Call to Order and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda

1. Minutes* — Approve
   a. August 15, 2018 Meeting

2. Update on Actions from 2017 Board of Trustees/Committees Effectiveness Surveys* — Review

3. 2019 Board of Trustees Effectiveness Survey* — Approve

4. 2018 ERO Enterprise Metrics Update* — Review

5. Human Resources and Staffing 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 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 August 15, 2018, at 10:00 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
- Frederick W. Gorbet
- George S. Hawkins
- Robin E. Manning
- Roy Thilly

**Board Members**
- Kenneth W. DeFontes, Jr.
- Janice B. Case
- David Goulding
- Suzanne Keenan
- Jan Schori
- James B. Robb, President and Chief Executive Officer

**NERC Staff**
- Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary
- Tina Buzzard, Associate Director
- Scott Jones, Senior Vice President, Chief Financial and Administrative Officer, and Corporate Treasurer
- Mark G. Lauby, Senior Vice President and Chief Reliability Officer
- 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 Mr. Berardesco.
Minutes
Upon motion duly made and seconded, the Committee approved the minutes of the May 3, 2018 meeting as presented at this meeting.

Report on Matters Discussed in June 11 and July 10, 2018 Closed Sessions
Mr. Clarke reported that, during the June 11 and July 10, 2018 closed sessions, it discussed trustee compensation and that the information is available in the advance agenda package.

Board of Trustees Remuneration Study Findings
Mr. Clarke discussed the process followed for reviewing board compensation, noting that it was consistent with the related provisions in the Governance Guidelines that had been developed with Member Representatives Committee (“MRC”) input, including the target compensation range. He referred to the Willis Towers Watson (“WTW”) report and detailed summary included in the advance agenda package. Mr. Clarke then reviewed the recommended compensation range and proposed changes to existing trustee compensation, noting that the proposed target annual retainer is below the median of the range. Following discussion, and upon motion duly made and seconded, the Committee voted to accept the WTW report and recommend the following trustee compensation program to the Board:

- Annual Retainer: Establish a target annual retainer for each Trustee of $127,500, to be implemented in three annual installments of $5,000, beginning in 2019, and be fully implemented by January 1, 2021.
- Committee Chair: Retain the current committee chairs annual retainer of $10,000.
- Vice Chair Retainer: Establish an annual retainer of $5,000 for the Board Vice Chair.
- Standards Committee Liaison Retainer: Establish an annual retainer of $5,000 for the Trustee who is designated as the liaison to the Standards Committee, beginning on January 1, 2019.
- Chair Retainer: Establish a target annual retainer for the Board Chair of $175,000, to be implemented in three annual installments of $5,000, beginning in 2019 and be fully implemented by January 1, 2021.

2018 ERO Enterprise and Corporate Performance Metrics
Mr. Lauby reviewed the status of the ERO Enterprise and Corporate Metrics for the second quarter of 2018, referencing the materials included in the advance agenda package.

Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey and Board Committee Self-Assessments
Mr. Berardesco reviewed the drafts of the assessments for the annual Board and Board Committee self-assessment and the MRC assessment included in the advance agenda package. He reported that NERC management had determined to take another look at the approach for 2018, and that it had previously modified the committee self-evaluations. Mr. Berardesco also reported that NERC management worked with a consulting firm to develop a more streamlined approach to the assessments, which would hopefully result in better year-over-year analysis. With respect to Question 3 of the draft assessment, asking about the Board’s most important functions at NERC, Mr. Berardesco
indicated that three choices (up from 2) would be permitted. Mr. Berardesco encouraged the Committee and stakeholders to provide comments directly to him. He explained that the goal is to present the final assessments for approval at the November 2018 Committee meeting, and that NERC will follow the same schedule as followed in past years to allow for maximum participation by the Board and MRC in the assessment process.

**Employee Reporting and Document Retention Policies and Procedures**
Mr. Berardesco reported that NERC legal has completed its annual review of existing NERC employee reporting and document retention policies and procedures and concluded that these policies and procedures meet all applicable requirements.

Mr. Berardesco reported that NERC has a detailed employee handbook containing information for employees on reporting concerns, and NERC has a detailed internal procedure for handling any necessary investigations. Mr. Berardesco also stated that NERC has HR counsel regularly review the employee handbook. He noted that NERC recently updated its document retention policies and these policies are being integrated into its document management system.

Mr. Hawkins commended NERC’s continued focus on best practices in this area.

**Human Resources and Staffing Update**
Mr. Clarke reviewed the human resources and staffing update, referencing the information included in the advance agenda package. He noted the potential increase in the 2018 attrition rate compared to 2017.

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

Submitted by,

Charles A. Berardesco
Corporate Secretary
Agenda
Corporate Governance and Human Resources Committee
August 15, 2018 | 9:45-10:45 a.m. Mountain
(Please note the Schedule may be adjusted real-time should meetings conclude early and/or extend past their scheduled end time.)

The Westin Calgary
320 4th Avenue SW
Calgary, AB T2P 2S6, Canada

Conference Room: Britannia/Belaire/Mayfair – Conference Level

Call to Order

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda Items

1. Minutes* — Approve
   a. May 3, 2018


3. Board of Trustees Remuneration Study Findings* — Accept Consultant’s Report and Recommend to Board of Trustees Any Changes to Trustee Compensation

4. 2018 ERO Enterprise and Corporate Performance Metrics* — Review

5. Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey and Board Committee Self-Assessments* — Review


7. Human Resources and Staffing Update* — Review

8. Adjournment

*Background materials included
Update on Actions from 2017 Board of Trustees Effectiveness Surveys

Action
Review

Background
At the February open CGHRC meeting, the Committee discussed the results of the 2017 Board of Trustees effectiveness surveys. The review of the results identified several potential areas of Board focus. Those areas are outlined below, along with a status update prepared by the CGHRC Chair:

Board Oversight:

1. “Considers costs and benefits associated with new reliability standards”: The Board continues to review with management the potential costs of proposed new standards as part of the approval process. In addition, the Board has remained focused on the overall review of existing standards to insure they are as efficient as possible.

2. “Efficient and cost-effective operation of ERO enterprise”: The Board continues to carefully review the annual budget and supports management’s process to obtain substantial stakeholder input. The Board has also remained focused on the overall effectiveness and efficiency project, and has continued to review with management potential efficiencies, including overall cost reductions, from the CMEP tool project. Finally, the Board and management supported the decision by SPP to dissolve the regional entity, which reduced the number of regions and has helped to create more efficiency in ERO operations.

3. “Ensures that compliance and enforcement processes are efficient and cost effective”: The Board has maintained its focus on the CMEP processes, regularly receiving reports and drilling down on the various processes that are designed to make the CMEP processes more efficient. This has included a continued focus on the alignment efforts across the Regions. The Board regularly seeks specific stakeholder input on the progress of these efforts.

4. “Ensures decision-making process is not inappropriately influenced by either management or the stakeholders”: The Board continues to seek the input of stakeholders and transacts its business in an open and transparent manner, to insure stakeholders are appropriately informed of the Board’s considerations as it makes its decisions. The Board carefully solicits and evaluates input from management, stakeholders, and other sources in its decision making. The Board strives to balance the input it receives, also seeking to not micromanage the organization.

There were general comments about the importance of succession planning. The Board regularly meets with the CEO to discuss succession planning. The Board also views the recent CEO transition as an indication of the overall effectiveness of its efforts, as the organization very successfully managed the sudden departure of its CEO, maintaining a focus on the business, meetings key objectives, and retaining employees at a very high level. The successful
implementation of the interim succession plan, developed by the Board and CEO prior to the
CEO transition, was evidenced by the successful performance of both the interim CEO and the
interim General Counsel.
Action
Approve

Summary
NERC management has prepared the attached draft of the Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey for Committee review. Management has worked with a new vendor, Survey Design and Analysis, to evaluate and refine the current Annual Effectiveness Survey of the Board. The new proposed survey is divided into four sections:

- Overall Effectiveness
- Strategy
- Oversight
- Stakeholder Relations and Board Functioning

The questions and answers within each section have been amended to aide in more meaningful year over year analytics, direction, and areas of improvement for the Board.

Management recommends that the Committee approve the final assessment and the following timeline for the 2018 Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey:

- Surveys distributed by November 12, 2018.
- Responses due by December 14, 2018.
- Draft summary of results provided to the Board and CGHRC Chair for review by January 11, 2019.
- Results will be presented for review and discussion at the February 2019 CGHRC and Board meetings.

As a reminder, the Board of Trustees governance year-end Committee surveys coordinate with the end of the Committee governance year; with the survey being conducted after the February meetings, with a report out on results in May.
Thank you for taking this assessment of the NERC Board of Trustees. The questions should take about 10 minutes to complete.

Note: The questions are divided into four sections:

- Overall Effectiveness
- Strategy
- Oversight
- Stakeholder Relations and Board Functioning

I. Overall Effectiveness

1. Overall, how effective is the Board of Trustees at performing their responsibilities?
   a. Very effective
   b. Effective
   c. Neither Effective nor ineffective
   d. Ineffective
   e. Very ineffective
   f. Uncertain

2. [Board only] Overall, how satisfied are you personally with the job you do working on the Board of Trustees?
   a. Very satisfied
   b. Satisfied
   c. Neither Satisfied nor Dissatisfied
   d. Dissatisfied
   e. Very dissatisfied
   f. Uncertain

3. What are the Board of Trustees’ MOST important functions at NERC? (Select No More Than 3)
   a. Setting company and management priorities
   b. Guiding the development of annual budgets and business plans
   c. Approving annual budgets and business plans
   d. Providing vision for the future
   e. Ensuring adherence to NERC’s mission, vision and values
   f. Overseeing NERC management
   g. Approving NERC’s Senior Management and Officer Hires
h. Uncertain
i. Other (please specify)

4. Comments on Board of Trustees Overall Effectiveness

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

II. Strategy

1. Please rate the Board’s effectiveness in overseeing NERC Management or staff to produce a final annual budget and business plan.
   a. Very effective
   b. Effective
   c. Neither effective nor ineffective
   d. Ineffective
   e. Very ineffective
   f. Uncertain/Not applicable

2. Please rate how effective the Board of Trustees is at each of their following functions? [Very effective, Effective, Neither effective nor ineffective, Ineffective, Very ineffective, Uncertain/Not applicable]
   a. Staying in tune with issues and trends affecting NERC and the industry
   b. Setting company priorities
   c. Providing leadership
   d. Incorporating the international charter of the North American bulk power system

3. How satisfied are you with how the board incorporates advice and/or recommendations from the MRC?
   a. Very satisfied
   b. Satisfied
   c. Neutral
   d. Dissatisfied
   e. Very dissatisfied
   f. Uncertain/Not applicable

4. Comments on Strategy

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
III. Oversight

1. Please rate the amount of involvement the Board has in each of the following: [Too much, About the right amount, Too little, Uncertain]
   a. ERO Enterprise’s (NERC and the Regional Entities) annual business planning and budgeting process
   b. Day-to-day management by NERC’s CEO

2. Rate the Board’s effectiveness at monitoring each of the following: [Very effective, Effective, Neither effective nor ineffective, Ineffective, Very ineffective, Uncertain/Not applicable]
   a. Efficiency (cost effectiveness) of ERO Enterprise processes
   b. Standards Development
   c. Compliance Monitoring and Enforcement
   d. Assessments

3. Comments on Board Oversight
  ________________________________________________________________________
  ________________________________________________________________________
  ________________________________________________________________________

IV. Stakeholder Relations and Board Functioning

1. Please indicate your agreement or disagreement with each of the following statements about stakeholder relations. [Strongly agree, Agree, Neither agree nor disagree, Disagree, Strongly disagree, Uncertain]
   a. The Board listens to input from the MRC.
   b. The Board listens to input from NERC management.
   c. The Board listens to input from Regional Entities
   d. The Board works effectively with management.
   e. The Board maintains a positive working relationship with Federal regulators.
   f. The Board maintains a positive working relationship with State regulators.
   g. The Board maintains a positive working relationship with Canadian federal and provincial regulators.

2. [Board only] Please indicate your agreement or disagreement with each of the following statements board functioning. [Strongly agree, Agree, Neither agree nor disagree, Disagree, Strongly disagree, Uncertain]
   a. Board meetings are efficient.
   b. Board meetings are an effective use of my time.
   c. The frequency of Board meetings is appropriate.
   d. Board members communicate effectively with each other.
   e. The Board has established procedures to ensure meetings are able to be run effectively, including delivery of agendas and appropriate background material in time to prepare in advance of meetings.
3. Comments on Stakeholder Relations Board Functioning

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Final Comments/Suggestions/Requests

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Thank you for taking part in this important assessment.
2018 ERO Enterprise and Corporate Performance Metrics

Action
Review

Background
Each quarter, NERC management provides a summary of the status towards achievement of each of the 2018 ERO Enterprise Metrics. The status of each metric is reviewed and validated by NERC management as well as internal audit staff.

Attachments
1. 2018 ERO Enterprise Metrics: Third Quarter Status Presentation
Metric Status Definitions

Green
- Expected to meet by year-end (YE)

Yellow
- Monitoring closely: may or may not 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>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold 1</td>
<td>No Category 3 or above events</td>
<td>⬤</td>
<td>⬤</td>
</tr>
<tr>
<td>Target 1</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Target 2</td>
<td>Slope of trend line is negative</td>
<td>⬤</td>
<td>⬤</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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<tr>
<th></th>
<th>Data Trend</th>
<th>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold 1</td>
<td>No Category 3 or above events to study</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 1</td>
<td>Ongoing assessments for Category 2 and below events; no gaps identified</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 2</td>
<td>No gaps identified/no action plans needed</td>
<td></td>
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</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

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<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q2</th>
<th>Q3</th>
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<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No firm load outages over 300 MW due to resource or essential reliability services deficiency or common mode failures</td>
<td>![Green Circle]</td>
<td>![Green Circle]</td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>One EEA-3 issued, but did not lead to load shedding</td>
<td>![Green Circle]</td>
<td>![Green Circle]</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 and physical readiness
<table>
<thead>
<tr>
<th>Threshold 1</th>
<th>No load loss or disruption of BES operations due to cyber attack</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target 1</td>
<td>No load loss or disruption of BES operations due to cyber attack</td>
</tr>
<tr>
<td>Threshold 2</td>
<td>No load loss over 100 MW due to physical attack</td>
</tr>
<tr>
<td>Target 2</td>
<td>Final weighted average calculation will be provided in Q4</td>
</tr>
</tbody>
</table>
## Metric 4b: Rate of Cases Resulting in Malware Inside a Network or Device that Require Remediation

<table>
<thead>
<tr>
<th>Data Trend</th>
<th>Q2</th>
<th>Q3</th>
</tr>
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<tbody>
<tr>
<td><strong>Target 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data analysis still in progress*</td>
<td></td>
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*Data not available from existing sources – will propose an enhanced 2019 metric adjusted to take into account available data sources*
Metric 4d: Cyber and Physical Readiness

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q2</th>
<th>Q3</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>No data available in 2019*</td>
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</table>

*Data not available from existing sources – will propose an enhanced 2019 metric adjusted to take into account available data sources*
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
### Metric 5: Reduced Reliability Risk from Noncompliance

<table>
<thead>
<tr>
<th>Target</th>
<th>Data Trend</th>
<th>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>76% of all noncompliance was self-identified (Threshold is 75%, Target is 80%)</td>
<td><img src="#" alt="Green" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>Mitigation completion rates are 63.6% (2017), 89.9% (2016), and 99.9% (2015 &amp; older)</td>
<td><img src="#" alt="Yellow" /></td>
<td><img src="#" alt="Yellow" /></td>
</tr>
<tr>
<td><strong>Threshold 2</strong></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 3.4%</td>
<td><img src="#" alt="Green" /></td>
<td><img src="#" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 3</strong></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 3.9%</td>
<td><img src="#" alt="Yellow" /></td>
<td><img src="#" alt="Yellow" /></td>
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<tr>
<td><strong>Target 4</strong></td>
<td>Downward trend of repeat moderate and serious risk violations: 111 in 2016; 48 in 2017; 22 so far in 2018</td>
<td><img src="#" alt="Yellow" /></td>
<td><img src="#" alt="Yellow" /></td>
</tr>
</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

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<th>Data Trend</th>
<th>Q2</th>
<th>Q3</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>
<td>![Green Circle]</td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>1.4% increase for months in current year compared to full five year rolling average</td>
<td>![Yellow Circle]</td>
<td>![Red Circle]</td>
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</tbody>
</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%

<table>
<thead>
<tr>
<th>Threshold 1</th>
<th>Data Trend</th>
<th>Q2</th>
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<tbody>
<tr>
<td>Q3 2017 through Q2 2018; Misoperations rate was 7.5%</td>
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</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>Threshold 1</th>
<th>Data Trend</th>
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<tbody>
<tr>
<td>One event with load loss greater than 300 MW from human error</td>
<td>Q2</td>
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<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
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<tbody>
<tr>
<td>Number of transmission line outages per circuit caused by human error are not declining</td>
<td>Q2</td>
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<table>
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<tr>
<th>Target 2</th>
<th>Data Trend</th>
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<tbody>
<tr>
<td>Average number of events was fewer than the five-year average (average is 4 events; there was 1 event so far in 2018)</td>
<td>Q2</td>
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</table>
• **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
### Metric 6d: Number of Transmission Outages Due to AC Substation Equipment Failures

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q2</th>
<th>Q3</th>
</tr>
</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></td>
<td></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>Number of transmission line outages per circuit caused by AC substation equipment failures and failed AC circuit equipment are not declining</td>
<td></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 8.2 events; there was one event so far in 2018)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• **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>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>There has been continued sustained outages resulting from vegetation contacts, several have been submitted as possible FAC-003 violations</td>
<td>![Yellow Circle]</td>
<td>![Red Circle]</td>
</tr>
</tbody>
</table>
• **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

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NERC and all Regions are expected to operate within their respective financial performance parameters however, there is some uncertainty due to the transition of SPP</td>
<td><img src="Q2" alt="Circle" /></td>
<td><img src="Q3" alt="Circle" /></td>
</tr>
</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>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target 1</strong></td>
<td>Scoring for the Misoperations Information Data Analysis System Portal has been completed with a score that meets this metric. (Q2) Coordinated Functional Registration (CFR) current score does not meet this metric. Work in progress to resolve outstanding concerns. (Q3)</td>
<td><img src="green.png" alt="Green" /></td>
<td><img src="red.png" alt="Red" /></td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
<td>Contracts for 2018 completed and executed; licensing, managed services and hosting contracts completed and executed</td>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></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>Target 1</th>
<th>Data Trend</th>
<th>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey results not available until Q4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Metric 7d: Program Efficiencies**

- **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>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>Draft framework circulated</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>No deliverable for Q3</td>
<td>☐</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 investments in training are targeting leadership development and communications. The officer team continues their engagement in coaching and leadership training, and this coaching access is now 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 organization training plan was developed that includes a combination of classroom-based competency, technical, and industry training, offsite utility visits and e-learning. Planning is underway for 2019 to ensure NERC staff continue to have the required technical skills and competencies to meet the mission, and the training function has been realigned to report into the HR department, creating operational efficiencies and the ability to deliver more services internally and externally.

Planning has begun with the new CEO on a variety of initiatives to improve culture and employee engagement, including the creation of an Employee Advisory Council with diverse representation. As additional initiatives are planned and launched, the company will provide periodic updates to this committee.

The company is particularly focused on providing E-ISAC support on recruitment, staff development, and training and that department has experienced significant improvement in placements and retention during 2018, highlighted by the successful completion of a comprehensive search and placement of the Vice President and Chief Security Officer. HR expects to have the remainder of 2018 openings filled in Q4 and has developed a robust pipeline of candidates for the 2019 approved openings. HR holds routine E-ISAC leadership team meetings with key staff to anticipate challenges and needs and will continue to invest in the growth and maturation of the department.

Attrition rates in 2017 dropped to 9 percent, the lowest in several years. So far in 2018, we have seen attrition increase, but we expect continued stabilization as the organization fills key leadership roles and focuses on organizational structure and operational efficiencies.