

Agenda

Member Representatives Committee Pre-Meeting Informational Session Conference Call and Webinar

April 15, 2020 | 11:30 a.m. – 12:30 p.m. Eastern

Dial-in: 866-519-2796 | Conference ID: 1291933 | [Click to Join Webinar](#)

Introduction and Chair's Remarks

NERC Antitrust Compliance Guidelines*

Agenda Items

1. Update on NERC Efforts in Response to COVID-19
2. Revised Schedule and Preliminary Agenda Topics for the May 2020 Board, Board Committees, and MRC Meetings*
3. Overview of Policy Input Letter
 - a. Align Tool Delay and Establishment of Secure Evidence Locker System*

*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.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Member Representatives Committee (MRC)

Pre-Meeting and Informational Webinar
April 15, 2020

RELIABILITY | RESILIENCE | SECURITY



- Review schedule and preliminary agenda topics for:
 - May 13 Board Committee (open) meetings
 - May 14 MRC meeting
 - May 14 Board of Trustees
- Review policy input letter topics
- Receive updates on emerging and informational issues

Wednesday, May 13, 2020	
11:00-11:45 a.m.	Corporate Governance and Human Resources Committee Meeting — <u>Open</u>
12:30-1:30 p.m.	Technology and Security Committee— <u>Open</u>
1:45-3:00 p.m.	Finance and Audit Committee— <u>Open</u>
Thursday, May 14, 2020	
11:00 a.m.-1:00 p.m.	Member Representatives Committee Meeting— <u>Open</u>
1:30 p.m.-3:30 p.m.	Board of Trustees Meeting— <u>Open</u>

- Review Board Committees' Self-Assessment Survey Results
- 2020 ERO Enterprise Work Plan Priorities Update
- Update on Annual Review of Trustee Compensation
- Staffing and Recruiting Update

- E-ISAC Update
 - Strategic Plan Update
 - Preliminary 2021 Budget
- ERO Enterprise Business Technology Update
- Review Establishment of the ERO Enterprise Secure Evidence Locker

- Review and Recommend Acceptance of 2019 Financial Statement Audit Results
- Review and Recommend Acceptance of First Quarter Unaudited Statement of Activities
- Review and Recommend Approval of ERO Enterprise Evidence Locker Project Cost and Funding
- Approve Renewal of Capital Financing Agreement with PNC Agreement
- Update on 2021 Business Plan and Budget

- General Updates and Reports
 - Board of Trustees Nominating Committee Update
 - Business Plan and Budget Input Group Update
 - Regulatory Update
 - MRC Self-Assessment and MRC Effectiveness Survey Results Update
- Policy and Discussion Items
 - Responses to the Board's Request for Policy Input
 - Align Tool Delay and Establishment of Secure Evidence Locker System
 - Additional Policy Discussion of Key Items from Board Committee Meetings
 - MRC Input and Advice on Board Agenda Items and Accompanying Materials

- Technical Updates
 - Update on FERC Reliability Matters
 - Update on Cloud Computing
 - 2020 Summer Reliability Assessment Preview
 - 2020 State of Reliability Preview

- **Committee Membership and Charter Amendments**
 - Compliance and Certification Committee Charter Amendments
- **Report on May 12, 2020 Annual Meeting of NERC Trustees and Regional Entity Boards**
- **Board Committee Reports**
 - Accept 2019 Financial Statement Audit Results
 - Accept First Quarter Statement of Activities
 - Approve Renewal of Capital Financing Agreement with PNC Bank
 - Approve Align ERO Enterprise Evidence Locker Project Cost and Funding
- **Standards Quarterly Report and Actions**
 - Adopt Project 2016-02 Modifications to CIP Standards (CIP-002-6)
 - Adopt Project 2019-03 Cyber Security Supply Chain Risks
 - Adopt Project 2019-05 Modifications to PER-003-02

- **Other Matters and Reports**

- Discuss Policy Input and Member Representatives Committee Meeting
- Approve Regional Delegation Agreement
- E-ISAC Coronavirus Update
- 2020 ERO Enterprise Reliability Indicators Update
- Reliability Issues Steering Committee Update

- Update on NERC Efforts in Response to COVID-19
- Revised Schedule and Preliminary Agenda Topics for the May 2020 Board, Board Committees, and MRC Conference Calls
- Overview of Policy Input Letter
 - Align Tool Delay and Establishment of Secure Evidence Locker System

- **April 15:** Policy input letter issued
- **April 30:** Board and MRC agenda packages posted
- **May 6:** Written comments due on policy input topics and preliminary agenda topics
- **May 7:** Board and MRC presentations and policy input letter comments posted



Questions and Answers

Align Tool Delay and Establishment of Secure Evidence Locker System

Action

Information

Background

In 2014, the ERO Enterprise initiated a series of strategic efforts with the goal of improving and standardizing processes across the ERO Enterprise for the compliance monitoring and enforcement program (CMEP). As the ERO Enterprise continues to mature its risk-based approach for the CMEP, the need to develop a more comprehensive system to manage and analyze information is more acute.

Currently, each Regional Entity and NERC executes the CMEP supported by largely homegrown systems and evidence collection practices.¹ As a result, registered entity experience differs across the country and multi-regional registered entities have been highly frustrated by the range in Regional Entity practices.

To address these issues, the ERO Enterprise developed the Align tool and the ERO Enterprise Secure Evidence Locker (ERO SEL). That process brought to light significant security concerns related to evidence provided and generated in connection with CMEP activities. The ERO SEL system has been designed to address these issues. It is important to recognize that the CMEP evidence security issues identified in the implementation of Align exist with or without Align. The security of evidence under the current mix of regional systems is not acceptable today. Thus, the ERO SEL is a required step in all events and should not be viewed as simply a change to Align.

Together, these tools will provide a platform to enable harmonization of Regional Entity practices driving to a common registered entity experience, together with needed CMEP evidence security. To date, 53 CMEP processes have been harmonized and that work is ongoing. These efforts are also enabling alignment of documentation practices particularly as they relate to content of work papers.

There are two core pieces of this transformative set of projects (in addition to the CORES Registration System):

¹ These systems are unified by one of two “backbone” systems. One system provided by OATI is used by four Regional Entities and a second custom built system is used by two other Regional Entities. The information in these two systems are “synced” with a NERC-owned system for oversight and reporting purposes. Furthermore, these systems are also supplemented by various Regional work products, including auditor developed spreadsheets and word documents for data collection and organization which are collected and managed in differing ways with tools that have different security postures. Registration systems exist outside of the CMEP, as does the Reliability Standards repository. These two systems are therefore individualized for each Regional Entity.

1. The Align tool, a work and data management system built from a governance, risk, and compliance platform that, when implemented, will be used to manage all ERO Enterprise developed work products. Further, it integrates with CORES and includes a repository of Reliability Standards. In 2018, NERC selected a vendor for the Align tool. During the development process, in mid-2019, NERC paused the project to evaluate the impact of the sale of the vendor designing the Align tool to a private equity firm. After significant forensic work and additional information gathering, NERC has concluded that the risks associated with the vendor's ownership can be effectively managed through a combination of technical and process controls rather than relying on vendor ownership as a control. These controls include data encryption, access controls (both user IDs and multi-factor authentication), dispersion of content, with evidence housed in a separate tool, and significantly enhanced work products. Importantly, part of the change management process associated with the implementation of the Align tool includes strict retention and destruction policies, and training on documentation of findings and work papers to prevent the duplication in those documents of sensitive information that is housed outside of the Align tool. NERC will engage an independent third party to evaluate the final code to provide configuration management assurance that the Align tool is built as designed.
2. The Secure Evidence Locker (ERO SEL), hosted at NERC, is designed to facilitate the secure submission, review, and retention of evidence generated in connection with CMEP activities. Industry has provided very valuable and detailed support and insight in the development of this tool over the last year. The ERO SEL is a stand-alone system that will have no integration or network connection with the Align tool to increase security of both tools. Critical data protection is a significant concern for our industry. Developing and implementing the ERO SEL will harmonize the evidence collection processes across the ERO Enterprise. The proposed SEL architecture and operational model will adhere to the NIST 800-171 security control framework, established to protect Controlled Unclassified Information (CUI) in nonfederal systems, wherein Critical Energy Infrastructure Information (CEII) is classified as CUI. NERC believes this meets its commitment to establish a system that meets the "gold standard" for security of data. While the ERO will build and maintain the ERO SEL, registered entities may, if they so choose, build their own secure evidence lockers so long as they meet specified requirements for ERO Enterprise personnel access and data manipulation for analysis. NERC believes that the ERO SEL is a prudent and necessary response to the continuously evolving security landscape the industry faces.

The combined suite of tools (Align and the ERO SEL) will provide the ERO Enterprise with a secure, effective, and harmonized platform with which to execute its CMEP responsibilities. These new tools will allow the retirement of the existing outdated legacy systems in use at NERC and the Regional Entities, substantially increase the security of registered entity data and ERO Enterprise work products, enable better oversight of Regional Entity processes, improve the quality and security of reporting, and provide substantial registered entity convenience with the integration to the Align tool (but not to the ERO SEL) with the CORES registry and the standards repository.

ERO SEL Details

NERC Information Technology and the Project Management Office engaged Presidio—a long standing NERC vendor—to serve as a “general contractor” to design, build, implement, and service/maintain the ERO SEL. NERC is looking to complete this project and bring the ERO SEL online by the first quarter of 2021. In addition to designing and building the ERO SEL, NERC will purchase hardware and software that will be incorporated into the ERO SEL by Presidio. Presidio will also engage third-party subcontractors to assist throughout the project. NERC will engage a third-party to verify the code for the system meets NERC’s specifications before launch.

The ERO SEL will have the following functionality:

- Enable submission by authorized and rigorously authenticated Registered Entity users;
- Provide compartmentalized analysis of evidence in temporary, isolated, and disposable environments;
- Prohibit interfaces with any other systems, including Align;
- Encrypt immediately upon submission;
- Isolate submissions per entity;
- Prohibit extraction and backups; and,
- Prescribe proactive and disciplined destruction policies.

As part of its outreach efforts regarding the Align project, and following a series of discussions with industry regarding the structure and functionality of these tools, NERC will present details regarding the implementation process for the ERO SEL, related costs, and funding strategy. NERC will also seek policy input from its Member Representatives Committee on the security controls and related concerns, as well as the funding strategy for associated costs. NERC management will propose a combination of an operating contingency reserve draw and debt financing to fund the ERO SEL capital investment in 2020, which will maintain annual debt service levels equal to or less than previous debt service projections in future years, and a further draw from operating contingency reserves in 2021 to fund the Align delay costs.

NERC staff will seek approval of the investment in the ERO SEL and its intended financing approach from the Board of Trustees (Board) (preceded by review by two Board committees) in May 2020. Upon Board approval NERC will also seek approval by FERC of the associated 2020 budget variance required to acquire and fund the ERO SEL.

NERC expects to delay implementation of the ERO SEL and the Phase 1 Align release (focused on registered entity self-reporting and mitigation of noncompliance) until Q1 2021 to allow for fulsome discussion on the May 14, 2020, Board conference call, FERC approval, and recognizing the potential delays that could result from supply chain disruption due to the coronavirus health crisis.