 2018 Committee meetings.
DRAFT Revised Committee Self-Evaluations
September 11, 2017

Timeline and Structure
The Committee Self-Evaluations will be administered in February, at the end of the governance year. The Self-Evaluations for the Board of Trustees and the Member Representatives Committee will continue to take place around November.

The Self-Evaluations will occur online, accessible through a link provided by the vendor, consistent with prior practice.

Survey Questions
The Self-Evaluation for each Committee will consist of the same three questions, except the “purpose” included in question 2 will vary. Each question will be answered with either “Yes” or “No.” Questions answered with “No” will require the trustee respondent to include a comment, although the trustee respondent will also have the option to include a comment with a response of “Yes.”

Sample Instructions:
In considering each question, the trustee respondent should provide a response of “Yes” or “No.” The survey will include a prompt requiring comment for any item answered “No.” Optional comments may be provided for questions answered “Yes.”

Sample survey questions (information in brackets will vary per committee):

1. Is the organization and structure of the committee appropriate for effective operation? For example, the number of members, number of meetings, quality and timeliness of materials provided in support of the agenda, and the management of the Committee Chair.

2. The purpose of [COMMITTEE NAME] is [PURPOSE]. Is the committee effectively carrying out its purpose as stated above, [include the following if not part of Committee’s purpose “as well as performing such other responsibilities as directed by the Board or the committee mandate”]? If so, Include any specific suggestions regarding where the committee should focus further effort to address its purpose.

3. Is the committee’s mandate appropriate? Include any specific provision the committee should add to or remove from the mandate.

1 Include for CC and NC. All other committees’ purposes include this sentence.
<table>
<thead>
<tr>
<th>Committee</th>
<th>Purpose from Mandate</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC</td>
<td>The purpose of the BOTCC is to assist the Board with governance, oversight, guidance, and policies to help assure the NERC Compliance Monitoring and Enforcement Program (CMEP) and the NERC Organization Registration and Certification Program (ORCP), as administered by NERC and the Regional Entities to which NERC has delegated authority pursuant to Regional Delegation Agreements, support the reliability of the North American bulk power system, and are administered fairly and efficiently.</td>
</tr>
<tr>
<td>CGHRC</td>
<td>The purpose of the CGHRC is to assist the Board in (i) insuring the appropriate governance approaches for the corporation, (ii) overseeing the corporation’s employee compensation and benefit approaches, including the compensation of the corporation’s Board members and officers, and (iii) overseeing the corporation’s programs and practices for personnel development and human resources, as well as performing such other responsibilities as directed by the Board or this Mandate.</td>
</tr>
<tr>
<td>EWRC</td>
<td>The purpose of the EWRC is to assist the Board in the oversight of (i) the corporation’s risk management program, internal controls processes and ethics related policies and procedures, (ii) compliance by NERC and each of the Regional Entities with the NERC Rules of Procedure (ROP) and governmental authorizations, regulations and orders, and (iii) coordinating with the CCC with respect to the CCC’s execution of its responsibilities under applicable orders, the ROP and the CCC’s Charter, as well as performing such other responsibilities as directed by the Board or this Mandate.</td>
</tr>
<tr>
<td>FAC</td>
<td>The purpose of the FAC is to assist the Board in fulfilling its oversight responsibilities for NERC’s financial results and reporting process, system of internal financial and accounting controls and financial audit process and its oversight of the NERC, Regional Entities and WIRAB business plans and budgets, as well as performing such other responsibilities as directed by the Board or this Mandate.</td>
</tr>
<tr>
<td>NC</td>
<td>The purpose of the BOTNC is to act as the nominating committee required by Article III, Section 5 of the corporation’s Bylaws.</td>
</tr>
<tr>
<td>TSC</td>
<td>The purpose of the TSC is to assist the Board by providing oversight to the corporation’s (i) information technology program, (ii) information security program, and (iii) Electricity Sector Information Sharing and Analysis Center (E-ISAC), as well as performing such other responsibilities as directed by the Board or this Mandate.</td>
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**Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Results**

**Action**
Review

**Summary**
Results of the 2017 NERC Board of Trustees (Board) Self-Assessment and MRC Assessment of the Board Effectiveness Survey, which assesses and monitors annually the performance and effectiveness of the Board, will be reviewed.

**Attachment**
- 2017 NERC Board of Trustees Self-Assessment and MRC Assessment of the Board Effectiveness Survey
Board Self-Assessment and MRC
Assessment of Board of Trustees
Effectiveness Results

Prepared by Survey Design & Analysis
<table>
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<th>Section</th>
<th>Pages</th>
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<td>3-5</td>
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<tr>
<td>Executive Summary</td>
<td>6-8</td>
</tr>
<tr>
<td>Strategy</td>
<td>9-12</td>
</tr>
<tr>
<td>Oversight</td>
<td>13-17</td>
</tr>
<tr>
<td>Stakeholder Relations</td>
<td>18-20</td>
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<td>Composition/Structure</td>
<td>21-23</td>
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<tr>
<td>Board Functioning</td>
<td>24-27</td>
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<td>NERC Management</td>
<td>28-30</td>
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<td>Other Factors</td>
<td>31-32</td>
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<td>Area Overall Summaries</td>
<td>33-36</td>
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<td>Trend and Comments Analyses</td>
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Objectives & Methods
• To assess the performance and effectiveness of the NERC Board of Trustees (Board).
• NERC developed an assessment questionnaire and has been using the same questionnaire for at least the past three years, 2015-2017.
• The assessment has 29 questions (see appendix) to be answered by Board members, 21 of which are also answered by MRC members.
• 8 out of 8 board members participated in the assessment. 22 out of 28 MRC members participated, for response rates of 100% and 79%, respectively.
• All questions ask respondents to rate a single statement on a “Levels of Effectiveness” scale from 1 to 5 where:

  1 = Needs Prompt Attention ("unacceptable performance")
  2 = Below Expectations ("performance area with opportunity for improvement")
  3 = Meets Expectations ("meets the required standard of performance")
  4 = Exceeds Expectations ("exceeds the required standard of performance")
  5 = Outstanding ("far exceeds the required standard of performance")

• Ability to see trends and difference was enhanced by combining questions within the six question areas: Strategy, Oversight, Stakeholder Relations, Composition/Structure, Board Functioning and NERC Management.
Executive Summary
Positive Highlights

• Excellent response rate as in past years; Board of Trustees (Board), 100%; Member Representatives Committee (MRC), 79%.
• Board & MRC members show commitment to the process by providing thoughtful comments, a total of 63 in all.
• The Board is clearly meeting expectations in five of the six topic areas; Strategy, Stakeholder Relations, Composition/Structure, Board Functioning and NERC Management scoring 3’s, 4’s and 5’s by virtually all respondents on all questions.
• 100% of Board members feel they and their peers are making meaningful contributions to the corporation as Board members.
• Assessment levels have remained virtually the same for the last three years.
• NERC Management has shown a commitment to improving the assessment process, by having the assessment instrument reviewed and the analysis refreshed.
Potential Focus Areas

• For the Board Oversight topic area, potential areas for focus are:
  ▪ “Considers costs and benefits associated with new reliability standards”
  ▪ “Efficient and cost-effective operation of ERO enterprise”
  ▪ “Ensures that compliance and enforcement processes are efficient and cost effective”
  ▪ “Ensures decision-making process is not inappropriately influenced by either management or the stakeholders.”

• Succession Planning
Strategy
1. The Board has knowledge of and familiarity with NERC’s corporate values, mission, vision, strategic plan, and business plan and reflects this understanding in evaluating key issues.

2. The Board effectively works with management to establish NERC’s strategic and business plans.

<table>
<thead>
<tr>
<th>Category</th>
<th>MRC, N=22</th>
<th>Board, N=8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding</td>
<td>18%</td>
<td>88%</td>
</tr>
<tr>
<td>Exceeds Expectations</td>
<td>23%</td>
<td>13%</td>
</tr>
<tr>
<td>Meets Expectations</td>
<td>0%</td>
<td>59%</td>
</tr>
<tr>
<td>Below Expectations</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Needs Prompt Attention</td>
<td>0%</td>
<td>0%</td>
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<table>
<thead>
<tr>
<th>Category</th>
<th>MRC, N=22</th>
<th>Board, N=8</th>
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<tbody>
<tr>
<td>Outstanding</td>
<td>23%</td>
<td>63%</td>
</tr>
<tr>
<td>Exceeds Expectations</td>
<td>41%</td>
<td>38%</td>
</tr>
<tr>
<td>Meets Expectations</td>
<td>36%</td>
<td>36%</td>
</tr>
<tr>
<td>Below Expectations</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Needs Prompt Attention</td>
<td>0%</td>
<td>0%</td>
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</tbody>
</table>
3. Board members stay abreast of issues and trends affecting NERC and the industry and use this information to assess and guide NERC performance.

4. The Board effectively sets priorities through the strategic and annual business plans.
5. The Board takes appropriate account of the international charter of the North American bulk power system., N=30

- Outstanding: 32% (MRC, N=22), 50% (Board, N=8)
- Exceeds Expectations: 13% (MRC, N=22), 27% (Board, N=8)
- Meets Expectations: 41% (MRC, N=22), 38% (Board, N=8)
- Below Expectations: 0% (MRC, N=22), 0% (Board, N=8)
- Needs Prompt Attention: 0% (MRC, N=22), 0% (Board, N=8)
1. The Board is sufficiently involved in the ERO Enterprise (NERC and the Regional Entities) annual business planning and budgeting process.

2. The Board sufficiently ensures that the ERO Enterprise business plan and budget provides for the efficient and cost-effective operation of the ERO Enterprise.
3. The Board is sufficiently involved in monitoring the corporation’s compliance with regulatory requirements and directives.

4. The Board sufficiently ensures that the standards development and approval process considers the costs and benefits of new reliability standards.
5. The Board sufficiently ensures that the ERO Enterprise’s compliance and enforcement processes are efficient and cost effective.

6. The Board's decision making process is sufficiently transparent and open.
7. The Board’s decision making process is not inappropriately influenced by either management or the stakeholders.

<table>
<thead>
<tr>
<th>Category</th>
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<th>Board, N=8</th>
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<tbody>
<tr>
<td>Outstanding</td>
<td>5%</td>
<td>63%</td>
</tr>
<tr>
<td>Exceeds Expectations</td>
<td>23%</td>
<td>38%</td>
</tr>
<tr>
<td>Meets Expectations</td>
<td>0%</td>
<td>55%</td>
</tr>
<tr>
<td>Below Expectations</td>
<td>18%</td>
<td>0%</td>
</tr>
<tr>
<td>Needs Prompt Attention</td>
<td>0%</td>
<td>0%</td>
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</table>
Stakeholder Relations
1. The Board effectively works with the MRC and other stakeholders to seek and consider stakeholder input when establishing ERO priorities and considering key policy issues.

2. The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators.
3. The Board establishes a positive and cooperative dialogue with Canadian federal and provincial regulators.

- **Outstanding**
  - MRC, N=22: 23%
  - Board, N=8: 38%

- **Exceeds Expectations**
  - MRC, N=22: 25%
  - Board, N=8: 41%

- **Meets Expectations**
  - MRC, N=22: 36%
  - Board, N=8: 38%

- **Below Expectations**
  - MRC, N=22: 0%
  - Board, N=8: 0%

- **Needs Prompt Attention**
  - MRC, N=22: 0%
  - Board, N=8: 0%
Composition/ Structure
1. The Board's size is appropriate and effective.

- Outstanding: MRC (14%), Board (50%)
- Exceeds Expectations: MRC (9%), Board (13%)
- Meets Expectations: MRC (38%), Board (77%)
- Below Expectations: MRC (0%), Board (0%)
- Needs Prompt Attention: MRC (0%), Board (0%)

2. Board members reflect broad diversity of competency strengths and professional experience.

- Outstanding: MRC (18%), Board (38%)
- Exceeds Expectations: MRC (23%), Board (50%)
- Meets Expectations: MRC (13%), Board (59%)
- Below Expectations: MRC (0%), Board (0%)
- Needs Prompt Attention: MRC (0%), Board (0%)
3. The Board's Committees have suitable mandates and membership., N=8

<table>
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<tr>
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</tr>
<tr>
<td>Exceeds Expectations</td>
<td>2</td>
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<td>Meets Expectations</td>
<td>2</td>
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<tr>
<td>Below Expectations</td>
<td>0</td>
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<tr>
<td>Needs Prompt Attention</td>
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Board Functioning
1. The Board has established procedures that ensure Board members receive written meeting notices, agendas and appropriate background material in time to prepare in advance of meetings, are presented meaningful information during meetings, and receive timely and accurate minutes., N=8

2. The number of Committee meetings is appropriate.

<table>
<thead>
<tr>
<th>Category</th>
<th>MRC, N=22</th>
<th>Board, N=8</th>
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<tbody>
<tr>
<td>Outstanding</td>
<td>9%</td>
<td>25%</td>
</tr>
<tr>
<td>Exceeds Expectations</td>
<td>5%</td>
<td>25%</td>
</tr>
<tr>
<td>Meets Expectations</td>
<td>86%</td>
<td>50%</td>
</tr>
<tr>
<td>Below Expectations</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Needs Prompt Attention</td>
<td>0%</td>
<td>0%</td>
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Count: 0 1 2 3 4 5
3. The Chair of the Board effectively oversees and facilitates Board activities and direction.

4. The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues and provides appropriate allocation of time to agenda items.
5. Board goals, expectations, and concerns are effectively communicated with the CEO and other senior management through sufficient, meaningful dialog during Board meetings or otherwise., N=8

6. Board members participate as equals and communicate openly.

<table>
<thead>
<tr>
<th></th>
<th>MRC, N=22</th>
<th>Board, N=8</th>
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</thead>
<tbody>
<tr>
<td>Outstanding</td>
<td>18%</td>
<td>63%</td>
</tr>
<tr>
<td>Exceeds Expectations</td>
<td>27%</td>
<td>25%</td>
</tr>
<tr>
<td>Meets Expectations</td>
<td>13%</td>
<td>55%</td>
</tr>
<tr>
<td>Below Expectations</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Needs Prompt Attention</td>
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1. The Board has appropriate access to management.  
   \(N=8\)

2. The Board avoids excessive involvement in detail and day-to-day management.  \(N=8\)
3. The Board is sufficiently involved in ensuring competent and well-motivated senior management and ensuring that proper development and succession plans are in place for CEO and other senior management. N=8

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<tr>
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<tr>
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<td>4</td>
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<tr>
<td>Below Expectations</td>
<td>1</td>
</tr>
<tr>
<td>Needs Prompt Attention</td>
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</table>
Other Factors
1. I feel I am personally making a meaningful contribution to the corporation by my attendance and participation at the Board, committee meetings, and other activities., N=8

2. I feel my peers are personally making a meaningful contribution to the corporation by their attendance and participation at the Board, committee meetings, and other activities., N=8
Area Overall Summaries
### Strategy – Five Questions

- **MRC, N=110**
  - Outstanding: 24%, 63%
  - Exceeds Expectations: 30%, 28%
  - Meets Expectations: 10%, 44%
  - Below Expectations: 3%, 0%
  - Needs Prompt Attention: 0%, 0%

- **Board, N=40**
  - Outstanding: 28%, 30%
  - Exceeds Expectations: 22%, 51%
  - Meets Expectations: 0%, 22%
  - Below Expectations: 0%, 8%
  - Needs Prompt Attention: 0%, 0%

### Oversight – Seven Questions

- **MRC, N=154**
  - Outstanding: 8%, 38%
  - Exceeds Expectations: 22%, 38%
  - Meets Expectations: 25%, 51%
  - Below Expectations: 16%, 0%
  - Needs Prompt Attention: 2%, 0%

- **Board, N=56**
  - Outstanding: 3%, 38%
  - Exceeds Expectations: 22%, 38%
  - Meets Expectations: 25%, 51%
  - Below Expectations: 16%, 0%
  - Needs Prompt Attention: 2%, 0%
**Area Summaries III**

**Board Functioning – Six Questions**

- **Outstanding**
  - MRC, N=88: 17%
  - Board, N=32: 47%

- **Exceeds Expectations**
  - MRC, N=88: 16%
  - Board, N=32: 31%

- **Meets Expectations**
  - MRC, N=88: 22%
  - Board, N=32: 66%

- **Below Expectations**
  - MRC, N=88: 0%
  - Board, N=32: 1%

- **Needs Prompt Attention**
  - MRC, N=88: 0%
  - Board, N=32: 0%
Trend and Comment Analyses
• This analysis includes three years of data; 2015, 2016 and 2017.
• Trends in ratings were looked at for all 29 questions.
• Two questions showed year-over-year changes:
  § Stakeholder Relations Q2 – “The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators,” showed an increase in average effectiveness rating from 2015 (5 ratings below “3”) to 2017 (0 ratings below “3”).
  § Board Functioning Q4 – “The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues and provides appropriate allocation of time to agenda items,” showed a decrease in average effectiveness rating from 2016 (7 ratings below “3”) to 2017 (15 ratings below “3”).
• Questions were combined across all questions within a topic area. See following chart showing no dramatic yearly change.
Annual Trends by Question

- **Strategy N=150-165**
- **Oversight N=210-237**
- **Stakeholder Relations N=90-102**
- **Composition/Structure N=68-77**
- **Board Functioning N=136-154**
- **NERC Management N=24-33**
Appendix
Board of Trustees/Member Representatives Committee Proposed
2017 Survey Questions

Levels of Effectiveness (Rating Scale)
1 = Needs Prompt Attention (“unacceptable performance”)
2 = Below Expectations (“performance area with opportunity for improvement”)
3 = Meets Expectations (“meets the required standard of performance”)
4 = Exceeds Expectations (“exceeds the required standard of performance”)
5 = Outstanding (“far exceeds the required standard of performance”)

The survey will include a prompt requiring comment for any item rated “No” in response to a “Yes/No” item or a “Needs Prompt Attention” or “Below Expectations” in response to the 5-point levels of effectiveness scale. Optional comments may be provided for items rated “Yes” in response to a “Yes/No” item or “Meets Expectations”, “Exceeds Expectations” or “Outstanding” on the 5-point levels of effectiveness scale.

Strategy
1. The Board has knowledge of and familiarity with NERC’s corporate values, mission, vision, strategic plan, and business plan and reflects this understanding in evaluating key issues.
2. The Board effectively works with management to establish NERC’s strategic and business plans.
3. Board members stay abreast of issues and trends affecting NERC and the industry and uses this information to assess and guide NERC performance.
4. The Board effectively sets priorities through the strategic and annual business plans.
5. The Board takes appropriate account of the international charter of the North American bulk power system.
Oversight

1. The Board is sufficiently involved in the ERO Enterprise (NERC and the Regional Entities) annual business planning and budgeting process.
2. The Board sufficiently ensures that the ERO Enterprise (NERC and the Regional Entities) business plan and budget provides for the efficient and cost-effective operation of the ERO Enterprise.
3. The Board is sufficiently involved in monitoring the corporation’s compliance with regulatory requirements and directives.
4. The Board sufficiently ensures that the standards development and approval process considers the costs and benefits of new reliability standards.
5. The Board sufficiently ensures that the ERO Enterprise’s compliance and enforcement processes are efficient and cost effective.
6. The Board’s decision making process is sufficiently transparent and open.
7. The Board’s decision making process is not inappropriately influenced by either management or the stakeholders.

Stakeholder Relations

1. The Board effectively works with the MRC and other stakeholders to seek and consider stakeholder input when establishing ERO priorities and considering key policy issues.
2. The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators.
3. The Board establishes a positive and cooperative dialogue with Canadian federal and provincial regulators.

Composition/Structure

1. The Board's size is appropriate and effective.
2. Board members reflect broad diversity of competency strengths and professional experience.
3. The Board's Committees have suitable mandates and membership.*
Board Functioning
1. The Board has established procedures that ensure Board members receive written meeting notices, agendas and appropriate background material in time to prepare in advance of meetings, are presented meaningful information during meetings, and receive timely and accurate minutes.*
2. The number of Committee meetings is appropriate.
3. The Chair of the Board effectively oversees and facilitates Board activities and direction.
4. The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues and provides appropriate allocation of time to agenda items.
5. Board goals, expectations, and concerns are effectively communicated with the CEO and other senior management through sufficient, meaningful dialog during Board meetings or otherwise.*
6. Board members participate as equals and communicate openly.

NERC Management
1. The Board has appropriate access to management.*
2. The Board avoids excessive involvement in detail and day-to-day management.*
3. The Board is sufficiently involved in ensuring competent and well-motivated senior management and ensuring that proper development and succession plans are in place for CEO and other senior management.*

Other Factors^
1. I feel I am personally making a meaningful contribution to the corporation by my attendance and participation at the Board, committee meetings, and other activities.*
2. I feel my peers are personally making a meaningful contribution to the corporation by their attendance and participation at the Board, committee meetings, and other activities.*

^ Yes/No Questions
*Board Only Questions
2017 ERO Enterprise Metrics Update

Action
Review

Background
NERC management will provide a summary of the quarterly performance for the 2017 ERO Enterprise Metrics. Each quarter, NERC staff provides a summary of the status towards achievement of each metric. The status of each metric is reviewed and validated by NERC management as well as internal audit staff.

Attachments
1. 2017 ERO Enterprise Metrics: Year-End Status Presentation
**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
Metric 4: No Unauthorized Physical or Cybersecurity Access Resulting in Disruption to BES Facilities

• **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
## Metric 4: No Unauthorized Physical or Cybersecurity Access Resulting in Disruption to BES Facilities

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No load loss or disruption of BES operations due to cyber attack</td>
<td><img src="image" alt="Green" /></td>
<td><img src="image" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td></td>
<td><img src="image" alt="Green" /></td>
<td><img src="image" alt="Green" /></td>
</tr>
<tr>
<td><strong>Threshold 2</strong></td>
<td>No load loss over 100 MW due to physical attack</td>
<td><img src="image" alt="Green" /></td>
<td><img src="image" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
<td>Trend of physical security events was negative</td>
<td><img src="image" alt="Yellow" /></td>
<td><img src="image" alt="Green" /></td>
</tr>
</tbody>
</table>
• **Why is it important?**
  - Incentivizes discovery and mitigation of violations by registered entities and measures violation severity as well as completion of mitigations

• **How is it measured?**
  - Trend of compliance severity risk index (with and without CIP V5) and amount of repeat moderate and severe risk violations
  - Percentage of self-identified noncompliance
  - Mitigation completions rates
## Metric 5: Reduced Reliability Risk from Noncompliance

<table>
<thead>
<tr>
<th>Threshold 1</th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target 1</td>
<td>Compliance severity index (excluding CIP V5) trend is statistically significant and less than 50% of the 2011 index (23%)</td>
<td>🟢</td>
<td>🟢</td>
</tr>
<tr>
<td>Threshold 2</td>
<td>Compliance severity index (including CIP V5) is below 55% of the 2011 index (28%)</td>
<td>🟢</td>
<td>🟢</td>
</tr>
<tr>
<td>Target 2</td>
<td><strong>87% of all noncompliance was self-identified</strong></td>
<td>🟢</td>
<td>🟢</td>
</tr>
<tr>
<td>Threshold 4</td>
<td>Mitigation completion rates are 76.4% (2016), 98.3% (2015), and 99.9% (2014 &amp; older).</td>
<td>🟢</td>
<td>🟢</td>
</tr>
<tr>
<td>Target 3</td>
<td><strong>Repeat moderate and severe risk trends were reduced</strong></td>
<td>🟢</td>
<td>🟢</td>
</tr>
</tbody>
</table>
Metric 6: Reduced Risks in Targeted Areas

• 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 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 Effective Forced Outage Rate (EFOR) of generating units to previous years during the most extreme cold winter months

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No events with firm load loss in winter months</td>
<td>⬤</td>
<td>⬤</td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>EFORs increased in three regions</td>
<td>⬤</td>
<td>⬤</td>
</tr>
</tbody>
</table>
**Metric 6b: Annual Misoperations Rate of Performance**

- **How is it measured?**
  - Annual Misoperations rate (cumulative rate through Q2 2017), with a threshold of less than 9% and target of less than 8%

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>Annual Misoperations rate was 7.5%</td>
<td>⬠</td>
<td>⬠</td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td></td>
<td>⬠</td>
<td>⬠</td>
</tr>
</tbody>
</table>
• **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 (target is 5% decline with reduced impacts)
  - Comparison of outages caused by human error resulting in firm load loss to previous five-year average
## Metric 6c: Number of Automatic AC Transmission Outages Caused by Human Error

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</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><img src="#" alt="Green" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>Outages per circuit caused by human error did not decline by 5% (increased by 3%)</td>
<td><img src="#" alt="Red" /></td>
<td><img src="#" alt="Red" /></td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
<td>Average number of events was fewer than the five-year average (average is 3.6 events; there were 0 in 2017)</td>
<td><img src="#" alt="Green" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
</tbody>
</table>
• **How is it measured?**
  - Number of FAC-003 violations that are identified, processed, and filed
  - Number of vegetation-related outages that are not violations of FAC-003 gathered through quarterly data submittals

<table>
<thead>
<tr>
<th>Metric 6e: Number of Transmission Line Outages Due to Vegetation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data Trend</strong></td>
</tr>
<tr>
<td><strong>Threshold 1</strong></td>
</tr>
<tr>
<td>There were six FAC-003 violations</td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
</tr>
<tr>
<td>There were 20 vegetation-related outages that were not violations of FAC-003 (data available through Q3)</td>
</tr>
</tbody>
</table>
Why is it important?

- Measures NERC’s performance in meeting important financial and operational objectives:
  a. Execution of business plan and budget
  b. Implementation of ERO Enterprise technology solutions
  c. Implementation of the Regional Entity oversight plans and NERC adherence to the Rules of Procedure
  d. Implementation of action plans in response to ERO Enterprise Effectiveness Survey results
Metric 7a: Execution of Business Plan and Budget

- **How is it measured?**
  - NERC is at or under budget for expenses and fixed assets (exclusive of authorized operating reserves for threshold and inclusive of operating reserves for target)

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
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</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>NERC was less than 1% under budget</td>
<td><img src="#" alt="Yellow" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td></td>
<td><img src="#" alt="Yellow" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
</tbody>
</table>
Metric 7b: Implementation of ERO Enterprise Technology Solutions

• How is it measured?
  - Completion of ERO Enterprise IT projects for Entity Registration, data reporting (event analysis, misoperations, or TADS), and NERC’s public-facing website
  - Development of a method to measure and track the cost-benefit of ERO Enterprise IT projects

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target 1</strong></td>
<td>All projects delivered except the website</td>
<td>![Yellow]</td>
<td>![Red]</td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
<td>Processes and procedure for cost-benefit was developed</td>
<td>![Green]</td>
<td>![Green]</td>
</tr>
</tbody>
</table>
Metric 7d: Implementation of Action Plans in Response to ERO Enterprise Effectiveness Survey Results

• How is it measured?
  \- Implementation of 2017 milestones identified in the action plans

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
</tr>
</thead>
<tbody>
<tr>
<td>One action plan for Registration was not completed due to shifting priorities</td>
<td><img src="image" alt="GreenCircle" /> <img src="image" alt="RedCircle" /></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Questions and Answers
Back-up Slides
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>Threshold 1 Target 1</th>
<th>No Category 3 or above events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold 2 Target 2</td>
<td>Slope of trend line was negative</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Category 3 or above events</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slope of trend line was negative</td>
<td></td>
<td></td>
</tr>
</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 all Category 3–5 and select events for any gaps in standards and compliance and mitigation implementation
  ▪ Any gaps result in action plans to address reliability risks

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold 1</td>
<td>No Category 3 or above events to study; studied sample events of interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 1</td>
<td>No gaps identified/no action plans needed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• 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 deficiencies that caused load outages over 300 MW or Energy Emergency Alert Level 3s (EEA-3s) that were not identified in prior seasonal or long-term reliability assessments in the past three years

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No firm load outages over 300 MW due to resource deficiencies or common mode failures</td>
<td><img src="broken_image_placeholder" alt="Green Circle" /></td>
<td><img src="broken_image_placeholder" alt="Green Circle" /></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>No EEA-3s declared due to resource deficiencies</td>
<td><img src="broken_image_placeholder" alt="Green Circle" /></td>
<td><img src="broken_image_placeholder" alt="Green Circle" /></td>
</tr>
</tbody>
</table>
• **How is it measured?**
  - Number of load losses greater than 300 MW due to AC substation equipment failures
  - Trend of outages per circuit caused by AC substation equipment failures (target is 5% decline with reduced impacts)
  - Comparison of outages caused by AC substation equipment failures resulting in firm load loss to previous five-year average
# Metric 6d: Number of Transmission Outages Due to AC Substation Equipment Failures

<table>
<thead>
<tr>
<th>Metric</th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
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</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No events with load loss greater than 300 MW from substation equipment failures</td>
<td><img src="#" alt="Green" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>Outages per circuit caused by substation equipment declined by greater than 5% (declined by 28%)</td>
<td><img src="#" alt="Green" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
<td>Average number of events was fewer than the five-year average (average is 6.6 events; there were 1 in 2017)</td>
<td><img src="#" alt="Green" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
</tbody>
</table>
Metric 7c: Implementation of Regional Entity Oversight Plans and NERC Adherence to the Rules of Procedure

- **How is it measured?**
  - Implementation of the recommendations and schedule from 2016 audits
  - Number of significant new noncompliance findings in NERC’s implementation of the Regional Entity oversight plans or adherence to the Rules of Procedure

<table>
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<tr>
<th></th>
<th>Data Trend</th>
<th>Q3</th>
<th>Q4/YE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>Implementation of audit recommendations completed</td>
<td><img src="#" alt="Green" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>NERC performed oversight in accordance with oversight plans</td>
<td><img src="#" alt="Green" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
</tbody>
</table>
**NERC Governance Guidelines Annual Review**

**Action**
Review

**Background**
The Board of Trustees (Board) has approved Governance Guidelines (Guidelines), which consolidated the provisions of various policies and documents related to the conduct of the Board and of individual Trustees:

- Role of the Board
- Trustee succession
- Process for electing the Board Chair and Vice Chair
- Duties and responsibilities of the Board Chair
- Confidential information
- Representation of NERC
- Board meetings, including criteria for holding closed and executive sessions, notice and provision of materials, and preparation and distribution of minutes
- Conflicts of interest
- Trustee compensation
- Compensation of NERC officers and key employees
- Loans to Officers or Trustees
- Review of IRS Form 990

This consolidated approach is consistent with best corporate governance practices.

The Guidelines require that they be reviewed by the Committee from time to time. NERC Legal has conducted a review of the Guidelines and has determined that they are consistent with general corporate governance practices and the Board's practices, and is not recommending any revisions at this time.
Action
Review

Background
Pursuant to its Mandate, the Committee is required to:

1. Periodically review the criteria for independence of the Board of Trustees as set out in the NERC Bylaws and recommend any changes to the Board, as appropriate.
2. Monitor the membership of the Board to determine that: (i) Board members are independent; (ii) qualifications under any applicable laws are maintained; and (iii) specific situations of conflict of interest are avoided.

Consistent with past practice, the Legal and Human Resources Department has distributed and reviewed conflict of interest questionnaires for all NERC Trustees, officers, key employees and all other employees. In addition, the Legal Department has reviewed the independence criteria for Trustees as set forth in the NERC Bylaws and considered any applicable legal requirements related thereto, including Section 215 of the Federal Power Act.

The Legal and Human Resources Departments have advised the Committee that:

1. Based on the completed conflict of interest questionnaires, each NERC Trustee, officer, key employee and employee is in compliance with all applicable conflict of interest and independence requirements.
2. No modifications are necessary to NERC’s independence and conflict of interest requirements or policies.
3. NERC’s current Board of Trustees meets all qualifications under applicable laws.
Annual Review of Committee Mandate

Action
Information

Background
As part of the annual review of all Board committee mandates, the NERC Legal Department has reviewed the current Corporate Governance and Human Resources Committee (CGHRC) mandate. Based on its review of the current mandate, the Legal Department is not recommending any further revisions at this time.
Board of Trustees
Corporate Governance and Human Resources Committee Mandate
Approved by the Board of Trustees: November 5, 2015

Committee Membership
The Board of Trustees Corporate Governance and Human Resources Committee (CGHRC or the Committee) of the North American Electric Reliability Corporation (NERC) shall be composed of not less than three and not more than six of the independent members of the Board of Trustees (Board). The members of the CGHRC shall be appointed or reappointed by the Board at the regular meeting of the Board immediately following each Annual Meeting of the Member Representatives Committee. Each member of the CGHRC shall continue to be a member thereof until a successor is appointed, unless a member resigns, is removed, or ceases to be a trustee of the corporation. When a vacancy occurs at any time in the membership of the CGHRC, it may be filled by the Board.

Purpose
The purpose of the CGHRC is to assist the Board in (i) insuring the appropriate governance approaches for the corporation, (ii) overseeing the corporation’s employee compensation and benefit approaches, including the compensation of the corporation’s Board members and officers, and (iii) overseeing the corporation’s programs and practices for personnel development and human resources, as well as performing such other responsibilities as directed by the Board or this Mandate.

Committee Authority and Responsibilities
To carry out its purpose, the CGHRC shall have the following authority and responsibilities:

Corporate Governance:

1. Develop criteria governing the overall composition of the Board for recommendation to the Board.
2. Periodically review the criteria for independence of the Board set out in the NERC Bylaws and recommend changes to the Board, as appropriate.
3. Monitor the membership of the Board to ensure that: (i) the Board members are independent, (ii) qualifications under any applicable laws are maintained, and (iii) specific situations of conflict of interest are avoided.
4. Coordinate an annual effectiveness evaluation of the Board, its structure, and processes.
5. Review the self-assessments of the Board committees to assure that they are being done on a consistent basis.
6. Review on a periodic basis the structure of the other Board committees and, together with chairs of other Board committees, review the mandate of each committee and recommend changes to the Board, as appropriate.
7. Ensure the meaningfulness and timeliness of support, information, and documentation from NERC management to the Board.

8. Develop a Board member and company code of conduct and conflict of interest policy for adoption by the Board and periodically review the code of conduct and conflict of interest policy and recommend changes, as appropriate.

9. Develop recommendations for the Board regarding Board member succession policy.

10. Develop Governance Guidelines for adoption by the Board, that address the overall governance processes of the Board, and periodically review them and recommend changes, as appropriate.

Compensation and Benefits:

1. Review, on an annual basis, the compensation plan for members of the Board and make recommendations to the Board, as appropriate.

2. Conduct periodic reviews of industry compensation and benefit practices and trends and other information in order to assess the adequacy, effectiveness and competitiveness of the Company’s compensation and benefit plans for Board members and officers.

3. Approve the metrics related to the Corporation’s annual performance goals for use in determining incentive compensation.

4. Review and approve a general compensation and benefit structure for the officers and management of the corporation.

5. Review the performance and approve the compensation and significant benefit plans for all officers of the Corporation, including salaries, bonuses, life insurance and retirement benefits, based on recommendations by the NERC’s President and Chief Executive Officer (the “CEO”).

6. Recommend to the Board the appropriate compensation, including salary and bonus, of the CEO.

Personnel Development and Human Resources:

1. Regularly review the performance of the CEO and provide feedback as appropriate.

2. Review with the CEO the essential elements of key personnel succession planning.

3. Review overall staffing levels and management’s plans and activities for the development and improvement of key personnel.

Other Matters

1. Oversee the corporation’s retirement plans and take various other actions related thereto, including, but not limited to, the following: (i) create such retirement plan investment policy statements and retirement plan oversight committees as it deems appropriate to provide day to day oversight of the company’s retirement plans; (ii) review, on an annual basis, the performance of the company’s retirement plans; and (iii) undertake such other actions as it deems prudent in connection with its oversight responsibilities and otherwise consistent with applicable law.
2. Review the corporate governance aspects of the Corporation’s Form 990 prior to it being filed with the Internal Revenue Service.

3. Whenever it may be appropriate to do so, retain and receive advice from experts, including independent compensation consultants and legal counsel, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the CGHRC as the CGHRC may consider appropriate.

4. Perform such other functions as may be delegated from time to time by the Board.

**Committee Meetings**
The CGHRC shall meet at least twice a year by conference call or in person. Meetings may occur at the same place in conjunction with the regular Board meetings of the corporation, or as determined by the members of the CGHRC, using the same meeting procedures established for the Board. Meetings may be held in either open or closed session as set forth in the Bylaws of the corporation.

A majority of the Committee members shall constitute a quorum. Except where prescribed differently by law: (a) any action or decision of the CGHRC requires a vote of a majority of the Committee members then in attendance at any Committee meeting provided a quorum is present; and (b) participation may be telephonic or by Action without a Meeting. The Committee may hold special meetings as circumstances require. Minutes of each Committee meeting shall be maintained as part of the Committee’s record.

**Governance**
The Board, or in the event of their failure to do so, the members of the CGHRC, shall appoint a chair from among their members. The CGHRC Chair shall be responsible for leadership of the Committee, scheduling of meetings, setting agendas, presiding over Committee meetings, and making reports to the Board. The CGHRC shall appoint a person, who does not need to be a member of the Board or of the Committee, to assist the Chair and serve as the non-voting secretary.

**Review**
The CGHRC shall review this mandate annually and recommend to the Board any changes it considers advisable. Any changes must be approved by the full Board. The CGHRC shall complete a self-assessment annually to determine its effectiveness.
Human Resources and Staffing Update

Action
Review

Background
The company remains engaged in a multi-year human resources strategy focused on attracting, developing and retaining the staff needed to support the company’s long-term goals and mission, with a focus on building and maintaining technical strength in core operating areas.

Our primary investments target the development of existing staff, including training on leadership fundamentals, communications, and team-building. Performance management training in 2017 continued to strengthen employee development, empowerment, accountability and teamwork, and all staff received mid-year and end of year appraisal sessions to provide feedback on accomplishment of performance goals and plan for the coming year. Further enhancements to provide staff timely feedback will be made in 2018. The officer team continues their engagement in ongoing coaching and leadership training, with coaching access extended to the next level of emerging leaders, succession candidates, and key teams. Management has a goal to provide all managers of staff and high potential employees access to individual coaching and participation in officer-led leadership training over the next two years. Managers are working with staff members to establish long-term training and development plans that take into consideration required competencies and developmental needs. With input from NERC management, a comprehensive 2018 training plan is underway 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 continued overall workforce satisfaction and loyalty to the NERC mission. Climate action initiatives improved trust and transparency in communications with staff, regions, and stakeholders in 2017.

These significant investments in hiring, training, and leadership development are reaping benefits in NERC’s workforce through stability, enhanced performance, and additional opportunities for succession. Staff attrition trended sharply downward, highlighted by 9% annual attrition, the lowest level of annual turnover since the Headquarters relocation to Atlanta in 2010.
Agenda Item 10
Corporate Governance and Human Resources Committee Meeting
February 7, 2018

Proposed 2018 ERO Enterprise Metrics Revisions

Action
Review

Background
During the January 24, 2018 closed meeting, the Corporate Governance and Human Resources Committee considered and recommended Board of Trustees (Board) approval of two changes to the previously approved 2018 ERO Enterprise Metrics. The first amends Metric 6 to add a cold weather measure identical to the one used in the 2017 ERO Enterprise Metrics. The Committee determined that it was necessary to continue to monitor the effectiveness of the ERO Enterprise efforts in this area in light of the 2017 performance in certain areas. The second lowers the threshold and target for the misoperations measure in Metric 6 to 7.5% and 7%, respectively, also in light of the fact that the ERO Enterprise reached a 7.5% misoperations rate in 2017. The Committee Chair will recommend these revisions for approval by the Board on February 8, 2018.

Attachment
- 2018 ERO Enterprise Metrics - Redlined
Attachment A

<table>
<thead>
<tr>
<th>Measure</th>
<th>Threshold</th>
<th>Target</th>
<th>Historical Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Events caused by generating unit forced outages due to cold weather</td>
<td>No firm load shed occurs from generating unit forced outages caused by cold weather</td>
<td>Using most extreme cold winter months, the Weighted Effective Forced Outage Rate (WEFOR) decreases compared to a rolling previous 5 year benchmark average for each Regional Entity.</td>
<td>Threshold: Number of times firm load shed occurred as a result of generating unit forced outages from cold weather; 2014: 1; 2011: 1. Target: See Figure 6</td>
</tr>
<tr>
<td>a.b. Annual Misoperations rate of performance</td>
<td>Annual Misoperations rate of performance is less than 8.075%</td>
<td>Annual Misoperations rate of performance is less than 7.57%</td>
<td>Threshold and Target: Q3 2016-Q2 2017: 7.5% Q3 2015-Q2 2016: 8.8% Q3 2014-Q2 2015: 9.5% Q3 2013-Q2 2014: 10.3%</td>
</tr>
</tbody>
</table>

The sample will be based on the ten most extreme cold weather months between the months of December and March over the measurement period.

Figure 6

Metric 6a: Events Caused by Generating Unit Forced Outages Due to Cold Weather
Target: EFOR decreases compared to a 5-year benchmark average for each Regional entity
Report date: 12/1/17

<table>
<thead>
<tr>
<th>Region</th>
<th>Benchmark Period WEFOR</th>
<th>Metric Year WEFOR</th>
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<tbody>
<tr>
<td>FRCC</td>
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<td>MRO</td>
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<tr>
<td>WECC</td>
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