Agenda
Member Representatives Committee
May 8, 2013 | 1:00-5:00 p.m. Eastern

Sheraton Boston Hotel
39 Dalton Street
Boston, Massachusetts 02199
Meeting Room: TBD

Introductions and Chair’s Remarks

NERC Antitrust Compliance Guidelines and Public Meeting Notice

Consent Agenda
1. Minutes* — Approve
   a. April 9, 2013 Conference Call
   b. February 6, 2013 Meeting
2. Future Meetings*
3. Nominations*
   a. Request Slate of MRC Members to Serve on the Board of Trustees Nominating Committee
   b. Nominate Slate for the Electricity Sub-Sector Coordinating Council (ESCC)
   c. Recommend a Slate of Stakeholder-based Members to the Reliability Issues Steering Committee (RISC)
   d. MRC Special Elections

Regular Agenda
4. Remarks from Gerry Cauley, NERC President and CEO
5. Responses to the Board’s Request for Policy Input*
   a. Reliability Assurance Initiative (RAI)
   b. Section 215 Criteria
6. Cybersecurity
   a. Executive Order/Presidential Policy Directive on Cybersecurity
   b. Proposed Changes to the ESCC and ES-ISAC
7. **Policy Discussion of Key Items from Board Committee Meetings***
   
   *Staff presentations and primary discussions on the issues listed below will be held **ONLY** in the Board Committee meetings. Further discussion will be held in the MRC meeting only if necessary.*

   a. Finance and Audit Committee
      i. Risk Management and Internal Controls
   
   b. Compliance Committee
      i. FERC Order and CIP Transition
      ii. Reliability Assurance Initiative (RAI) – Roadmap and Workshop Feedback
      iii. Find, Fix, Track, and Report (FFT) – Discussion of March 15 Filing
      iv. Paragraph 81 – Phase 1b
   
   c. Standards and Oversight and Technology Committee
      i. Bulk Electric System (BES) – Schedule through June
      ii. Operating Personnel Communications Protocols – COM-003-1
      iii. Adequate Level of Reliability (ALR) Definition

8. **2014 NERC Business Plan and Budget***

9. **Update on 2011 Southwest Outage Remediation Activities***

10. **Regulatory Update***

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*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 Carol Chinn convened a duly-noticed open meeting by conference call and webinar of the North American Electric Reliability Corporation’s Member Representatives Committee (MRC) on April 9, 2013 at 11:00 a.m. Eastern. The meeting provided the MRC and other stakeholders an opportunity to preview proposed agenda topics for the MRC, Board of Trustees (Board) and Board Committees meetings scheduled to be held May 8-9, 2013 in Boston, Massachusetts. During the meeting NERC staff also provided informational updates on ERO initiatives that are not scheduled to be discussed in Boston. The meeting announcement, agenda, and list of attendees are attached as Exhibits A, B, and C, respectively. MRC attendance/roll call and quorum determination were not necessary since no actions were taken.

**NERC Antitrust Compliance Guidelines and Public Meeting Notice**
Holly Mann, committee secretary, directed the participants’ attention to the NERC Antitrust Compliance Guidelines and the public meeting notice included in the agenda.

**Improved Coordination and Efficiencies among the Board, Board Committees, and MRC**
Ms. Chinn shared support for the recent coordination, collaboration and improvements underway in preparation for the upcoming quarterly meetings of the Board, its committees and the MRC. The MRC is encouraged to attend and participate in the Board committee meetings that will occur during the morning of May 8 in Boston. Additional discussion of the issues that are presented during the committee meetings will occur during the MRC’s meeting on the afternoon of May 8.

**Review of Proposed MRC Agenda Items for May 8, 2013**
Ms. Chinn reviewed the preliminary MRC agenda items, via a slide presentation, for the upcoming May 8 meeting in Boston (Exhibit D), including:

- Discussion and approval or recommendation of membership slates for the Board of Trustees Nominating Committee (BOTNC), the Electricity Sub-Sector Coordinating Council (ESCC), and the Reliability Issues Steering Committee (RISC);
- Discussion of the 2014 NERC business plan and budget;
- Update on Cybersecurity activities;
- Discussion of the responses submitted to the policy input request from the Board; and
• Additional discussion of the issues presented during the Board committee meetings on May 8.

**Review of Proposed Board of Trustees and Board Committees’ Meeting Agenda Items**
Ms. Chinn and NERC staff reviewed the preliminary agenda items, via a slide presentation, for the Board and Board Committee meetings scheduled for May 8-9 in Boston (Exhibit D). Ms. Chinn encouraged MRC members to review all agenda materials for the Board and Board committee meetings, once available, and attend as many of these meetings as possible, in advance of the MRC’s meeting on May 8.

**Schedule of Events for Upcoming Meetings**
The draft schedule of events for the upcoming meetings in Boston was included in the agenda package for this call.

**Informational Updates**
NERC staff provided timely updates on the following topics: managing reliability risk, specifically for winter weather; a preliminary analysis of workforce capability; updates to the bulk electric system (BES) exception process; and a preview of the 2013 reports on the State of Reliability and the Increasing Dependence on Natural Gas for Electric Power.

**Policy Input**
Ms. Chinn announced that the Board’s request for policy input is scheduled to be released today and will include three topic areas: 1) implementation activities underway to mature the RAI program; 2) application of the draft Section 215 criteria to the NERC 2014 business plan and budget; and 3) restructuring of the Electricity Sector Information Sharing and Analysis Center (ES-ISAC) and the Electricity Sub-Sector Coordinating Council (ESCC). Policy input is due by May 1 to Holly Mann, committee secretary.

**Proxy Reminder**
Ms. Chinn reminded MRC members that proxy notifications for the May 8 meeting must be submitted in writing to Holly Mann. It is important for the MRC to have a quorum present at the May 8 meeting for the recommendation and/or approval of the executive level slate of the ESCC and the stakeholder-based membership of the RISC.

**Meeting Adjourned**
There being no further business, the call was terminated at 12:57p.m. Eastern.

Submitted by,

Holly Mann, MRC secretary
Chair Carol Chinn called to order the North American Electric Reliability Corporation (NERC) Member Representatives Committee (MRC) meeting on February 6, 2013 at 1:00 p.m., Pacific. The meeting announcement, agenda, and list of attendees are attached as Exhibits A, B, and C, respectively.

NERC Antitrust Compliance Guidelines and Public Meeting Notice
Holly Mann, committee secretary, called attention to the NERC antitrust compliance guidelines and the public meeting notice. Any questions regarding these guidelines or notice should be addressed to NERC’s general counsel, Charles Berardesco.

Introductions and Chair’s Remarks
Ms. Mann declared a quorum present with the following recognized proxies:

- Scott Tomashefsky for John Twitty - Transmission Dependent Utility
- Scott Henry for Ray Phillips – Regional Entity – SERC
- Stacy Dochoda for Gordon Gillette – Regional Entity - FRCC (non-voting)

Ms. Chinn acknowledged and welcomed vice chair John A. Anderson, the NERC Board of Trustees, attending staff from the Federal Energy Regulatory Commission (FERC), and the new and returning members of the MRC. Ms. Chinn provided formal recognition of John Q. Anderson, as the departing chairman of the NERC Board. Past chairs of the MRC, Steve Naumann, Ed Tymofichuk, Bill Gallagher and Scott Helyer, contributed their remarks in recognition and appreciation of Mr. Anderson.

Minutes
The MRC approved, on a motion by Steve Whitley and seconded by Mike Smith, the draft minutes of its January 16, 2013 conference call and November 6, 2012 meeting (Exhibits D and E, respectively).

Election of Board of Trustees
Jan Schori, chair of the Board of Trustees Nominating Committee, provided a report and recommendation for the election of three NERC Board members for the class of 2016. Ms. Chinn called
for a vote of the MRC for the election of Robert Clarke and Doug Jaeger and the re-election of Dave Goulding. Ms. Chinn confirmed that all of the nominees had been elected unanimously and congratulated the new and returning Board members.

**Remarks from Gerry Cauley, NERC President and CEO**

Mr. Cauley announced the start of a new three-year business planning cycle for 2013-2016 and shared associated updates to the ERO Enterprise Strategic Plan. The unified planning process, between NERC and the Regions, continues to be focused on ensuring reliability, increasing accountability and making continuous improvements through the use of a risk-based strategy.

Mr. Cauley recognized that one of the greatest challenges during the business planning cycle is determining what to focus on and accomplish to ensure the reliability of the bulk power system (BPS). Over the next three years, the ERO will focus on identifying significant risks that can be understood and measured so that strategies, metrics and actions are developed to prevent the occurrence of large scale events. Risks associated with certain rare occurrences will also be considered as part of the business planning process when there is a likelihood of significant consequence. The ERO also plans to collect and analyze data that can be shared with industry and used to build a comprehensive portfolio of known risks, gaps, and controls. Once risks are identified, then resources can be prioritized and applied through program/focus areas.

As a risk-based strategy is employed over the next three years, the ERO will collaborate more with industry and stakeholders. The three year planning process will be used to link solutions and measures, from various sources, back to technical issues to show impact, improvement and benefit to reliability. Industry can expect to receive earlier opportunities to provide input into the draft business plans and budgets from NERC and the Regions.

Mr. Cauley summarized several goals that the ERO Enterprise is striving to accomplish during 2013-2016:

A. Standards which are responsive to identified risks, clear, timely, practical and cost effective.

B. Compliance actions which are timely and transparent through efficient processes and effective use of discretion.

C. Effective industry monitoring, detecting, correcting, reporting, and preventing of reliability and security issues.

D. Accountability for violations creating serious risk to the BPS.

E. Registration that is functional, flexible and commensurate with risk and certification that ensures capabilities.

F. Risks which are identified, prioritized, and maintained in a risk profile.
G. Risk control initiatives which are implemented.

H. Qualified staff for key ERO positions.

I. A secure, reliable infrastructure to support ERO-wide business operations to include an effective internal risk management and controls.

Mr. Cauley welcomed additional feedback on the draft ERO Enterprise Strategic Plan for 2013-2016 during a 30-day comment period that is scheduled to commence later this month.

The following questions and comments were provided by the MRC regarding this topic:

- Early comment opportunities in this year’s strategic planning cycle helped stakeholders feel part of the process. In return, there will be a better informed product and success will be shared by many.

- Earlier planning with NERC also provides industry with an opportunity to appropriately allocate resources in alignment with the ERO to achieve greater reliability.

- It is promising to hear that the strategic plan is tied closely to the corporate goals and metrics. There needs to be a continued strong correlation between the strategic plan and the activities of the standing committees. It is important to recognize the resource implications of the plan.

- It is important to leverage the work of the Reliability Issues Steering Committee (RISC) as part of this process.

- Changes to the strategic plan elements and initiatives should be carefully considered at this point. Decisions made by the NERC Board may also require adjustments to be made by the Regional Entity Boards that have partnered in this process.

- The strategic plan should include a statement about when and how progress will be reported out on a routine basis so stakeholders know when to expect an opportunity to comment on the efforts underway.

- The strategic plan should have clear intervals for reaching near term objectives and deliverables. Is there a way to determine where the ERO Enterprise should be in six months, one year or at the end of three years? For example, how will the ERO know when it has reached a risk-based balance in the standards reform? The standards objectives do not indicate how many existing requirements should be modified or eliminated.

- There should be a separate set of procedures and practices for working with risks that do not rise to the need of standards development and do not require as much processing through the RISC, NERC, etc.
• Event analysis reporting and the availability of information for stakeholders should be an elevated measure of success for 2013. Confidentiality issues need to be addressed so they do not continue to hinder the reporting and sharing process.

• Is NERC’s mission to ensure reliability or to ensure an “adequate level of reliability”?

• NERC is asked to consider the impact to industry and stakeholders, especially at the committee level, when looking to implement new work products and projects.

• There is concern with the 2013 measure that is aimed at completing and filing specific standards by the end of the year. This timeline should not reduce or constrain industry’s view or role in the standards development process.

Mr. Cauley clarified that NERC is using a risk analysis and data driven approach to reach an adequate level of reliability. He recognized that not every risk will be addressed by the development of a standard. Mr. Cauley also confirmed that additional details regarding NERC’s corporate goals, objectives and metrics will be forthcoming in the initial draft of the business plan and budget. There will be ongoing communication regarding the links between the goals and resource expectations and demands among industry.

ERO Scope Input Group
Mike Walker, senior vice president and chief financial and administrative officer, NERC, summarized the MRC ERO scope input group’s efforts to enhance the timeliness and quality of input submitted by stakeholders to the annual business plan and budget (BP&B) process. Mr. Walker announced the recent Finance and Audit Committee’s (FAC) posting of the draft BP&B schedule. The schedule now includes standing committees’ meeting dates, as a point of reference. Several significant milestones that are expected to occur in the upcoming weeks include: 1) publishing the first drafts of the 2014 NERC and Regional business plans and budgets, and 2) describing how the activities being undertaken and resources being allocated are linked to the goals and objectives in the ERO Enterprise Strategic Plan, 2013-2016.

Bill Gallagher, as the lead member representative of the input group, shared with the MRC the possibility of maintaining an ad hoc input group with NERC and the Regions to provide timely input and influence in the business planning and resource allocation of the ERO Enterprise. The small ad hoc group of three to five members would provide input at key strategic times throughout the BP&B process. The group would have no collective authority to act on behalf of the MRC, but would merely assist with the facilitation and early alignment of information. This group approach would not limit the individual contributions provided by other stakeholders or contributors among industry.

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1 MRC ERO scope input group members include: Bill Gallagher, Carol Chinn, John Anderson, Steve Naumann, Mike Penstone and Ed Schwerdt.
Ed Schwerdt, president and CEO, Northeast Power Coordinating Council Inc., confirmed that the early interaction of the input group carried significant weight in the drafting of the current strategic plan, goals and objectives for the ERO Enterprise. The group helped to align stakeholder reliability priorities, offered direct insight on the potential impact to industry, and commented on proposed resource allocations for the ERO.

Ms. Chinn requested three to five volunteers from the MRC to participate in a BP&B input group going forward. The following questions and comments were provided by the MRC regarding this topic:

- The MRC has a responsibility, per the NERC Bylaws, to provide input to the Board in this area. This is an important role of the member representatives that requires a delicate balance with the Board, its committees, NERC staff and other stakeholders.
- A responsibilities document may help to lay out the roles and activities of the input group and limit further misunderstanding with other stakeholder-based initiatives.
- It is unclear whether the initial ERO scope input group, that was initiated as part of the MRC’s August 2012 meeting, will continue under the BP&B input group effort.

Ms. Chinn confirmed that the recommendation is to continue the existing informal effort that is primarily focused on providing stakeholder input into the business planning and budget process. There will be an opportunity for both existing and new MRC members to become involved and coordinate closely with the FAC and the RISC.

Mr. Cauley and other trustees cautioned against competing or redundant interests and initiatives among the various stakeholder-based efforts, such as the work being invested by the RISC and the BP&B input group. There may be a future need to formally differentiate or map out the activities shared or linked among the various groups.

Mr. Walker confirmed the next phase of the business planning cycle includes the use of the Section 215 criteria to determine what ERO activities will be undertaken by NERC and the Regions over the next three years.

**Reliability Assurance Initiative**

Earl Shockley, senior director of compliance operations, NERC, shared the following four key points regarding the status of the reliability assurance initiative (RAI):

1. Find, Fix, Track and Report (FFT) next phase – NERC plans to file its one year report to FERC on March 15.
2. FERC filing strategy – NERC will not proceed with an RAI-related filing to FERC in March.
3. RAI outreach strategy – Open dialogue with the Regions, MRC and various trade associations has been invaluable and will continue.
4. RAI program – As RAI evolves from its conceptual design phase additional opportunities will be available to discuss implementation and business considerations. NERC is proposing to hold technical conference style discussions prior to the next MRC meeting in May 2013.

Mr. Shockley shared several milestones anticipated for the RAI program for the remainder of the calendar year:

**Quarter 1 (by April)** – The FFT filing to FERC will be completed and the transition of the compliance application notice (CAN) into the reliability standard audit worksheet (RSAW) tool will be underway. All conceptual whitepapers and change state element descriptions will be completed.

**Quarter 2 (by July)** - Compliance tools will be evaluated and consolidated to include a re-designed RSAW tool and annual implementation plan.

**Quarter 3 (by September)** - Uniform implementation and an audit planning process will be deployed.

**Quarter 4 (by year end)** - Criteria for compliance and enforcement staff to address lesser risk issues will be in place.

Sonia Mendonca, assistant general counsel and director of enforcement, NERC, provided an update on the one year FFT filing to FERC and noted enhancements to the program to maximize its utilization and efficiency for NERC and the Regions. Improvements are focused in two areas: 1) streamlining the processing aspect by encouraging Regional Entities to post FFTs instead of submitting monthly filings to FERC, and 2) improving NERC’s sampling of the FFTs during the same 60 day period that FERC conducts its review.

NERC is determining the benefit and impact that may be associated with increasing the scope of issues that qualify for FFT treatment. Consideration is being given to the submittal/posting of FFTs with issues that are not fully mitigated yet, but may have a near term mitigation timeframe in place. Additionally, consideration is being given to the submittal/posting of moderate risk issues for entities with good compliance practices already in place. Going forward, NERC plans to submit an annual informational filing to FERC with a summary of the successes and challenges experienced through the FFT program and in coordination with the new RAI initiative.

The following questions and comments were provided by the MRC regarding this topic:

- There is concern that NERC’s messaging implies a problem exists with entities self-reporting and that the recent changes to the FFT program will improve upon a practice that is already a regulatory responsibility of entities.
- Careful consideration should be given to the way that the FFT program is being coupled with the RAI process. Reduced paperwork and efficiencies felt early on by NERC and among the Regions may not necessarily be felt as rapidly by industry, at least not until RAI matures. It is
perceived that the existing documentation practices and procedures will have to remain in place for a number of years as the FFT program waits on the implementation of RAI.

- As CANs are merged into RSAWs, these new drafts should be posted for industry comment.
- NERC is urged to remember the burden on industry to implement RAI during the same timeframe that the new standards reform work is underway.
- All eight Regional Entities are in support of the RAI process and will continue to fully utilize the FFT.
- There are still questions around clarity of FFT integration into RAI and impact to Regional Entities and Registered Entities. NERC is encouraged to reinforce in its filing to FERC the need for Regions to more aggressively apply FFT in the field.
- NERC and the Regions must remain consistent in their approach to RAI. Differing pilot efforts among the Regions have the potential to become a distraction to the overall success of RAI.
- There is interest in knowing when a regional auditor will be able to perform FFT in the field.
- NERC is asked not to rely on the FFT process when there is a genuine disagreement over whether a standard was violated.

Mr. Cauley clarified that NERC is not questioning the extremely high rate of self-reporting from entities. There has always been a small percentage that struggle with what is acceptable to report and how and when to document and submit, etc. FFT remains a positive incentive for all entities to self-report and self-monitor.

Ms. Mendonca confirmed that NERC reviews all FFTs that are submitted, especially when there are legitimate disagreements about what a standard means or requires. If NERC determines that a violation does not exist then the submission is dismissed.

**Standards Process Reform**

Mark Lauby, vice president and director of standards, NERC, referenced the presentation he provided earlier during the Standards Oversight and Technical Committee meeting and asked for additional questions regarding the current standards process reform. No further comments or questions were offered by the MRC.

**Standards Process Input Group (SPIG)**

Scott Helyer, past chair of the MRC and current member representative, reported that participants of the SPIG agreed that the task placed before them had been accomplished and he recommended that the group be retired.
Mr. Cauley shared his appreciation for the work invested by the SPIG in response to improving the standards development process and supported Mr. Helyer’s recommendation. Ms. Chinn confirmed the retirement of the SPIG.

**Policy Input for Paragraph 81**

Laura Hussey, director of standards development, NERC, presented the 2013 work plan dedicated to meeting the obligations that were set forth in 2012 to address the standards transformation.

In 2013, NERC plans to review a number of individual requirements and sub-requirements by grouping/family of standards to determine what can be considered for retirement or revision as part of phase two of Paragraph 81. The list of requirements and standards undergoing review must take into account any revisions or improvements that may already be underway by the industry, but may not yet be enforceable (e.g., critical infrastructure protection standards).

Going forward, standard drafting teams will have criteria to perform an evaluation of all requirements to determine which do not significantly contribute to reliability. Industry will also have the opportunity to provide another layer of review during the posting and ballot periods going forward.

For the remainder of 2013, NERC will continue the gradual consolidation of requirements and the drafting teams will document (and post) their evaluation of these requirements against the Paragraph 81 criteria. NERC will also continue to provide quarterly reports on the progress made towards consolidating and retiring requirements.

The following questions and comments were provided by the MRC regarding this topic:

- Industry has not identified all of the existing requirements that need to be considered for retirement and/or modification under Paragraph 81. It was questioned whether the whitepaper completed by the drafting team addresses the requirement in FERC’s order for a detailed technical analysis of any proposed retirements/modifications with respect to the 30+ requirements going before the Board for action on February 7.

- There is concern about asking the Board to approve a response to the Paragraph 81 issue, in a filing to FERC, when the number of modifications or retirements cannot be confirmed and may not be as significant of a percentage as some have been led to believe.

- The effective date of retirement for many of these requirements may not occur until 2015 or later, once undergoing drafting team review, NERC Board approval and filing with FERC. The Board is encouraged to engage in a review of the Paragraph 81 situation to determine if this effort is sufficiently meeting the original vision.

- It is still unclear how NERC intends to engage industry resources in the near term to maximize the benefits to Registered Entities. Less requirements and more streamlined processes will assist industry across a number of NERC initiatives, to include Paragraph 81. The MRC needs to
be updated regularly on this project so that members can regularly engage with the drafting team(s) throughout the year.

Ms. Hussey confirmed that FERC has not required that all proposed retirements be included in one filing. Some requirements will take longer to review before they can be proposed as candidates for retirement. Other requirements may need to be mapped to existing work or potentially merged before being fully retired. Issuing a hasty phase two effort may result in the same standard undergoing revision by multiple drafting teams. Ms. Hussey also recognized that additional technical justification, for the retirement of the 30+ requirements presented to the Board, may need to be included in NERC’s petition that is filed with FERC.

Policy Input for Select Standards Projects
Mr. Lauby requested further comments or policy input on the following projects: Operating Personnel Communications Protocols (COM-003-1), Bulk Electric System (BES) Definition, Balancing Authority Reliability-based Controls (BARC-BAL-012) and Geomagnetic Disturbance.

The following questions and comments were provided by the MRC regarding this topic:

- Since standards can apply to elements that are not in the BES, how are exclusions considered in terms of applicability to reliability standard(s)? How are new elements considered in the areas of compliance and enforcement?

- The work on COM-003 does not need to continue given the sufficiency of the work already accomplished with COM-002 and the guideline developed by the operating committee in response to the recommendations from the 2003 blackout. Requiring three-part communication as a standard may have unintended consequences for some entities. Looking back at the 2003 blackout, what would it have meant to have this standard in place? It is estimated that it would have increased the restoration time that was undertaken by 25%. Is that the right direction to take for reliability standards?

- In preparing to receive a response from FERC, is NERC developing a drafting team to address GMD?

Holly Hawkins, assistant general counsel, NERC, noted that guidance is under development for case-by-case exclusions from the BES.

Mr. Lauby confirmed that NERC is participating with the GMD task force, and not initiating a pre-drafting team, to develop operating approaches and conduct a conference in the upcoming weeks to engage industry.

Reliability Issues Steering Committee (RISC)
Chris Schwab, vice president and chief compliance and risk officer for Dominion and chair of the RISC, presented an initial report of the committee’s activities and draft recommendation that is intended for
action by the Board on February 7. Ms. Schwab recognized that the risk priorities identified by the committee are the result of subjective analysis and expert judgment of its members. The RISC is preparing to conduct a detailed gap analysis of its higher risk priorities, those that affect the entire ERO, and devise problem statements that will specifically identify projects and yield results. The RISC is still focused on identifying risks to the reliability of the BES and not on determining what is within NERC’s scope or purview. The recommendation to the Board includes a suggestion to direct the committee to continue on its path of prioritizing issues, performing analysis and influencing the planning that will make a difference to reliability.

Ms. Schwab also commented on the increasing inefficiency to accept and respond to all reliability issue nomination forms. There has been an influx of issues submitted to the committee that are just out of scope. The initial practice of posting and discussing all nominations among the RISC is quickly becoming inefficient as time and resources are consumed over issues that are determined to be out of scope.

The following questions and comments were provided by the MRC regarding this topic:

- The ranking of issues is important, but how far should the RISC go with recommending that the Board instruct its standing committees on how to incorporate priorities into committee planning initiatives. The RISC is one of many sources of input.

- How will the Board approval of the RISC recommendation be implemented going forward, especially for the standing committees? Some of the recommended actions for the Board may be premature and will need to be considered. This is a decision support tool that may need to be beta tested using a variety of sources and data before knowing fully how it will be integrated and utilized.

- Several members confirmed that the progress of the RISC, in terms of its chartered responsibilities, is what the SPIG originally envisioned. The prioritization of issues and the recommendations that are then made to the Board are within the boundaries of the RISC charter.

Ms. Schwab noted that the RISC’s work provides the Board with a framework to consistently link risk prioritization with the numerous planning efforts taking place across the committees. NERC and the RISC, which includes the chairs of the committees, are prepared to act on the Board’s response to the prioritization of issues and the recommendation.

**Future Agenda Topics for 2013**

Ms. Chinn asked the members to consider how the MRC might continue its effective communication with the Board during 2013. The MRC has a responsibility to provide policy input on key issues and chooses to actively participate in working groups designed to garner specific detail and perspective from the sectors. Are there other tools that the MRC should employ to assist in meeting this responsibility? Are there specific agenda items of topics that should be considered for the MRC and
Board meetings in 2013? The following questions and comments were provided by the MRC regarding this topic:

- This is a brainstorming activity for the MRC to determine if the committee is concentrating on the right things and bringing before the Board the input that is needed to make informed decisions.
- The MRC has successfully formed its working groups by defining scope and executing purpose to deliver result(s). The MRC then disbands these groups upon completion of the task at hand. These input groups have benefit and are essential to the MRC and the Board.
- There is appreciation for the policy input request that comes from the chairman of the Board, but it may improve responses if the request was more descriptive and not too open ended.

Ms. Chinn invited the members to participate further on this topic through an electronic survey that will be issued following this meeting.

**Future Meetings**
Ms. Chinn referenced a change in location for the May 8, 2013 MRC meeting from Philadelphia, Pennsylvania to Boston, Massachusetts. The following are future MRC and NERC Board of Trustees meeting dates and locations:

- May 8–9, 2013 – Boston, Massachusetts
- August 14–15, 2013 – Montreal, Canada
- November 6–7, 2013 – Atlanta, GA
- February 5–6, 2014 – Phoenix, AZ

**Update on Regulatory Matters**
Ms. Chinn invited MRC members with questions or concerns regarding additional regulatory matters to meet with Charles Berardesco, senior vice president and general counsel, NERC, at the conclusion of the meeting.

**Adjournment**
There being no further business, the meeting terminated at 5:10 p.m., Pacific.

Submitted by,

Holly Mann
Secretary
Future Meetings

**Action Information**

**Summary**
The below are the future meetings as approved by the NERC Board on May 11, 2011.

**2013 Dates**
- August 14-15 Montreal, Canada
- November 6-7 Atlanta, GA

**2014 Dates**
- February 5-6 Phoenix, AZ
Request a Slate of MRC Members to Serve on the Board of Trustees Nominating Committee

**Action**
Request a slate of five MRC member volunteers to serve on the Nominating Committee for 2013.

**Background**
On May 8, Chair Chinn will ask the MRC for volunteers to serve on the Board of Trustees Nominating Committee (BOTNC) for 2013. The BOTNC will recommend nominees for election/re-election to the NERC Board of Trustees (Board) at the Member Representatives Committee meeting in February 2014. Dave Goulding will chair the Nominating Committee for 2013.
Nominate Slate for the Electricity Sub-Sector Coordinating Council

**Action**
Approve the proposed slate.

**Background**
The ESCC fosters and facilitates the coordination of sector-wide activities and initiatives to improve the security of North America’s critical infrastructure and requires the participation of CEO-level members who serve for two-year terms. At this time, two of the members’ terms are expiring on June 1, 2013.

In accordance with the ESCC Charter, the MRC is responsible for the solicitation of nominations and the proposed slate of the executive level members. Nominations are requested annually and the MRC chair and vice chair assemble a proposed slate of candidates to submit to the MRC for its approval.

**Summary**
The MRC will meet May 8, 2013 to discuss and approve the following slate of executive level members. The MRC chair and vice chair recognize the unique opportunity to maintain Canadian representation on the ESCC and are proposing to include Mr. Marcello as an additional member this term.

**Electricity Sub-sector Coordinating Council (ESCC) Membership - June 1, 2013**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Term</th>
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<tbody>
<tr>
<td>Gerry W. Cauley</td>
<td>President and CEO, North American Electric Reliability Corporation</td>
<td>NERC Board of Trustees decision</td>
</tr>
<tr>
<td>Paul F. Barber</td>
<td>Member, NERC Board of Trustees</td>
<td>NERC Board of Trustees decision</td>
</tr>
<tr>
<td>John C. Procario</td>
<td>President and CEO, American Transmission Company, LLC</td>
<td>May 2010 - June 2014</td>
</tr>
<tr>
<td>Kevin G. Wailes</td>
<td>Administrator and CEO, Lincoln Electric System</td>
<td>May 2012 – June 2014</td>
</tr>
<tr>
<td>Duane D. Highley</td>
<td>President and CEO, Arkansas Electric Cooperatives, Inc.</td>
<td>May 2012 – June 2014</td>
</tr>
<tr>
<td>Charles Abell</td>
<td>Chair, Critical Infrastructure Protection Committee, NERC</td>
<td>January 2012 - December 2013</td>
</tr>
<tr>
<td>Terry Boston</td>
<td>President and CEO, PJM Interconnection</td>
<td>June 2013 - May 2015</td>
</tr>
<tr>
<td>Bill Drummond</td>
<td>Administrator and CEO, Bonneville Power Administration</td>
<td>June 2013 - May 2015</td>
</tr>
<tr>
<td>Carmine Marcello</td>
<td>President and CEO, Hydro One Inc.</td>
<td>June 2013 - May 2015</td>
</tr>
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</table>
Recommend Slate of Stakeholder-based Members to the Reliability Issues Steering Committee (RISC)

**Action**
Recommend the existing stakeholder-based (MRC and At-Large) members serve full two-year terms until May 2014.

**Background**
As defined by the RISC Charter, the MRC during its May meeting reviews and recommends to the Board a slate of stakeholder-based members to the RISC, after which the Board then appoints the committee-based members to the RISC and approves all RISC members to serve for two-year terms, where half of the terms will be staggered.

Chris Schwab, chair of the RISC informed the MRC chair and vice chair of her interest to maintain the current RISC membership since the eight stakeholder-based members are still in the first year of their two-year terms.

**Summary**
The MRC will meet May 8, 2013 to discuss and recommend the following slate of existing stakeholder-based members to RISC continue their terms until May 2014.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Chris Schwab, At-Large Chair</td>
<td>Vice President, Chief Compliance and Risk Officer, Dominion Resources Services</td>
<td>May 2014</td>
</tr>
<tr>
<td>2. Sylvain Clermont, At-Large Member</td>
<td>Manager of Neighboring Systems, Hydro-Qubec TransEnergie</td>
<td>May 2014</td>
</tr>
<tr>
<td>3. Peter Flynn, At-Large Member</td>
<td>President, US FERC-Regulated Businesses, National Grid</td>
<td>May 2014</td>
</tr>
<tr>
<td>4. Scott M. Helyer, MRC Member</td>
<td>Vice President, Transmission, Tenaska, Inc.</td>
<td>May 2014</td>
</tr>
<tr>
<td>5. Jason L. Marshall, MRC Member</td>
<td>Director, Reliability Compliance, ACES Power Marketing</td>
<td>May 2014</td>
</tr>
<tr>
<td>6. Robert A. Schaffeld, MRC Member</td>
<td>Vice President, Transmission, Southern Company Services, Inc.</td>
<td>May 2014</td>
</tr>
<tr>
<td>7. Michael L. Smith, MRC Member</td>
<td>President and CEO, Georgia Transmission Corporation</td>
<td>May 2014</td>
</tr>
<tr>
<td>8. John Twitty, MRC Member</td>
<td>Executive Director, Transmission Access Policy Study Group</td>
<td>May 2014</td>
</tr>
</tbody>
</table>

**Enclosed Attachment**
The letter, dated April 17, 2013, from Chris Schwab to the Member Representatives Committee.
April 17, 2013

Re: 2013-2015 Membership to the Reliability Issues Steering Committee (RISC)

NERC Member Representatives Committee (MRC):

As defined by the August 2012 RISC Charter, the NERC Board of Trustees (Board) and MRC are expected in advance of their annual May meetings to form a nominating committee to solicit a pool of candidates for membership to the RISC. Then, during its May meeting, the MRC reviews and recommends to the Board a slate of stakeholder-based members to the RISC, after which the Board then appoints the committee-based members to the RISC and approves all RISC members to serve for two-year terms, where half of the terms will be staggered.

Over the past nine months, the RISC has developed a process for prioritizing risks of strategic importance to the bulk power system (BPS). The RISC has assisted the Board, NERC standing committees, NERC staff, regulators, Regional Entities, and industry stakeholders in establishing a common understanding of the scope, priority, and goals for the development of solutions to address reliability issues and risks. In doing so, the RISC members have established a successful framework for steering, developing, formalizing and organizing recommendations to help focus resources across the ERO on improving reliability. The existing members of the RISC have been instrumental in the growth and nurturing of this initiative, and as chair of the RISC, I would like to see our success and the continuity of our progress continue.

As the timeframe approaches for initiating the annual nomination process, all current RISC members are still in the first year of their two-year terms. Replacing members at this time would result in shortened terms for some members. Additionally, it could disrupt continuity, which would be counter to the original goal that led to the instituting of the staggered-term requirement. As such, the RISC would like to offer an alternate approach that utilizes the existing membership and begins staggering of terms in 2014.

2013-2015 Membership Recommendation:

We recommend the MRC have all stakeholder-based (MRC and At-Large) members serve their full two-year terms. Then, in 2014, the MRC can consider reappointing roughly half the existing stakeholder-based members to special, 1-year terms created specifically to support the staggered-term requirement. In this manner, full continuity will be maintained in 2013 while the RISC is still relatively new. In 2014, when the RISC is more established, the staggered-term approach will provide fresh perspectives while at the same time maintaining overall continuity.
Thank you for your consideration of this recommendation. I look forward to additional discussion in the upcoming weeks.

Sincerely,

Chris Schwab

Chris Schwab, Chair
Reliability Issues Steering Committee
Special Sector Elections

Action
Information

Background
The election period to fill the vacancies for Sectors 3, 10, and 12 opens on Monday, May 6, 2013.

Sector 3
W. Scott Ramsey is no longer eligible to serve on the MRC, creating a vacancy in Sector 3. The elected representative’s term will expire in February 2015.

Sector 10
Paul Murphy notified NERC that he will be resigning from the MRC after the May 2013 meeting, creating a vacancy in Sector 10. The elected representative’s term will expire in February 2014. With the resignation of Mr. Murphy, the Member Representatives Committee will no longer have four Canadian representatives, as required by Article VIII, Section 4 of the NERC Bylaws. Article VIII, Section 6 of the NERC Bylaws makes the “additional Canadian representative” provision of Article VIII, Section 4 applicable to a special election to fill a vacancy. If a Canadian representative is not elected to fill the vacancy, then the Canadian nominee in Sector 10 receiving the highest fraction of the votes cast will be added to the MRC as an additional Canadian representative.

Sector 12
Holly Rachel Smith notified NERC that she will be resigning from the MRC after the May 2013 meeting, creating a vacancy in Sector 12. The elected representative’s term will expire in February 2015.

Timeline
May 6 – Election period opens
May 16 – Election period ends
May 17 – Election results will be posted

MRC Nominations and Elections webpage
Cybersecurity Update

Action
None

Background
On April 9, Fred Gorbet, chair of the NERC Board of Trustees (Board), issued a request to the Member Representatives Committee (MRC) for policy input on three items of current interest to the Board. One of the items included the implementation of the Executive Order (EO) 13636 and Presidential Policy Directive (PPD) 21 and the impacts on the resources of the Electricity Sector Information Sharing and Analysis Center (ES-ISAC) and the Electricity Sub-Sector Coordinating Council (ESCC).

Summary
During the May 8 meeting the MRC will receive an update on the EO and PPD and the ongoing activities and proposed changes associated with ES-ISAC and ESCC. The MRC will also have an opportunity to further discuss the policy inputs received in response to the Board’s letter.

Enclosed Attachment
Refer to Agenda Item 7: May 2013 Board’s Letter Requesting Policy Input
Policy Discussion of Key Items from Board Committee Meetings

Action
Discussion

Background
During the February 2013 meetings in San Diego, the NERC Board of Trustees (Board) and Member Representatives Committee (MRC) discussed some of the feedback received from the MRC’s 2012 effectiveness survey of the NERC Board. In follow-on, the MRC conducted its own survey to collect the views and perspective of its sector representatives on improving the timing, format and quality of the MRC conference calls and meetings; to propose topics for future MRC agendas and policy input requests; and to increase the MRC’s effective interaction and dialogue with the Board.

On March 15, Fred Gorbet, chair of the NERC Board, Carol Chinn, chair of the MRC, and Gerry Cauley, president and CEO of NERC co-issued a letter that announced various changes and improvements to the quarterly meetings of the Board, its committees and the MRC.

Status
On May 8, the MRC can expect increased participation and dialogue during the Board committee meetings in Boston. The formal presentation of agenda items, scheduled for action during the Board committee meetings, will not be duplicated during the MRC meeting. The MRC will have additional time for policy discussion, as part of its own agenda, to respond to the information that is presented during the committee meetings.

The May 8, 2013 Board committee agendas and associated background materials can be found at the following links:

Finance and Audit Committee (FAC) – To be posted May 1, 2013
Board of Trustees Compliance Committee (BOTCC)
Standards Oversight and Technology Committee (SOTC)
Responses to the Board of Trustees’ Request for Policy Input

Action
Discussion

Background
The March 15, 2013 letter\(^1\) that was co-issued by Fred Gorbet, Carol Chinn, and Gerry Cauley recognized the need for increased coordination and discussion of the MRC and stakeholder responses received from the Board of Trustees’ (Board) request for policy input.

The policy input letter is issued by the Board chair four weeks in advance of the quarterly meetings and includes relevant materials necessary to inform discussion. Written input from the MRC and stakeholders is due one week before the meetings and is then revisited during a dedicated discussion time on the MRC’s agenda, in the presence of the Trustees.

Status
On May 8, the MRC can expect to participate in further discussion of the responses received to the policy input request.

Deadline for submitting policy input responses is **May 1, 2013** and should be sent to [Holly.Mann@nerc.com](mailto:Holly.Mann@nerc.com)

Enclosed Attachment
May 2013 Board’s Letter Requesting Policy Input

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\(^1\) “Improved Coordination and Efficiencies Among the NERC Board of Trustees, Board Committees, and the Member Representatives Committee – Initial Actions Resulting from the 2012 Effectiveness Survey,” co-issued on March 15, 2013 by Fred Gorbet, Carol Chinn and Gerry Cauley.
April 9, 2013

Ms. Carol Chinn, Chair
NERC Member Representatives Committee

Re: Policy Input to NERC Board of Trustees

Dear Carol:

I want to thank you and Vice Chair John Anderson for your coordination and collaboration to improve the overall communication, effectiveness and efficiency among the Board, its committees and the MRC. To further support these efforts, and consistent with our letter of March 15 to MRC members and Trustees, I would like to invite the MRC to provide policy input on three issues of particular interest to the Board as we prepare for our meetings on May 8-9, 2013 in Boston, MA.

The full agenda packages for the Board, Board committees and MRC meetings will not be available until April 24, but I have enclosed additional background information with this request that will provide the MRC with some detail to formulate input from their respective sectors on each of the following topics:

Reliability Assurance Initiative (RAI) – In February 2013, the MRC and Board heard about activities underway to mature the RAI program from its conceptual design phase to its implementation phase. Over the past several weeks, staff from both NERC and the Regional Entities initiated the project planning phase for the RAI program. In addition, NERC recently held a workshop with participants from the Regions, MRC, trade associations and the Compliance and Certification Committee to discuss three key components of the enhancements being considered under the RAI program: internal controls, risk assessment, and enforcement strategy.

The Board would appreciate feedback on three key areas related to the RAI program.

- First, the current plan calls for continued work on the FFT enhancements and a review of the current self-reporting process as high priority items over the next six to nine months to reduce the compliance burden on registered entities. Does industry agree with these priorities?

- Second, defining a process to assess a registered entity’s internal controls was a topic of great discussion during the recent workshop. Similarly, whether and how the ERO would perform a risk assessment of a registered entity and how this would be used in audit scoping was also discussed at length. Would industry support the use of small pilot programs to help develop and field test proposed approaches in these key areas?
Finally, industry engagement is a key success factor for RAI. The attached background paper describes a proposed approach to engaging industry in multiple forums. The Board would appreciate feedback on whether this approach is reasonable and strikes an appropriate balance for industry engagement.

**Application of Section 215 Criteria** – NERC filed with FERC, on March 6, 2013, the proposed internal criteria for determining the scope of Section 215 activities and since that time has been using the criteria in the development of its 2014 business plan and budget. Management currently intends to provide in the budget filing, consistent with prior budget filings, that all of NERC’s current activities are within the ambit of Section 215. The Board would appreciate feedback on management’s proposed approach. However, the Board and management are considering whether to fund NERC’s operator testing and certification program outside of Section 215, given its separate revenue stream and particular focus. The Board would appreciate feedback on that possibility, along with any other input with respect to the application of the draft internal criteria as filed with FERC.

**Implementation of Executive Order and Impacts on ES-ISAC and ESCC** – The Executive Order and Presidential Policy Directive (PPD) -21 on Cybersecurity were recently released to improve information sharing between the federal government and the owners and operators of critical infrastructure. Shortly after the release, the Department of Energy (DOE) issued a letter to NERC supporting the capabilities and resources of the Electricity Sector Information Sharing and Analysis Center (ES-ISAC) and the Electricity Sub-Sector Coordinating Council (ESCC). Management is encouraged by DOE’s response and has also held preliminary discussions with industry trade associations about the potential of restructuring the ESCC and ES-ISAC.

Attachment 2 provides additional background and outlines some concepts NERC management has been considering with respect to a restructuring of and the funding for the ESCC and ES-ISAC. The Board would appreciate input with respect to the following questions:

- Would adopting the proposed changes in ESCC and ES-ISAC governance and funding result in improved security and reliability of the power grid? How?
- Is the proposal helpful in the current legislative and regulatory framework in the U.S. and Canada, including the recent PPD-21?
- How should balance of interests be achieved in the proposed ESCC governance?
- What assurances would there be that adequate funding would be provided to support an effective ESCC and ES-ISAC?
- If the ESCC and ES-ISAC become non-statutory, self-governed activities within NERC, what additional changes would be required by NERC? How would the role of the CIPC be affected?
- What assurances are there that the proposed changes will be sustainable and not simply address transient circumstances existing today?
Thank you for providing input on these items and any other issues that are meaningful and timely to industry and stakeholders, including discussion of the standards being proposed for Board adoption in the near future. Written comments should be sent to Holly Mann, MRC Secretary (holly.mann@nerc.net) by May 1, 2013 for the Board to review in advance of the meetings scheduled for Boston.

Sincerely,

Fred W. Gorbet, Chair
NERC Board of Trustees

cc: NERC Board of Trustees
    Member Representatives Committee
    Regional Executives
    NERC Executive Management Group
Reliability Assurance Initiative

Background
In February 2013, the Member Representatives Committee (MRC) and the NERC Board of Trustees heard about activities underway to shift the RAI initiative from its conceptual design phase to its implementation phase. Over the past several weeks, staff from both NERC and the Regional Entities initiated the project planning phase for the RAI program. In addition, NERC recently convened a workshop with participants from the Regions, MRC, trade associations and the Compliance and Certification Committee (CCC) to discuss three key components of the enhancements being considered under the RAI program: internal controls, risk assessment, and enforcement strategy. A panel of industry experts was convened for each area and the issues debated amongst all the participants. A number of ideas were discussed and several key themes emerged:

• There is general support for moving towards the concepts described by the RAI white papers. They are seen as improvements, focused on risks to reliability and on lowering the compliance burden on industry.

• The approach to assessing a registered entity’s internal controls needs to be scalable to accommodate different levels of sophistication that exist in different sizes and types of registered entities. A one-size-fits-all approach will not work. This area is ripe for a pilot program to test and refine this process.

• The vast majority of violations are currently self-reported, but the current process is burdensome and does not effectively differentiate severity of different violations. Moreover, there is a significant elapsed time before a final decision is made which adds uncertainty for registered entities. Any improvements that can be made in this process would have an immediate benefit to registered entities.

• It is still unclear how the ERO plans to implement the risk assessment process and what implications this may have on registered entities. This area is another potential area that may be best developed through a prototyping and piloting approach.

• Anything that can be done to improve consistency across the ERO will be beneficial by improving transparency of the compliance and enforcement program and by reducing the uncertainty on registered entities. This is especially true for multi-region registered entities.

This background paper provides a brief summary of the implementation approach, including key themes and priorities for the RAI program. A more complete description will be provided with the May Board meeting materials.

Program Approach and Priorities
Implementing the RAI program will be a multi-year effort that involves process changes, new tool development, training and a variety of related efforts. The general approach is to organize the work into a series of phases that develops features incrementally. A key principle will be to prioritize work efforts based on potential value to improving reliability and improving the effectiveness of the compliance and enforcement program.

The priorities for the remainder of 2013 reflect the recent conversations held at the RAI technical conference along with the project planning efforts initiated by NERC and the Regions. The proposed activities for 2013 focus on the following major themes:
• Assess the current self-reporting process and develop process improvements that reduce the current burden on registered entities and are more closely aligned with the RAI’s long-term enforcement strategy.

• Analyze and design the processes and procedures necessary for the compliance program to rely on a registered entity’s internal controls. Develop a pilot program in this area to explore how this assessment will be done and how the results may be shared with industry.

• Lay the foundation to move NERC and the Regions to develop a single ERO Enterprise view to coordinate audit planning and a common set of audit processes across the Regions.

• Design and implement the FFT enhancements described in the March filing and begin to assess the requirements, including potential changes to the Rules of Procedure and FERC filing requirements, for the long-term enforcement strategy.

Many of the initiatives started in 2013 will continue to be further developed and refined in 2014. For 2014, the major themes will include:

• Begin to deploy process improvements, where possible, based on the results of pilot programs.

• Design and test approaches to integrate risk assessment into the ERO’s approach.

• Design and develop the flow of information between the compliance and enforcement organizations, including how to move from a “Find, Fix, Track and Report” approach to more of a “Find, Fix and Record” approach.

• Deploy enterprise-wide applications that support the new compliance and enforcement programs and provide better tools for the retention and analysis of compliance and enforcement related data.

Communications and Outreach
NERC will have a formal industry outreach program to engage the electric industry along the way. The efforts will be coordinated through an ERO Enterprise program structure that involves staff from both NERC and the Regions. In general, the Board of Trustees Compliance Committee will provide oversight of the program. NERC and the Regions will coordinate the project teams and be responsible for the RAI program deliverables. The CCC will provide technical support to the RAI project teams where needed and will also assist in developing and coordinating RAI-related communications to industry. The general approach will be to communicate to industry through the following multiple channels:

• Provide regular updates at quarterly meetings.

• Create a dedicated page on NERC’s website for RAI.

• Build and maintain a FAQs document, with the CCC’s support, to support consistent messaging.

• Conduct workshops and technical conferences.

As part of the outreach strategy, the ERO Enterprise plans a series of RAI workshops to foster critical dialog and seek electric industry feedback around the critical elements of the RAI under development. The first RAI workshop was held on April 3, 2013 with participants from the Regions, MRC, trade associations and the CCC. We plan on scheduling additional workshops in the future to focus on key RAI design elements.
Potential Changes to Scope and Governance of the Electricity Sub-Sector Coordinating Council and Funding Approach for ESCC and ES-ISAC

Background
The Electricity Sub-Sector Coordinating Council (ESCC) and Electricity Sector Information Sharing and Analysis Center (ES-ISAC) were established under U.S. federal authorities to provide the Federal Government a forum for coordinating with the ESCC on critical infrastructure protection matters. The recent Executive Order (EO) 13636 and Presidential Policy Directive (PPD)-21 on Critical Infrastructure Security and Resilience make changes to this structure, outlining specific roles and responsibilities for the ESCC, and calling for an update to the National Infrastructure Protection Plan (NIPP). The NIPP sets forth a comprehensive risk management framework that establishes both government coordinating councils (GCC) and industry sector coordinating councils (SCC).

As this framework relates to the Energy Sector, the sector is comprised of two sub-sectors—Electricity and Oil and Natural Gas (ONG). Each sub-sector has its own sector coordinating council: the ESCC, and the ONGSCC. The ESCC consists of senior-level industry members who address policy matters related to security, resilience, and recoverability of electricity supply and provide overall strategic leadership to the sector.

The Department of Energy (DOE) is the designated Sector Specific Agency (SSA) for both councils and leads the GCC that maps to the ESCC and ONGSCC. The Energy GCC is comprised of senior government representatives with responsibilities related to energy security, including but not limited to DOE, the Department of Homeland Security (DHS), the Department of Defense, and the Federal Energy Regulatory Commission. In 2003, DOE—as the SSA for Energy—recognized the North American Electric Reliability Corporation (NERC) as the ESCC lead.

The ESCC functions as a member of the DHS-created Critical Infrastructure Protection Advisory Committee (CIPAC). DHS established the CIPAC to facilitate effective interaction between the Federal Government and private sector entities (through groups such as the ESCC), specifically as these interactions deal with security-related matters that must be protected from public disclosures. This structure satisfies the requirements of the Federal Advisory Committee Act.

The ESCC is comprised of the NERC Chief Executive Officer (CEO), five industry CEOs, one NERC trustee, and the Chair of the NERC Critical Infrastructure Protection Committee (CIPC). In addition to fulfilling its sector duties, the ESCC advises the NERC Board of Trustees on security matters. The ESCC and associated ES-ISAC are currently operated by NERC under Section 215 of the Federal Power Act. The ESCC has been successful in overseeing a robust set of NERC initiatives to address high-impact, low-frequency risks to the bulk power system, such as cybersecurity attacks, improved resilience and recovery capabilities, solar-magnetic disturbances, and other risks. The ESCC has also established regular dialog with senior government officials in the Energy GCC.

The ESCC receives regular updates regarding ES-ISAC activities. The ES-ISAC, which was established in 1998 under PDD-63, facilitates communications among Electricity Sub-sector participants, federal government agencies, and other critical infrastructure sectors. As DOE recently noted, “the ES-ISAC, in collaboration with the Department and the Electricity Sector Coordinating Council (ESCC), should serve

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1 The ESCC and ES-ISAC were established under Homeland Security Presidential Directive-7 and Presidential Decision Directive (PDD)-63, respectively.
as the primary communications channel for the Electricity Sector and enhance the ability of the sector to prepare for and respond to cyber and physical threats, vulnerabilities and incidents. The ES-ISAC is expected to support the protection of the Electricity Sector by assisting both the ESCC and the Department.”

Current Situation
Several of the major electricity industry trade associations have formed a cross-sector, CEO-level group to interface with senior government officials for the purpose of addressing policy matters related to security, resilience, and recoverability of electricity supply and delivery. This large, active group of CEOs is indicative of strong interest in addressing cybersecurity and other possible catastrophic risks to the grid. The group has met with senior government officials over the past year and has received classified briefings on security threats and vulnerabilities; it is seeking an appropriate framework for the group’s continued interactions with government.

Potential Proposal for Discussion/Input

- Restructure the ESCC scope and governance to allow the broader, self-directed CEO group (sponsored by the trade associations) to become the ESCC.
  - The ESCC would become a voluntary organization, self-governed by industry leaders, with support from the trade associations and NERC.
  - It is expected that representation would be broadly based to include all asset owners and operators across all sectors, including Canada.
  - NERC staff would continue to provide critical support roles.
  - The NERC CEO and a Trustee would participate on the council and act as liaisons to the Board.

- Funding for ESCC and ES-ISAC would be coordinated by NERC, but budgeted outside of Federal Power Act Section 215.
  - ES-ISAC goals, activities and budget would be overseen by the ESCC, as they are closely connected and intended to work together to serve security coordination needs of the broader industry.

- Enhance the funding for a robust ES-ISAC operated by NERC as a situational awareness and information exchange tool for industry.

- Would retain CIPC as a statutory activity and a standing NERC committee accountable to the NERC Board for assigned deliverables.

Benefits of Proposal

- Formally recognizes the significant increased CEO interest and participation on cyber security issues.
- Avoids having two CEO-level groups working in a common area.
- Focuses the activities of the industry association group of CEOs through an existing channel recognized by government agencies. In fact, the NIPP GCC/SCC framework model of

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Letter from Pat Hoffman, Assistant Secretary Office of Electricity Delivery and Energy Reliability, U.S. Department of Energy, to NERC (acting as the ES-ISAC); March 14, 2013.
infrastructure sector coordinating councils was created specifically for this role, thus providing a legal framework to conduct discussions between industry and government leaders on matters of national interest.

- Provides a unified industry framework upon which to build in response to EO and PPD-21.

Key Decision Points for NERC Board of Trustees

1. To determine in principle that the proposal is the right direction and questions on risks are sufficiently manageable.

2. To direct staff to prepare a proposal in the business plans to redesignate support for the ESCC and ES-ISAC to be separately funded with non-statutory funding. Guidance would be needed whether such funding could continue to be based on NEL with separate billing, or whether other alternatives should be considered.

3. To initially approve the new scope and governance of the ESCC, with input from the MRC and the current ESCC.

4. To determine the best timeframe and milestones for the transition. The drivers for urgency are that the 2014 business plan will be finalized and filed in August 2013, the ad hoc CEO group continues significant activities even now in 2013, and the industry is in a strategy-shaping period with respect to PPD-21 and the future oversight of security in the sector.

5. To determine a framework to monitor and assess the effectiveness of the ESCC and ES-ISAC program, so to insure that these programs, which are currently an integral part of NERC’s mission, continue to be effective and appropriately funded.
2014 NERC Business Plan and Budget

Action
Discussion

Background
Under Article VIII of NERC’s Bylaws, the MRC has the responsibility to provide advice and recommendations to the Board of Trustees (Board) with respect to the development of annual budgets, business plans and funding mechanisms, and other matters pertinent to the purpose and operations of the Corporation.

To assist the MRC and other stakeholders in providing this input, Mike Walker, senior vice president and chief financial and administrative officer of NERC, and Mark Rossi, senior vice president and chief operating officer of NERC, will present a high-level overview of the first draft of the 2014 business plan and budget. This presentation is an important step in the remaining 3 ½ months of the open and transparent process which NERC has established to provide detailed background information and seek stakeholder input in the review and finalization of NERC and the Regional Entities’ 2014 business plans and budgets.

The presentation will address NERC’s projected 2014 cost of ongoing operations and seek comments from stakeholders regarding the voluntary funding of certain activities outside of Section 215. The presentation will describe the purpose and benefits of, and incremental costs related to, several key enterprise reliability initiatives. The presentation will also address the relationship between the major activities and strategic initiatives undertaken by NERC to the ERO Enterprise Strategic Plan and the application of NERC’s proposed Section 215 criteria.

This overview of the first draft of NERC’s 2014 business plan and budget will also be presented during a conference call and web-x hosted by NERC’s Finance and Audit Committee on May 3, 2013. Comments on the first draft of NERC’s business plan and budget will be due on May 30. NERC will post the second draft of its business plan and budget on or about June 10. The second draft of the NERC business plan and budget will include projected 2014 assessments for NERC and the Regional Entities. NERC’s Finance and Audit Committee will convene a closed meeting to review and provide input to NERC management on the proposed second draft of NERC’s business plan and budget prior to posting.

The first draft of the Regional Entity business plans and budgets will be posted on May 3 and presented by the Regional Entities during a conference call and webinar on May 20 hosted by the NERC Finance and Audit Committee. The second drafts of the Regional Entity business plans and budgets will be posted on July 8. The second draft of the NERC business plan and budget, as well as the second draft of the Regional Entities’ business plans and budgets, will be reviewed during a webinar hosted by the NERC Finance and Audit Committee on July 19.

The final drafts of the NERC and Regional Entity business plans and budgets will be posted on July 19 and reviewed by the NERC Finance and Audit Committee on August 14 for recommendation to the NERC Board for approval at its meeting on August 15, followed by a filing by August 24 with FERC for review and approval.
Follow-Up Activities from the Arizona-Southern California Outage

Action
Information

Background
On May 1, 2012, the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC) issued the Arizona-Southern California Outages on September 8, 2011 inquiry report (a joint report). On July 26, 2012, NERC President and CEO Gerry Cauley sent a letter to the Western Electricity Coordinating Council (WECC) CEO Mark Maher requesting a detailed report outlining near-term remediation actions completed or in progress, and plans for additional actions going forward. On September 28, 2012, WECC sent their response report to NERC that provided updates on the activities that address the 27 recommendations from the joint report, as well as address the eight broader systemic issues discussed in the July 26, 2012, letter. On January 31, 2013, WECC issued an addendum to its September 28 response report that provided updates to activities that had changed in scope.

Status
Melanie Frye, Vice President, Planning and Operations, WECC, and Mike Moon, Senior Director Reliability Risk Management, NERC, will brief the Member Representatives Committee (MRC) on the status of activities in WECC, as well as in the other Regional Entities and among the NERC technical committees.

Enclosed Attachment
1. WECC Monthly Progress Dashboard, March 29, 2013
### Key Accomplishments
- RC3 - Phase II sub-100-kV study is complete.
- RC18 - Complete. RC will continue to monitor the EHV performance and will address ongoing issues as more ICCP data is requested and shared.
- O&P16 - Activity is complete. Data Preparation Manual approved by PCC in March.
- O&P22 - WECC has reviewed RTDS capabilities and decided not to pursue them.

### Identified Risks
- ORG1 - Board approval of RCCo and WECC bylaws delayed until June 2013.
- ORG2 - WECC Staff is evaluating improvements to data sharing policies and will present a whitepaper to the Board.
- ORG5 - WECC Staff is discussing potential SARS and will coordinate with NERC. Expected July 2013.
- ORG6 - Human Resource development discussions are ongoing. A meeting with large utilities planned for April 2013.
- RC7 - Posting of SOL Methodology phase II is delayed until June 30, 2013.
- O&P4 - PC Gaps whitepaper is in process. Will be presented to the Board September 2013.
- O&P14 - OTS development of training module expected 3rd Quarter 2013.
- O&P17 - Board approval of revised PRC-(012-014) WECC-CRT-2 is expected June 2013.
- O&P18 - OC approval of Guideline on Post-Contingent Plans is expected July 2013.

### FERC/NERC Recommendations

<table>
<thead>
<tr>
<th>#</th>
<th>FERC/NERC Recommendations Short Description</th>
<th>Status of WECC Activities</th>
<th>% of Milestones Completed</th>
<th>Estimated Timeline for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Share next-day studies results</td>
<td>RC1 RC4 CPL2 RC10 O&amp;P1 RC2 O&amp;P2</td>
<td>94%</td>
<td>Q1 2012 Q2 2012 Q3 2012 Q4 2012 Q1 2013 Q2 2013 Q3 2013 Q4 2013</td>
</tr>
<tr>
<td>2</td>
<td>Next-day studies reflect next-day operating conditions</td>
<td>RC1 RC4 CPL2 RC10 O&amp;P1 RC2 O&amp;P2</td>
<td>95%</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Next-day studies</td>
<td>RC15 O&amp;P1 RC3 O&amp;P2</td>
<td>88%</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Predicting next-day interchange</td>
<td>RC10 RC9</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Integration &amp; coordination of subregions’ seasonal studies</td>
<td>D&amp;P3 O&amp;P4</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Include internal &amp; external sub-100-kV facilities</td>
<td>D&amp;P3 O&amp;P4</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Include multiple base cases</td>
<td>D&amp;P3 O&amp;P4</td>
<td>30%</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Share relay trip settings</td>
<td>D&amp;P5</td>
<td>58%</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Studies cases cover critical system conditions across planning horizon</td>
<td>D&amp;P6 O&amp;P4 O&amp;P5 O&amp;P7 O&amp;P8</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Benchmark models against actual data</td>
<td>D&amp;P10 O&amp;P5</td>
<td>59%</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Real time data sharing</td>
<td>RC4 O&amp;P12 O&amp;P11 O&amp;P22 RC18 RC5</td>
<td>92%</td>
<td></td>
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<tr>
<td>12</td>
<td>Real-time tools adequate</td>
<td>O&amp;P13 O&amp;P22 O&amp;P14 RC5</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Post contingency plans</td>
<td>O&amp;P1 O&amp;P18 RC11</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>RC Staffing Level</td>
<td>O&amp;P4 O&amp;P6 RC9 RC16</td>
<td>60%</td>
<td></td>
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<tr>
<td>15</td>
<td>Loss of real-time tools</td>
<td>RC13</td>
<td>100%</td>
<td></td>
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<tr>
<td>16</td>
<td>Consistency between planning and real-time models</td>
<td>D&amp;P15</td>
<td>40%</td>
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<tr>
<td>17</td>
<td>Ensure all facilities impacting BPS in studies</td>
<td>O&amp;P16 RC3 O&amp;P21</td>
<td>71%</td>
<td></td>
</tr>
<tr>
<td>18.1</td>
<td>Study &amp; monitor IROls</td>
<td>RC6 CPL1 RC12 RC7</td>
<td>75%</td>
<td></td>
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<tr>
<td>18.2</td>
<td>SOLs constitute IROls</td>
<td>RC6 CPL1 RC12 RC7</td>
<td>75%</td>
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<tr>
<td>19</td>
<td>Review of S-Line RAS</td>
<td>O&amp;P17</td>
<td>71%</td>
<td></td>
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<tr>
<td>20</td>
<td>SONGS coordination w/protection schemes</td>
<td>O&amp;P17</td>
<td>71%</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Evaluation of turbine controls</td>
<td>O&amp;P20 O&amp;P19</td>
<td>75%</td>
<td></td>
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<tr>
<td>22</td>
<td>Periodic review of RAS</td>
<td>O&amp;P17 O&amp;P18 RC19</td>
<td>58%</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Effect of SONGS Separation Scheme (Path 44)</td>
<td>O&amp;P17</td>
<td>71%</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Ratings equal to most limiting equipment</td>
<td>RC12 O&amp;P21</td>
<td>57%</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Appropriate margins between settings &amp; Emergency Ratings</td>
<td>O&amp;P9 O&amp;P21</td>
<td>63%</td>
<td></td>
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<tr>
<td>26</td>
<td>Increase relay settings to allow time for manual action</td>
<td>O&amp;P9</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Tools to determine Standing Angle</td>
<td>O&amp;P1 RC14</td>
<td>78%</td>
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## NERC Systemic Issues

<table>
<thead>
<tr>
<th>NERC Systemic Issues</th>
<th>Status of WECC Activities</th>
<th>% of Milestones Completed</th>
<th>Estimated Timeline for Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>SI 2 WECC Organization, Governance, and Conflict of Interest</td>
<td>ORG1</td>
<td>62%</td>
<td></td>
</tr>
<tr>
<td>SI 3 WECC Path Ratings and Interconnection Reliability Operating Limits</td>
<td>RC8 RC12 RC7 RC11</td>
<td>64%</td>
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<tr>
<td>SI 4 System Protection, Remedial Action Schemes, and Special Protection Systems</td>
<td>O&amp;P9 O&amp;P5 O&amp;P6 O&amp;P17 RC7 RC19</td>
<td>57%</td>
<td></td>
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<tr>
<td>SI 5 Data Sharing, Non-Disclosure, and Data Confidentiality Agreements</td>
<td>ORG3 RC1 RC4 RC10 RC2 RC18 ORG2 RC5</td>
<td>90%</td>
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<tr>
<td>SI 6 Roles and Responsibilities of Reliability Coordinator (RC), Balancing Authorities (BA), and Transmission Operators (TOPs)</td>
<td>RC1 RC4 RC6 ORG3 RC2 RC5 RC8 RC17 O&amp;P13 O&amp;P14 ORG7</td>
<td>80%</td>
<td></td>
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<tr>
<td>SI 7 Awareness and Recognition of Impacts of Sub-100-kV Systems on bulk power system reliability</td>
<td>O&amp;P9 O&amp;P13 O&amp;P16 O&amp;P2 RC3</td>
<td>80%</td>
<td></td>
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<tr>
<td>SI 8 ERO/Regional Entity Processes</td>
<td>CPL1 CPL2 CPL4 ORG1 ORG5 CPL3</td>
<td>71%</td>
<td></td>
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</tbody>
</table>

**Dashboard Notes**

- Activities Key
  - ORG – Organizational Activities
  - RC – Reliability Coordinator Activities
  - O&P – Operations and Planning Activities
  - CPL – Compliance Activities


- Systemic Issues 1-8 were identified by NERC President and CEO, Gerry Cauley in a July 26, 2012 letter to WECC CEO, Mark Maher.

- WECC Activities are defined in WECC's Response to the "Arizona-Southern California Outages on September 8, 2011" Report.

- WECC Activities and Milestones are updated in the February 2013 Dashboard to reflect the September 8 Response Addendum published January 31, 2013.

**Universal NDA Signatories**

Universal NDA Signatories 97 Signed 100% Complete.
Update on Regulatory Matters  
(As of April 12, 2013)

Regulatory Matters in Canada

1. The second agreement among the North American Electric Reliability Corporation NERC, the Régie de l’Énergie Québec and the Northeast Power Coordinating Council regarding implementation of mandatory Reliability Standards in Québec has been developed, and the agreement is under consideration by the provincial government. The Régie has issued a decision adopting a first group of Reliability Standards for Québec, and a calendar for the next steps including technical conferences for an additional set of standards was established in a letter dated December 9, 2012. TransÉnergie as the Québec RC has initiated a consultation process on 18 NERC standards that have not yet been filed with the Régie.

2. Manitoba has adopted all NERC Reliability Standards that were in effect as of March 2012 and is developing its process to adopt new and revised Reliability Standards. On April 1, 2012, the Province of Manitoba enacted the Reliability Standards Regulation, which makes compliance with NERC Reliability Standards a legal requirement in Manitoba.

3. British Columbia has vested the British Columbia Utilities Commission with authority to levy monetary penalties for violations. The Commission has established an Inquiry to consider processes for assessing severity and risk for violations and a possible exception process to the British Columbia Rules of Procedure that govern its Mandatory Reliability Standards regime (this relates primarily to Bulk Electric System definition).

4. NERC has filed petitions for approval of interpretations of several Reliability Standards, as well as for approval of various proposed Reliability Standards in Alberta, British Columbia, Manitoba, National Energy Board (NEB), Nova Scotia, Ontario, Québec, New Brunswick, and Saskatchewan.

5. New Brunswick is preparing legislation that will change how the reliability compliance and enforcement program is administered within the province. This is expected to be introduced early in 2013.
6. The NEB issued an order on December 6, 2012 imposing mandatory Reliability Standards on international power lines (IPL) under the NEB’s jurisdiction. The NEB is developing an approach on Administrative Monetary Penalties that might be applicable, as appropriate for violation of reliability standards.


8. On September 24, 2012, NERC provided a Notice of Filing of the NERC 2013 Business Plan and Budget (BPB) and the 2013 BPB of the Regional Entity and of Proposed Assessments to Fund Budgets to Alberta, British Columbia, Manitoba, NEB, New Brunswick, Nova Scotia, Ontario, Québec, and Saskatchewan.

**FERC Orders Issued Since the Last Update**

1. January 25, 2013 – FERC issued a Letter Order Accepting the October 12, 2012 Compliance Filing which was submitted in response to the September 20, 2012 Order. NERC submitted training materials that were developed to facilitate the implementation of Find, Fix, Track and Report determinations. *Docket No. RC11-6-003*

2. January 29, 2013 – FERC issued a Supplemental Notice of the Technical Conference issued to gather input on information sharing and communications between the natural gas and electric power industries. The technical conference will be held on February 13, 2012 at the FERC offices. This notice includes the agenda. *Docket No. AD12-12-000*

3. January 30, 2013 – FERC issued an Order stating that it would not further review, on its own motion, the following Notices of Penalty in *Docket Nos. NP13-9-000* Arlington Valley, LLC - AVBA; *NP13-10-000* Entergy; *NP13-11-000* Unidentified Registered Entity; *NP13-12-000* Spreadsheet NOP; *NP13-13-000* Sunflower Electric Power Cooperative, Mid-Kansas Electric Company, LLC; *NP13-14-000* Southwest Power Pool, Inc. – ICTE; *NP13-15-000* Arizona Public Service Company; *NP13-16-000* Unidentified Registered Entity; *NP13-17-000* Unidentified Registered Entities; *NP13-18-000* Unidentified Registered Entity; *NP13-19-000* Unidentified Registered Entity; and *NP13-20-000* Duke Energy Carolinas.
4. February 21, 2013 – FERC issued an Order approving Regional Reliability Standard PRC-006-NPCC-01, along with the related violation risk factors, violation severity levels, implementation plan, and effective dates proposed by NERC. *Docket No. RM12-12-000*

5. March 1, 2013 – FERC issued an Order stating that it would not further review, on its own motion, the following Notices of Penalty in *Docket Nos. NP13-21-000 Silicon Valley Power; NP13-22-000 Unidentified Registered Entity; and NP13-23-000 Spreadsheet NOP.*

6. March 5, 2013 – FERC issued a notice of a Technical Conference focused on natural gas and electric scheduling, and issues related to whether and how natural gas and electric industry schedules could be harmonized in order to achieve the most efficient scheduling systems for both industries. The technical conference will take place on April 25, 2013 beginning at 9:00am and ending at approximately 5:00pm. *Docket No. AD12-12-000*


10. March 21, 2013 – FERC issued a Notice of Proposed Rulemaking in which it proposed to approve Reliability Standard MOD-028-1 - Area Interchange Methodology pertaining to the information a transmission service provider must include when calculating Total Transfer Capability using the area interchange methodology for the on-peak and off-peak intra-day and next day time periods. FERC also proposed to approve NERC’s proposed implementation plan and retirement of the currently-effective standard. *Docket No. RM12-19-000*

11. March 21, 2013 – FERC issued a final rule approving Reliability Standard FAC-003-2 - Transmission Vegetation Management, and three new definitions in the NERC Glossary of Terms – “Right-of-Way,” “Vegetation Inspection,” and “Minimum Vegetation Clearance Distance.” FAC-003-2 also incorporates a new minimum annual inspection requirement, and incorporates new minimum vegetation clearance distances into the text of the standard. *Docket No. RM12-4-000*
NERC Filings Since the Last Update


6. January 31, 2013 – NERC submitted Notices of Penalty regarding the following entities in Docket Nos. NP13-21-000 Silicon Valley Power; NP13-22-000 Unidentified Registered Entity; NP13-23-000 Spreadsheet Notice of Penalty


8. February 1, 2013 – NERC submitted a Compliance Filing in response to in to Paragraph 30 of the November 2, 2012 Commission Order. This filing provides NERC's written criteria for determining whether a reliability activity is eligible to be funded under Federal Power Act Section 215. Docket No. FA11-21-000

10. February 12, 2013 – NERC submitted a Petition for approval of proposed interpretation BAL-002-1a, which includes an interpretation to Requirements R4 and R5 of BAL-002. *Docket No. RD13-6-000*

11. February 15, 2013 – NERC submitted a follow-up filing to the Violation Severity Level Filing 2 providing further changes to proposed Violation Risk Factors and Violation Severity Levels for NERC Reliability Standards. *Docket No. RD13-5-000*


14. February 19, 2013 – NERC submitted a Compliance Filing in which it fulfills the directive from Order No. 733 directing NERC to file with the Commission a test for Planning Coordinators to identify sub-200kV critical facilities, and the results of that test on a representative sample of utilities in three Interconnections. *Docket Nos. RM08-13-000 and RM08-13-001*

15. February 21, 2013 – NERC submitted a request for leave to respond and submits a response to the response of Exelon Corporation to the Request for Clarification of NERC of the Commission’s December 20, 2012 Order No. 773 on Revisions to the Electric Reliability Organization Definition of Bulk Electric System (BES) and Rules of Procedure. *Docket Nos. RM12-6-000 and RM12-7-000*

16. February 25, 2013 – NERC submitted a Petition for approval of proposed Reliability Standard VAR-001-3 (Voltage and Reactive Control) developed by NERC and WECC that adds a regional variance developed by WECC as Section E of proposed VAR-001-3. *Docket No. RD13-6-000*

18. February 26, 2013 – NERC submitted a Petition for a proposed Reliability Standard PRC-005-2 which consolidates Reliability Standards PRC-005-1.1b, PRC-008-0, PRC-011-0, and PRC-017-0 into a single proposed Reliability Standard. Proposed PRC-005-2 also addresses the directives related to those Reliability Standards issued by the Commission in Order No. 693. Docket No. RM13-7-000

19. February 26, 2013 – NERC submitted the Fourth Quarter 2012 Compliance Filing in Response to Paragraph 629 of Order No. 693. Order No. 693 requires that NERC provide a quarterly informational filing regarding the timeframe to restore power to the auxiliary power systems of U.S. nuclear power plants following a blackout as determined during simulations and drills of system restoration plans. This filing contains the referenced material pertaining to the fourth quarter of 2012. Docket No. RM06-16-000

20. February 28, 2013 – NERC submitted a Petition requesting approval of the retirement of 34 requirements within 19 currently effective Reliability Standards that are redundant or otherwise unnecessary, and for which violations of these requirements (currently included in Reliability Standards) pose a lesser risk to the reliability of the Bulk-Power System. Docket No. RM13-8-000

21. February 28, 2013 – NERC submitted a Petition for approval of Modified Transmission Planning Reliability Standards that include changes to the requirements and processes for planned load shed in the event of a single Contingency that are identified in a revised footnote. NERC is also requesting Commission approval of revisions to the Standards that correspond to the Footnote revisions included in this Petition and other related documents. Docket Nos. RM13-9-000 and RM12-1-000


24. February 28, 2013 – NERC submitted Notices of Penalty regarding the following entities in Docket Nos. NP13-24-000 Unidentified Registered Entity; NP13-25-000 EnerNOC, Inc.;
NP13-26-000 Jersey Central Power & Light Company; and NP13-27-000 Spreadsheet Notice of Penalty

25. March 6, 2013 – NERC submitted a Response to Edison Electric Institute's Motion to Intervene, Motion to Consolidate, and Comments on NERC's Compliance Filing in Response to Paragraph 30 of November 2, 2012 Commission Order, filed February 1, 2012, in Docket No. FA11-21-000, in which NERC submitted the “NERC Written Criteria for Determining Whether an Activity is Eligible to Be Funded Under Section 215 of the Federal Power Act.” Docket No. FA11-21-000


28. March 18, 2013 – NERC submitted a Motion to Intervene, Protest and Comment on the South Louisiana Electric Cooperative Association registration appeal. Docket No. RC13-4-000


30. March 27, 2013 – NERC submitted Notices of Penalty regarding the following entities in Docket Nos. NP13-28-000 Unidentified Registered Entity; NP13-29-000 Spreadsheet Notice of Penalty; and NP13-30-000 Unidentified Registered Entity

31. March 29, 2013 – NERC submitted a Petition for Approval of Proposed Reliability Standard BAL-003-1 – Frequency Response and Frequency Bias Setting. The proposed standard ensures that each of the Interconnections have sufficient Frequency Response to guard against underfrequency load shedding (“UFLS”) due to an event in that Interconnection. Docket No. RM13-11-000

32. April 1, 2013 – NERC submitted an informational report summarizing the progress made and plans for addressing the standards-related directives received from FERC. Docket No. RR09-6-003
33. April 4, 2013 – NERC submitted a compliance filing in response to the Final Rule on the Revisions to the Electric Reliability Organization Definition of Bulk Electric System and Rules of Procedure on the schedule outlining modification to exclusion E3 to remove 100 kV minimum operating voltage in local network definition. *Docket Nos. RM12-6-000 and RM12-7-000*


**Anticipated NERC Filings**

1. April 30, 2013 – NERC must submit a quarterly filing to report on the analysis of NERC Standards Process results for the first quarter 2013 in compliance with an order issued by FERC on January 18, 2007 and a subsequent order on September 16, 2010. *Docket Nos. RR06-1-000 and RR09-7-000*


3. May 15, 2013 - Within forty-five days of the end of a quarter, NERC will submit a report to Enforcement’s Division of Audits detailing NERC’s progress during the preceding quarter toward implementing this Agreement and all recommendations. Within forty-five days of the end of each quarter, beginning with the quarter ending March 31, 2013, NERC will file with the Commission the unaudited report of the NERC budget-to-actual spending variances during the preceding quarter. This report will include information regarding sources and uses of operating and working capital reserves and will match or exceed the level of detail of the quarterly budget-to-actual variance report of NERC expenditures attached to the agenda of NERC Board of Trustees Finance and Audit Committee’s October 2012 meeting. *Docket No. FA11-21-000*


5. May 31, 2013 – NERC must submit a Quarterly NUC filing in response to Paragraph 629 of Order No. 693. *Docket No. RM06-16-000*


7. June 3, 2013 – NERC must submit an informational filing within 90 days of the effective date of the Order detailing its plans to maintain a list of facilities granted exceptions under the definition of BES and how it will make this information available to the
Commission, Regional Entities and potentially to other interested parties. *Docket Nos. RM12-6-000 and RM12-7-000*

8. July 12, 2013 – NERC must submit a compliance filing within 45 days of the effective date of Order No. 777 regarding NERC’s Petition on FAC-003-2 (PP 61, 77, 90). *Docket No. RM12-4-000*

9. July 12, 2013 – NERC must submit an informational filing within 45 days of the effective date of Order No. 777 regarding NERC’s Petition on FAC-003-2 *Docket No. RM12-4-000*


11. August 14, 2013 - Within forty-five days of the end of a quarter, NERC will submit a report to Enforcement’s Division of Audits detailing NERC’s progress during the preceding quarter toward implementing this Agreement and all recommendations. Within forty-five days of the end of each quarter, beginning with the quarter ending March 31, 2013, NERC will file with the Commission the unaudited report of the NERC budget-to-actual spending variances during the preceding quarter. This report will include information regarding sources and uses of operating and working capital reserves and will match or exceed the level of detail of the quarterly budget-to-actual variance report of NERC expenditures attached to the agenda of NERC Board of Trustees Finance and Audit Committee’s October 2012 meeting. *Docket No. FA11-21-000*


