Agenda
Member Representatives Committee
February 10, 2016 | 1:00 – 5:00 p.m. Eastern

Hyatt Regency Sarasota
1000 Boulevard of the Arts
Sarasota, FL 34236

Introduction and Chair’s Remarks

NERC Antitrust Compliance Guidelines and Public Announcement*

Consent Agenda
1. Minutes* - Approve
   a. November 4, 2015 Meeting
   b. January 12, 2016 Conference Call

2. Future Meetings*

Regular Agenda
3. Election, NERC Board of Trustees* - Elect

4. DOE-NERC Coordination

5. Responses to the Board’s Request for Policy Input*
   a. 2017 Business Plan and Budget Development*
   b. ERO Enterprise Strategic Planning Redesign*
   c. Cost Effectiveness Method and Pilot Proposal*

6. Additional Policy Discussion of Key Items from Board Committee Meetings*
   a. Standards Oversight and Technology Committee (February 2, 2016)
      i. ERO Enterprise IT Application Strategy
      ii. Reliability Standards Quarterly Status Report
   b. Finance and Audit Committee (February 4, 2016)
      i. 2015 Year-End Unaudited Statement of Activities for NERC and the Regional Entities
   c. Corporate Governance and Human Resources Committee
      i. 2015 Year-End Performance Report
ii. Board and Board Committees’ Self-Assessments and MRC Assessment of Board of Trustees Effectiveness Results
d. Compliance Committee
   i. Overview of Critical Infrastructure Protection Activities
   ii. CMEP Annual Report

7. Supply Chain Management Technical Conference*
8. BES Notification and Exception Process Update*
9. Clean Power Plan: NERC Assessments Status Update*
10. Outreach and Follow-up of Reliability Assessment Reports*
    a. Essential Reliability Services Task Force Report and Abstract
    b. Clean Power Plan Report

11. Compliance Guidance Implementation*
12. Regulatory Update*

*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 Sylvain Clermont, with Vice Chair Nabil Hitti present, called to order the North American Electric Reliability Corporation (NERC) Member Representatives Committee (MRC) meeting on November 4, 2015, at 1:01 p.m., Eastern. The meeting announcement, agenda, and list of attendees are attached as Exhibits A, B and C, respectively.

**Introduction and Chair’s Remarks**

Mr. Clermont welcomed MRC members and attendees, and acknowledged the attendance of Commissioner Cheryl LaFleur from the Federal Energy Regulatory Commission (FERC), FERC staff, the NERC Board of Trustees (Board), Murray Doehler of the Canadian Association of Members of Public Utility Tribunals (CAMPUT), David Ortiz of the Department of Energy, and State Commissioners David Clark and Asim Haque. Mr. Clermont recognized the MRC responses to the October 7, 2015, policy input request from Fred Gorbet, chairman of the Board. He reminded attendees that full presentations were conducted at the committee meetings and will not be repeated during the MRC meeting.

Mr. Clermont noted that the meeting would be John Anderson’s last MRC meeting, as he is retiring as the President of ELCON. On behalf of the MRC, Mr. Clermont thanked Mr. Anderson for the invaluable contributions he has made to the MRC, not only as a member, but also as chair and vice chair.

**NERC Antitrust Compliance Guidelines and Public Announcement**

Kristin Iwanechko, committee secretary, called attention to the NERC antitrust compliance guidelines and the public meeting notice. Any questions should be addressed to NERC’s general counsel, Charles Berardesco.

Ms. Iwanechko declared a quorum present with the following recognized proxies:

- Patti Metro for Jay Bartlett – Cooperative Utility
- Tony Clark for Mike Penstone – Federal/Provincial
- Donald Holdsworth for John Seelke – Merchant Electricity Generator
- Fred Plett for Jacqueline Roberts – Small End-Use Electricity Customer
- Lisa Milanes for Steve Berberich – ISO/RTO
Minutes

The MRC approved, on a motion by Scott Helyer and seconded by Fred Plett, the draft minutes of its August 12, 2015, meeting in Toronto and its October 7, 2015, conference call.

Election of MRC Officers for 2016

Mr. Clermont announced the nominations of Nabil Hitti for chair and John Twitty for vice chair of the MRC for 2016. Mr. Clermont called for a motion to elect Mr. Hitti and Mr. Twitty. The motion to elect Mr. Hitti was moved by Michelle D’Antuono and seconded by Jason Marshall. The motion to elect Mr. Twitty was moved by John Anderson and seconded by Jason Marshall. Both motions were unanimously approved. Mr. Hitti and Mr. Twitty will assume their newly appointed positions at the start of the February 2016 MRC meeting in Sarasota, FL.

Update on MRC Sector Nominations and Elections

Mr. Clermont reminded attendees that the nomination period for the annual election of member representatives closes on Tuesday, November 10, 2015. The election will run from December 1, 2015, through December 11, 2015.

Update from the Board of Trustees Nominating Committee (BOTNC)

Paul Barber, chair of the BOTNC, reported that the BOTNC held a conference call to consider a list of candidates to fill the current Board vacancy and will be conducting interviews. He noted that the full report of the BOTNC will be sent to the MRC in December, with the election held at the February MRC meeting.

Schedule for Reliability Issues Steering Committee (RISC) Nominations

Pete Brandien, member of the RISC, noted that the RISC would be seeking nominations from November 16, 2015, through December 16, 2015, to fill open positions. The nominations will be evaluated by the RISC Nominating Committee in January and submitted to the Board for approval at its February 2016 meeting. He noted that there are two open positions for MRC members. Additionally, Mr. Clermont noted that Scott Helyer will be resigning from the RISC.

Responses to the Board’s Request for Policy Input

Mr. Clermont acknowledged the MRC’s responses to Fred Gorbet’s October 7, 2015, letter requesting policy input on risk-based registration, compliance guidance policy, and NERC’s phase II reliability assessment plan on the Clean Power Plan final rule. The following comments on the policy input topics are not all inclusive, but provide the general tenor and scope of the discussion:

Risk-Based Registration

Valerie Agnew, senior director of reliability assurance at NERC, stated that the final risk-based registration report was being submitted to the Board the following day for acceptance and endorsement of its recommendations. She provided an overview of phase I and II of the risk-based registration initiative. An advisory group and task force were formed during phase I, which removed Purchasing-Selling Entities...
(PSEs), Interchange Authorities (IAs), and Load Serving Entities (LSEs) from the compliance registry, modified the criteria for Distribution Providers (DPs), and included provisions in the Rules of Procedure to establish a NERC-led panel to review requests for a reduced set of compliance obligations on a case by case basis. As a result of phase I, 217 entities were deregistered with an additional 280 functions deactivated, leaving a total of 1408 registered entities. During phase II, the advisory group and task force specifically explored options to properly align compliance obligations for Generator Owners (GOs), Generator Operators (GOPs), Transmission Owners (TOs), and Transmission Operators (TOPs). This effort did not result in any specific classes with consistent characteristics. Ms. Agnew reported that NERC then conducted a separate analysis using event and enforcement data for GOs, GOPs, TOs, and TOPs and identified 28 GOs/GOPs and 38 TOs/TOPs as potential candidates for review by the NERC-led panel, but no sizable lower-risk groups with similar characteristics. She noted that NERC will be reaching out to those entities identified as candidates for review and their trade organizations. She also reviewed the recommendations in the report: (1) use the NERC-led review panel to address an individual entity’s facts and circumstances to determine potential reduced compliance obligations; and (2) continue to monitor the results of the NERC-led panel to identify consistent potential groups of entities that qualify for a subset of NERC Reliability Standards. Ms. Agnew added that NERC will update the implementation plan that was posted in phase I to include how materiality is considered and how the NERC-led panel will be operating.

- MRC members commended NERC on the risk-based registration effort.
- An MRC member suggested that large industrials are very low risk and requested that NERC conduct a special assessment of the impact of large manufacturing facilities on BES reliability.

**Compliance Guidance Policy**

As the chair of the Compliance Guidance Team (Team), Mr. Clermont introduced this agenda item, noting that the purpose was to develop approaches useful in providing guidance for implementing standards. The Team was formed in May 2015 to clarify the role, purpose, development, use, and maintenance of compliance guidance. Mr. Clermont noted that the Compliance Guidance Policy was drafted at a policy level and intentionally does not include implementation details, which would be developed after Board acceptance of the policy.

Carol Chinn, an MRC representative on the Team, provided an overview of the policy. Ms. Chinn stated that everyone will have a role in the success of this policy, including NERC staff, Electric Reliability Organization (ERO) leadership, industry, and pre-qualified organizations. She reviewed the principles and additional considerations outlined in the policy paper. Ms. Chinn also provided an overview of the first type of guidance, Implementation Guidance, which is developed by industry, vetted through a pre-qualified organization, and endorsed for deference. She explained that deference means that registered entities can rely upon the example with reasonable assurance that the example meets compliance requirements. Dan Skaar, the Regional Entity executive on the Team, added that consensus will need to be reached across the ERO Enterprise for endorsement. Once endorsed, all Regional Entities and NERC will recognize the guidance and consider it in assessing compliance.
Mr. Skaar then provided an overview of Compliance Monitoring and Enforcement Program (CMEP) Practice Guides, the second type of guidance, which are developed by the ERO Enterprise to provide direction to the ERO Enterprise. He provided some examples of past guidance that, under this policy, could have been developed as CMEP Practice Guides, such as guidance on Paragraph 81 requirements and guidance on sampling methodologies.

Ms. Chinn reviewed the recommendations in the policy paper: (1) create a one-stop shop to have one location for all implementation guidance, CMEP practice guides, and other supporting documents; (2) Compliance and Certification Committee (CCC) review, with Standards Committee (SC) support, of existing documents to submit for ERO Enterprise endorsement; (3) SC review of the Standard Processes Manual to determine whether revisions should be considered; (4) CCC and SC jointly review, with ERO Enterprise CMEP staff, measures and Reliability Standard Audit Worksheets; and (5) develop a CMEP Practice Guide on providing deference to endorsed Implementation Guidance.

The MRC recommended, on a motion by Bill Gallagher and seconded by Michelle D’Antuono, that the Board accept the Compliance Guidance Policy and endorse the recommendations.

Clean Power Plan (CPP) Final Rule: NERC Reliability Assessment Plan (Phase II)

John Moura, director of reliability assessment and system analysis at NERC, thanked the MRC for its support and comments received through the policy input letter. He noted that the Final Rule was issued on August 3, 2015, and included some of the recommendations included in NERC’s phase I assessment, including the need for more time to comply and having a reliability assurance mechanism. The Final Rule extended compliance to 2022 from 2020, with state plans due September 2016 and the possibility of an extension to 2018. The Final Rule also included an increase in total reduction from 30% to 32% of 2005 levels, the need for states to consider reliability in their plans, and described trading mechanisms that can be used to achieve compliance goals. Mr. Moura reviewed graphs on glide slope of the proposed rule versus final rule to show examples of the effects on states. Mr. Moura then described the reliability safety valve included in the Final Rule, which provides some flexibility but is designed as a short term (90-day) fix and may be able to support an approaching peak period. He also discussed some remaining uncertainties, including: (1) requirements of the final Federal Plan; (2) mass versus rate-based approaches; (3) aggregate impacts of other environmental regulations; (4) uncertainty with neighboring state plans and available transfers; (5) energy efficiency expectations and impacts to demand forecasts; (6) timing and location of retirements; (7) robustness of trading and allowances; (8) legal impediments; and (9) market sensitive information sharing. Mr. Moura noted that a Planning Committee advisory group was formed to advise NERC on the scope and goals of the assessment. Several scenarios have been selected using that group, including an expanded nuclear retirements scenario, high renewables case, restricted trading case, and optimal trading case. Mr. Moura reviewed the timeline, highlighting two upcoming deliverables: (1) reliability considerations for CPP development expected to be finalized in early January; and (2) a special reliability assessment in March 2016.

- MRC members applauded NERC for the work in this area.
- An attendee asked what outreach NERC is conducting for the states. Mr. Moura stated that NERC is being responsive to requests from the states to speak at various meetings.
An attendee suggested that NERC provide an update in about a year. Mr. Moura noted that he anticipates including something in the annual Long-term Reliability Assessment.

An MRC member encouraged NERC to continue to use National Association of Regulatory Utility Commissioners to determine what is needed for each of the states.

An MRC member noted that the entities responsible for conducting the reliability assurance review were vague in the rule and asked what the process is for resolution. Mr. Moura agreed that this is vague, but it does not appear that NERC will have a formal role in the review of state plans. Janet Sena, senior vice president and director of policy and external affairs at NERC, added that a lot will be up to the states, but it will be important for NERC and the Regional Entities to be available as a resource should such formal or informal reviews be requested.

Additional Policy Discussion of Key Items from Board Committee Meetings
Attendees did not have any additional comments in response to the discussions from the Corporate Governance and Human Resources Committee, Finance and Audit Committee, Standards Oversight and Technology Committee, and Compliance Committee.

Strategic Planning

RISC Priorities and 2015 Reliability Leadership Summit Results
Mr. Brandien provided an overview of the Reliability Leadership Summit which was held on August 25, 2015, and focused on three topics: changing nature of reliability, changing nature of the grid, and cyber and physical security. The 2015 report was developed based on the outcomes of the summit, risks from the 2014 report, input resulting from industry pulse point interviews, and the FERC Technical Conference. Mr. Brandien noted that the 2015 report schedule was adjusted to support the strategic planning cycle and was split into two sections: (1) reliability risk priorities with recommendations, and (2) a supplemental document with technical data which looked at fourteen risks and is more of a tactical view. He reviewed a heat map of the fourteen risks, which shows the following: (1) where risk is today based on the likelihood of impact on the system, (2) where the mitigating actions drive the risk, and (3) whether the risk is increasing, decreasing, or stable. Mr. Brandien reviewed the high-level recommendations in the report and noted that the RISC will be requesting Board acceptance of the report the next day. He also noted that the RISC will begin considering improvements for 2016, including seeking feedback to assess deliverable usefulness, issuing the report earlier in the year, and engaging NERC leadership earlier in 2016.

• An MRC member asked whether RISC will look at different market designs. Mr. Brandien noted that RISC did not discuss market versus non-market analysis, but discussed whether there are barriers or enhancements to the market that may lead to reliability problems.

Evolution of Essential Reliability Services (ERS)
Mr. Moura identified two key objectives of the work on ERS: (1) to inform policymakers about the ERS needed to reliably operate the bulk power system; and (2) to inform the ERO about the changes on the system to understand the different types of impacts. He noted that a final framework report will be presented to the Board in December, along with an abstract document intended to inform policymakers.
Mr. Moura reviewed charts showing declining synchronous inertia and an increase in frequency deviation. He also highlighted the need to evaluate frequency response, the need for more flexibility for ramping, and the need to establish reactive areas to understand trends. Mr. Moura noted that the report recommends a number of enhanced industry practices. Mr. Moura discussed additional work needed going forward around the following: (1) defining Adequate Level of Reliability (ALR) in terms of ERS; (2) distributed energy resources; and (3) flexibility, visibility, and control. He also discussed incorporating certain measures into the Long-term Reliability Assessment, State of Reliability Report, and special reliability assessments.

- Commissioner LaFleur applauded NERC for the work in this area and suggested that NERC should consider the upsides, in addition to the downsides, of the changing resources mix. Mr. Cauley responded that this is NERC’s intent and it will keep working on the communications.
- A Board member raised a concern about the decline in inertia and asked why generators wouldn’t be left on the system. Mr. Moura noted that while leaving the generators on the system could be a good solution for those involved in planning, ultimately, the decision to retire is up to the generator owner, which may or may not be the planning entity.
- An MRC member asked whether NERC is going to reach into the distribution network. Mr. Moura noted that NERC is looking at the distribution system in aggregate and there are risks at the distribution level. Mr. Cauley added that NERC has a need to understand how the distribution system interacts.
- An MRC member asked whether NERC has anything underway to look at fuel diversity constructs in a weather dependent fuel world. Mr. Moura noted that this will be supported in future reliability assessments.

ERO Enterprise Longer-term Strategic Planning Considerations
Mark Lauby, senior vice president and chief reliability officer at NERC, noted that the ERO Enterprise Longer-term Strategic Planning Considerations document looks 15 years in the future and provides a big picture for significantly emerging trends and risks. Mr. Lauby noted that the document identified several emerging trends and was enhanced to address the changing resource mix, ERS, operational control and visibility, distributed and distribution-centric resources, restoration recovery plans, and cyber and physical security. He reviewed the three areas of focus which show the ERO’s commitment to resource and planning adequacy, recovery and restoration, and situation awareness and system control. For resource and planning adequacy, the ERO Enterprise must maintain its position as the leading source of reliability data, as well as analytics and information. For recovery and restoration, the system must be restored safely and efficiently when an event does occur. Additionally, potential new challenges need to be identified and understood in order to mitigate any vulnerabilities. For situational awareness and system control, essential reliability services need to be considered, as well as the control of distributed and non-traditional resources. He noted that ERO Enterprise is committed to assessing technologies and building industry partnerships to address system changes that would impact reliability.
ERO Enterprise Strategic Plan 2016-2019 and 2016 ERO Enterprise and Corporate Metrics

Mr. Lauby explained that the ERO Enterprise considered a number of inputs as it developed the 2016-2019 strategic plan. These inputs were gathered from the longer-term strategic planning considerations, Reliability Leadership Summit, 2015 RISC priorities report, strategic sessions with the Board and ERO executive management group, the FERC technical conference, MRC policy input throughout the year, and the ERO Enterprise Effectiveness Survey. The strategic plan then feeds into the annual ERO Enterprise and corporate metrics, business plan and budget, and technical work plans. He provided an overview of the five goals in the strategic plan, including any modifications made to address some changes that occurred throughout the year: (1) clear and technically sound Reliability Standards, which was updated to focus on feedback loops, identifying gaps and high priority and emerging risks, and ensuring a smooth transition to new or revised standards; (2) risk-based compliance monitoring, enforcement and registration, which combined the second and third goals from the previous strategic plan to reflect the shift to implementation of these risk-based programs; (3) identification and mitigation of significant reliability risks; (4) assessment of emerging risks and essential reliability service, which was a new goal that was added; and (5) collaboration and coordination.

Mr. Lauby then reviewed the four overarching metrics for 2016, which are the same as the previous year: (1) reliability results; (2) assurance effectiveness; (3) risk mitigation effectiveness; and (4) program execution effectiveness. Mr. Lauby added that a number of sub-metrics under program execution effectiveness have been updated to reflect program maturation; notably, the development of lessons learned from GridExIII, incorporation of cost-effectiveness, and a new sub-metric on the operating model. Additionally, based on discussions with industry, the ERO Enterprise effectiveness survey sub-metric may be enhanced to shift the release of the survey to Q2 of 2016 instead of January. Mr. Lauby noted that the ERO Enterprise will be redesigning the next strategic plan in 2016 to enhance the direct correlation between the goals and the metrics. NERC will solicit industry feedback on the new format in May 2016 and will work on improving communications with industry, including an additional opportunity for industry comment prior to requesting Board approval.

- An attendee applauded the progress on the evolution of the strategic plan and suggested a more concise document, with core goals articulated in a three-year context and more directly aligned with metrics.
- An MRC member suggested that cost-effectiveness should be at a higher level in the metrics.

FERC Notice of Proposed Rulemaking (NOPR) on Availability of Certain NERC Databases to FERC

Holly Hawkins, associate general counsel at NERC, noted that on September 17, 2015, FERC issued a NOPR proposing to amend its regulations to require NERC to provide FERC access to three of NERC’s databases (generating availability data system (GADS), transmission availability data system (TADS), and protection system misoperations database). In the NOPR, FERC stated two reasons for the access: (1) to help FERC determine the need for new or modified Reliability Standards; and (2) to help better understand NERC's reliability assessments. The NOPR stated that it would not require NERC to compile new information or reformulate the data, and it is restricted to United States data. Ms. Hawkins reviewed some implications of the proposed rule, including: (1) scope, specifically around what FERC wants access to; (2) data
vulnerability and confidentiality; (3) duplicative and ambiguous regulation, as there is currently a regulation that provides FERC with the authority to request information; and (4) negative unintended consequences. NERC will propose an alternative approach in its NOPR comments, which will include: (1) forming a data sharing working group to work with FERC and industry groups to understand what data FERC is looking for access to; and (2) providing access to the data sought in the NOPR in an aggregate form to protect confidentiality.

- Several MRC members and attendees voiced concern regarding FERC’s request for data, specifically about the data that would be collected, the types of data analysis that will be conducted and the confidentiality of the data.
- An attendee noted that this also appears to be a U.S. Department of Energy (DOE) issue, as it is their understanding that FERC shares data with DOE. The attendee suggested that industry have a “meeting of the minds” with FERC and DOE on the confidentiality of data and their ability to keep the data confidential.
- An attendee asked about the feasibility of extracting Canadian data from United States data, and asked if there are any challenges. NERC responded that its databases are arranged to protect Canadian and Mexican data from United States data.
- An attendee asked whether there is something that NERC and the Regional Entities are not doing sufficiently that is prompting the proposed rule from FERC and suggests that this be included in discussions with FERC.

**ERO Enterprise Effectiveness Survey**

Ms. Iwanechko provided an update on the ERO Enterprise Effectiveness Survey results, noting that a final report was presented at the August meetings which identified seven initial areas for improvement based on the lowest average ratings. She provided an overview of the actions being taken to address these areas, including: (1) implementing the risk-based registration program; (2) an update to the Organization Registration Appeals Process in Appendix 5A of the NERC Rules of Procedure; (3) implementing the risk-based compliance monitoring and enforcement program, with NERC and the Regional Entities working closely together to share practices and implement consistency; (4) conducting enhanced periodic reviews which will address practicality and cost-effectiveness; and (5) developing a method for determining cost-effectiveness and conducting a pilot of this approach.

As suggested through policy input and discussions at the August meetings, the survey group obtained a favorability analysis for each of the questions in the survey for a deeper review. The group focused on questions that received both over a 6% unfavorable rating and under a 60% favorable rating, and identified an additional four items for focus. The first two items are around: (1) ensuring efficiencies and minimizing duplication and any activities not affecting reliability outcomes; and (2) achieving results and methods across the enterprise that are predictable, consistent, and timely. These two items are captured in the 2016 ERO Enterprise and Corporate Metrics as part of sub-metric E, for which NERC will be working with the Regional Entities to develop oversight plans in accordance with the NERC Oversight Program Framework. The third item is around avoiding undue burden, discrimination, or capriciousness. The comments received on this item were generally focused on reducing administrative and regulatory
burden, as well as burden on smaller entities. This area should improve with the implementation of risk-based registration and risk-based compliance monitoring and enforcement. While registered entities are expected to comply with all Reliability Standards, there have been a lot of changes in the frequency and types of interaction entities have with NERC and the Regions, resulting in less burden on preparing for audits. The last item is around the penalty process and penalties being transparent, consistently applied, and clearly communicated. There is no specific action being taken for this item, as the penalty process is governed by the Rules of Procedure and there are safeguards in place to ensure that the process and penalties are transparent, consistently applied, and clearly communicated.

Ms. Iwanechko noted that the survey group is in the process of developing the next survey, which will be issued in Q2 of 2016 instead of January 2016 as initially planned. The group believes that this shift will allow for better insight on the various programs, as many of them are currently being implemented. The team is reviewing each of the questions in the survey to ensure they are clear and appropriate, while paying attention to the length of the survey. In addition, the team is discussing including additional favorability analyses in the final report, expanding the survey distribution list, improving the collection of demographics, and improving the user-friendliness of the survey tool. Additionally, after the survey is issued in 2016, the ERO Enterprise plans to conduct the survey every other year instead of annually.

**Regulatory Update**
Mr. Berardesco invited questions or comments regarding the regulatory report, which highlights Canadian and Mexican affairs, as well as past and future significant FERC filings. He noted that there are a number of filings identified in the materials to be filed before the end of the year and NERC will be circulating drafts. He also noted that NERC will be filing modifications in response to the Regional Delegation Agreements order by the end of the year.

**Future Meetings**
The following are future dates for the MRC Pre-Meeting and Informational Sessions:

- January 12, 2016
- April 6, 2016
- July 13, 2016
- October 4, 2016

The following are future NERC Board and MRC meetings dates and locations:

- February 10-11, 2016 – Sarasota, FL
- May 4-5, 2016 – Chicago, IL
- August 10-11, 2016 – Halifax, Canada
- November 1-2, 2016 – Atlanta, GA

**Adjournment**
There being no further business, the meeting terminated at 4:42 p.m., Eastern.
Submitted by,

Kristin Iwanechko
Secretary
Draft Minutes
Member Representatives Committee
Pre-Meeting Informational Session
Conference Call and Webinar
January 12, 2016 | 11:00 a.m. – 1:00 p.m. Eastern

Introduction and Chair’s Remarks
Chair Sylvain Clermont, with Vice Chair Nabil Hitti present, convened a duly-noticed open meeting by conference call and webinar of the North American Electric Reliability Corporation (NERC) Member Representatives Committee (MRC) on January 12, 2016, at 11:03 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 Committee meetings scheduled to be held February 10-11, 2016, in Sarasota, Florida. The meeting announcement, agenda, and list of attendees are attached as Exhibits A, B, and C, respectively.

NERC Antitrust Compliance Guidelines and Public Announcement
Kristin Iwanechko, committee secretary, directed the participants’ attention to the NERC Antitrust Compliance Guidelines and the public meeting notice included in the agenda.

Schedule of Quarterly NERC Meetings and Conference Calls
The draft schedule of events for the upcoming meetings in Sarasota was included in the agenda package.

Review of Proposed Board and Board Committees Meeting Agenda Items
Charlie Berardesco noted that the preliminary agenda items for the Board and Board Committee meetings scheduled for February 10-11, 2016, in Sarasota are identified in the slide presentation included in the informational session agenda package (Exhibit D). The Board of Trustees Standards Oversight and Technology Committee and Board of Trustees Finance and Audit Committee conference calls have been confirmed for February 2, 2016, and February 4, 2016, respectively. Mr. Clermont encouraged MRC members to review all agenda materials for the Board and Board Committee meetings, once posted and available on January 27, 2016, and attend as many of these meetings as possible, in advance of the MRC’s meeting on February 10, 2016.

Review of Proposed MRC Agenda Items for February 10
Mr. Clermont noted that the preliminary MRC agenda items for the upcoming February 10, 2016, meeting in Sarasota are identified in the slide presentation included in the informational session agenda package (Exhibit D). Topics include:

- Election of NERC Board of Trustees;
- U.S. Department of Energy - NERC coordination;
• Discussion of the responses submitted to the policy input request from the Board;
• Additional discussion of the issues presented at the Board Committee meetings on February 2, February 4, and February 10;
• Supply chain management technical conference;
• Bulk Electric System (BES) notification and exception process update;
• Clean Power Plan: NERC assessments status update;
• Outreach and coordination of Essential Reliability report and abstract;
• Compliance guidance implementation; and
• Regulatory update.

Policy Input Reminder
Mr. Clermont announced that the Board’s request for policy input is scheduled to be released on January 12, 2016, and responses are due by Tuesday, February 2, 2016, to Kristin Iwanechko, committee secretary. NERC staff provided updates on the following topics included in the policy input letter:

• 2017 business plan and budget development;
• ERO Enterprise strategic planning redesign; and
• Cost effectiveness method and pilot proposal.

Informational Items
NERC staff provided updates on critical infrastructure protection activities, the BES notification and exception process, industry training resources, and reliability and grid security measures in recent Federal legislation.

Proxy Reminder
Proxy notifications for the February 10, 2016, meeting must be submitted in writing to Kristin Iwanechko, committee secretary.

Meeting Adjourned
There being no further business, the call was terminated at 12:15 p.m., Eastern.

Submitted by,

Kristin Iwanechko
Secretary
**Future Meetings**

**Action**
Information

**Summary**
The following are the future meeting dates for 2016 and 2017. The dates for the 2016 pre-meeting and informational webinars are also included below.

### 2016 Dates
- April 6: Pre-Meeting and Informational Session
- May 4-5: Chicago, IL
- July 13: Pre-Meeting and Informational Session
- August 10-11: Halifax, Canada
- October 4: Pre-Meeting and Informational Session
- November 1-2: Atlanta, GA

### 2017 Dates
- February 8-9: San Diego, CA
- May 10-11: TBD
- August 9-10: Ottawa, Canada
- November 7-8: New Orleans, LA
Election, NERC Board of Trustees

**Action**
Elect three NERC Board of Trustees (Board) as Class of 2019 (with three-year terms).

**Background**
Election of the trustees of the Corporation is governed by Sections 5 and 6 of Article III of the **Bylaws**. The details are provided in the attached report. Paul Barber, chair of the Board’s Nominating Committee, will present the enclosed report.

**Attachment**
1. Report of the Nominating Committee to the Member Representatives Committee
Report of the Board of Trustees
Nominating Committee to the
Member Representatives Committee
December 14, 2015

The Nominating Committee of the Board of Trustees for the North American Electric Reliability Corporation (NERC) recommends the following nominees for election to the NERC Board of Trustees at the Annual Meeting of the Member Representatives Committee (MRC) on February 10, 2016:

Class of 2019 (three-year terms): Robert G. Clarke
Kenneth W. DeFontes, Jr.
David Goulding

This report includes a brief biography of each nominee.

Members of Nominating Committee
The Nominating Committee consists of independent NERC Trustees Paul Barber (Committee Chair), Janice Case, Fred Gorbet, George Hawkins, Ken Peterson, Jan Schori and Roy Thilly, as well as MRC members Sylvain Clermont (MRC Chair), Nabil Hitti (MRC Vice Chair), Bruce Campbell, Carol Chinn, Michelle D’Antuono, and Jeff Gust.

Background
Article III of NERC’s Bylaws establishes the qualifications and sets the nomination and election procedures for members of NERC’s Board of Trustees. NERC’s independent trustees serve staggered three-year terms, and an election of trustees occurs at the Annual Meeting of the MRC each year. All independent trustees are to be elected from nominees proposed by the Nominating Committee. A nominee shall be elected an independent trustee if such person receives the affirmative vote of two-thirds of the members of the MRC. Each nominee receiving the necessary two-thirds vote of the MRC shall take office immediately upon election.

The incumbent trustees whose terms expire at the February 2016 Annual Meeting are Robert G. Clarke and David Goulding. In addition, a vacancy exists due to the resignation in August 2015 of Douglas Jaeger as a NERC trustee. NERC’s trustee succession policy, more fully discussed below, provides that no independent trustee may be re-nominated or re-elected if he or she has served 12 consecutive years as an independent trustee. The policy does not apply to any trustee in this cycle.

Committee Process
The Nominating Committee is required to present three nominees for election at the February 2016 MRC meeting. The Committee was pleased to learn that each of Messrs. Clarke and Goulding was willing and interested to serve an additional term. Committee members solicited the views of stakeholders on each of Messrs. Clarke and Goulding and reviewed their performance. Based on stakeholder input and the
Committee’s own views, the Committee determined that each of Messrs. Clarke and Goulding was well-qualified to continue to serve and should be re-nominated.

The Committee retained the services of the board and executive search firm Russell Reynolds Associates (RRA) to assist in the search and evaluation of candidates to fill the open trustee position. As directed by the Bylaws, the Nominating Committee provided an opportunity for stakeholders to suggest trustee candidates. The Committee received many excellent suggestions and, working with RRA, was pleased to have an excellent list of candidates from which to choose. With the assistance of RRA, the Committee reviewed the background of each candidate, screened the candidates for possible conflicts of interest, and interviewed four candidates. In developing its approach to fill the open trustee position, the Committee noted the attributes Mr. Jaeger had brought to the NERC Board of Trustees, particularly his experience in the electric industry and broad business background, and considered those attributes carefully in reviewing potential trustee candidates.

The Nominating Committee unanimously recommends the three nominees submitted in this report for election to the NERC Board of Trustees for three-year terms ending at the February 2019 annual meeting of the MRC. With respect to the nominee to fill the open trustee position, Mr. DeFontes, the Committee noted his industry and general business background as the chief executive officer of a major electric and gas distribution utility, prior service as a board member of ReliabilityFirst, and significant experience in serving on governing boards.

Trustee Succession
The Board of Trustees has adopted a policy statement on trustee succession as set forth in the NERC Governance Guidelines, and the Nominating Committee has followed that policy in making the nominations. The policy statement directs the Nominating Committee to observe the following guidelines in proposing nominees to serve as independent trustees:

- Each year the Nominating Committee should include in its report to the Member Representatives Committee a calculation of the average tenure of the independent trustees. The Nominating Committee should endeavor to keep the average tenure of independent trustees below six years. ¹
- To the extent feasible, the Nominating Committee should determine prior to soliciting suggestions for candidates whether the Committee expects that one or more incumbent trustees will not be re-nominated.
- No independent trustee may be re-nominated or reappointed after he or she has served on the board for twelve consecutive years, unless at least one year has elapsed between the end of service on the board and the subsequent re-nomination or reappointment.

As of February 2016, the incumbent nominees will have the following years of service on the NERC Board:

Robert Clarke 3 years
David Goulding 6 years

¹ The calculations also include service on the board of the North American Electric Reliability Council.
Assuming the election of the nominees, as of February 2016 the average tenure of all independent trustees would be 6.1 years.

**Biographies of the Nominees**

**Robert G. Clarke**

Robert G. Clarke was elected to the NERC Board of Trustees in February 2013 and was elected Vice Chair of the Board in August 2015. Mr. Clarke serves on the Corporate Governance and Human Resources, Enterprise-wide Risk, and Finance and Audit Committees.

From 2000 to 2009, Mr. Clarke served as chancellor of the Vermont State Colleges. From 1999 to 2000, he served as interim chancellor. Prior to that, he served as president of Vermont Technical College.

Mr. Clarke served as member of the Board of Directors of Central Vermont Public Service and as chair of the Board of Vermont Electric Power Company, Inc. and Vermont Electric Transmission Company, Central Vermont affiliates, from 1997 to 2012. He was chair of the Board's Audit Committee and a member of both the Executive and Corporate Governance Committees. Additionally, Mr. Clarke served on the Board of TD Banknorth Group, Inc. from 2003 to 2009. He also served as a director of the Richard E. and Deborah L. Tarrant Foundation (a charitable giving foundation).

Mr. Clarke earned a bachelor's in Occupational Education from Southern Illinois University, a master's in Occupational Education from Central Washington State College, and a doctorate in Administration and Supervision from Lehigh University.

**Kenneth W. DeFontes, Jr.**

Kenneth W. DeFontes, Jr. served as President and Chief Executive Officer of Baltimore Gas and Electric Company (BGE) from 2004 to 2014, and prior to that served in a number of different positions at BGE beginning in 1971. While at BGE, he led a major transformation effort to position BGE for a fast changing operating environment and future opportunities, implemented major investments in energy conservation, peak demand reduction and smart grid, and served as a witness in a number of regulatory matters before the Maryland Public Service Commission, as well as testifying before the Maryland General Assembly.

In addition to serving on the Board of Directors of BGE, Mr. DeFontes served on the board of ReliabilityFirst from 2006 to 2012, and on the boards of a number of different organizations, including the Southeastern Electricity Exchange, the American Gas Association, the Baltimore Symphony Orchestra (also serving as board chair), the Greater Baltimore Committee and the St. Joseph Medical Center.

Mr. DeFontes earned a bachelor’s in engineering from Swarthmore College and an MBA from Loyola College.

**David Goulding**

David Goulding was elected to the NERC Board of Trustees in February 2010. Mr. Goulding is the chair of the Enterprise-wide Risk Committee and serves on the Compliance Committee as well as the Standards Oversight and Technology Committee.
Most recently, Mr. Goulding was the chair of the Northeast Power Coordinating Council and a regional representative on the NERC Member Representatives Committee. He is also a member of the Board of Rouge Valley Health System, which operates hospitals and mental health facilities in the Toronto and Durham (Ontario) region.

A graduate of the University of Bradford UK, his early years in the industry included progressive positions in transmission and generation construction, operations, and maintenance with the Central Electricity Generating Board. During this time, he also worked on shift in a power system grid control center and was section head for computer support and operations planning. After joining Ontario Hydro in 1977, he held several senior positions including director of Grid System Management; general manager of Electricity Exchange; vice president of Central Market Operations; and senior vice president of Central Market Operations. Duties included directing the operation of generation and transmission facilities, fuel requirements and utilization, transactions with other utilities, and regulation of 313 municipal electric utilities. As senior vice president, he was responsible for preparations for a competitive wholesale electricity market, compliance with market rules, and the establishment of what is now the Ontario Independent Electricity System Operator (IESO).

Mr. Goulding was appointed president and CEO of the IESO in early 1999, a position he held until retiring in late 2006. A past member of the NERC (Council) Stakeholder Board and NERC Stakeholder Committee, he was also the Canadian member on the CIGRE Study Committee on Electricity Markets and Regulation and a member of the Ministers’ Electricity Conservation and Supply Task Force. He has post graduate qualifications in Advanced Power System Protection and attended the Banff School of Advanced Management.
Responses to the Board’s Request for Policy Input

Action
Discussion

Background
The policy input letter is issued by the Chair of the NERC Board of Trustees (Board) four weeks in advance of the quarterly meetings and includes relevant materials necessary to inform discussion. Written input from the Member Representatives Committee (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 Board.

Status
On February 10, 2016, MRC can expect presentations with additional information on the three policy input items at the MRC meeting: (1) 2017 business plan and budget development; (2) ERO Enterprise strategic planning redesign; and (3) cost effectiveness method and pilot proposal. The MRC can expect to participate in further discussion of the responses received to the policy input request that was distributed on January 12, 2016, and of the presentations given on the policy input items at the MRC meeting.

The items included in the policy input letter were presented at the MRC Pre-Meeting and Informational Session webinar on January 12, 2016. Additional background information on each of the policy input items are included in the agenda package for the webinar.

Deadline for submitting policy input responses is February 2, 2016, and should be sent to Kristin.Iwanechko@nerc.net.

Attachment
1. January 12, 2016, Board’s Letter Requesting Policy Input
January 12, 2016

Mr. Sylvain Clermont, Chair
NERC Member Representatives Committee

Dear Sylvain:

I invite the Member Representatives Committee (MRC) to provide policy input on three issues of particular interest to the NERC Board of Trustees (Board) as it prepares for the meetings on February 10-11, 2016, in Sarasota, FL. Additional background information is included in the January 12, 2016 MRC Informational Session agenda package to help MRC members solicit inputs from their sectors. As a reminder, please include a summary of your comments in your response (i.e., a bulleted list of key points) for NERC to compile into a single summary document to be provided to the Board for reference.

Item 1: 2017 Business Plan and Budget (BP&B) Development
NERC and the Regional Entities’ BP&Bs are informed by the ERO Enterprise’s three-year strategic plan. The current plan for 2016–2019 was approved by the Board at its November 2015 meeting. Based on the goals and objectives outlined in this plan, NERC is requesting policy input to support the development of the 2017 BP&Bs. Specifically, the Board requests MRC input regarding the priorities and activities that should be highlighted in the NERC and Regional Entities’ 2017 BP&Bs based on the ERO Enterprise Strategic Plan 2016–2019. A summary of priorities and major activities for 2016 can be found on pages 2–6 of the 2016 NERC BP&B.

Item 2: ERO Enterprise Strategic Planning Redesign
As noted during the January 12, 2016 MRC Informational Session, the ERO Enterprise Strategic Plan 2016–2019 and 2016 ERO Enterprise and Corporate Metrics were approved by the Board at its November 2015 meeting, and the ERO Enterprise Longer-term Strategic Planning Considerations was provided for information. MRC input on these documents over the recent years has called for more alignment between the goals in the strategic plan and the related metrics, as well as increased opportunities for industry input. In response, the schedule for the 2017–2020 strategic planning cycle provides the MRC with additional input opportunities, both before and after the documents are developed. In addition, the ERO Enterprise plans to redesign its strategic planning documents to streamline and enhance the alignment between the goals in the strategic plan and the metrics used to evaluate progress. A framework will be presented at the May 2016 MRC meeting to be used during the development of the strategic planning documents for the 2017–2020 cycle.
The Board requests MRC input on how the format of and approach to the ERO Enterprise’s three-year strategic plan, metrics, and longer-term strategic planning considerations should be enhanced. Specifically, the Board requests input on the following:

1. How can the documents ensure the ERO Enterprise’s strategy is more clearly and accurately conveyed to stakeholders?
2. What changes are needed to ensure the goals, objectives, deliverables, and annual metrics are more clearly aligned and provide meaningful results for reliability?

Item 3: Cost Effectiveness Method and Pilot Proposal
Federal, State, and Provincial regulatory authorities, the Board, Regional Entities, and many industry stakeholders have expressed interest in the identification of costs incurred from implementing NERC Reliability Standards compared to risks they address. In 2016, NERC staff intends to develop an approach to measure the order of magnitude of the associated costs related to Reliability Standard implementation and conduct a pilot of the approach. During the January 12, 2016 MRC Informational Session, NERC staff provided an overview of how it proposes to develop and pilot this approach. The proposal for developing cost evaluations during standards development consists of two phases: (1) the first phase to provide a high level analysis of the risk reduction to the Bulk Electric System (BES) being considered during the Standard Authorization Request (SAR) stage of development, as well as the potential costs of not addressing the reliability risk; and (2) the second phase includes collection of information from registered entities that may have cost impacts associated with implementing a standard. For the pilot, NERC suggests that Project 2015-10: Single Points of Failure TPL-001 could be considered. Additional information on the two phases, as well as the pilot plan, are included in the January 12, 2016 MRC Informational Session agenda package.

The Board requests MRC input on the following:

1. Will the proposed approach enable stakeholders to identify the potential costs to implement a NERC Reliability Standard?
2. Will the proposed approach provide adequate information for stakeholders to compare potential implementation costs with risks to reliability?
3. Is there a preferred alternative approach, or enhancements to the proposed approach, which would enable comparison of potential implementation costs with risks to reliability?

As a reminder, the full agenda packages for the Board, Board Committees and MRC meetings will be available on January 27, 2016. I encourage the MRC to review the agenda materials for the February 2016 Board and MRC meetings, once available, and offer any additional input that is meaningful and timely to industry and stakeholders.
Written comments should be sent to Kristin Iwanechko, MRC Secretary (Kristin.Iwanechko@nerc.net) by **February 2, 2016**, for the Board to review in advance of the meetings scheduled for Sarasota.

Sincerely,

Fred W. Gorbet, Chair  
NERC Board of Trustees

cc: Mr. Nabil Hitti, MRC Chair-elect  
NERC Board of Trustees  
Member Representatives Committee
**2017 Business Plan and Budget Development**

**Action**
Discussion

**Background**
NERC and the Regional Entities’ Business Plans and Budgets (BP&Bs) are informed by the Electric Reliability Organization (ERO) Enterprise’s three-year strategic plan. The current plan for 2016–2019 was approved by the NERC Board of Trustees at its November 2015 meeting. In the January 12, 2016, policy input letter, NERC requested policy input from the Member Representatives Committee to support the development of the 2017 BP&Bs. Input should concentrate on the priorities and activities that should be highlighted in the NERC and Regional Entities’ 2017 BP&Bs based on the ERO Enterprise Strategic Plan 2016–2019. A summary of priorities and major activities for 2016 can be found on pages 2–6 of the 2016 NERC BP&B.

NERC is scheduled to post the first drafts of these 2017 BP&Bs on May 19, 2016. The full 2017 BP&B schedule is posted on the 2017 NERC Business Plan and Budget webpage.
**EROS Enterprise Strategic Planning Redesign**

**Action**
Discussion

**Background**
The current annual Electric Reliability Organization (ERO) Enterprise strategic planning process results in the following documents, which are provided to the NERC Board of Trustees each November (links to the currently effective versions are included):

1. **ERO Enterprise Strategic Plan** – Identifies the objectives, valued outcomes, and key deliverables of ERO Enterprise strategic goals for the next three years;
2. **ERO Enterprise and Corporate Metrics** – Details the measures, thresholds, and targets for the current year to address the strategic plan goals; and
3. **ERO Enterprise Longer-term Strategic Planning Considerations** – Focuses beyond the three-year strategic plan.

Based on input received from the Member Representatives Committee (MRC) in recent years, the documents described above will be consolidated and redesigned to remove redundancy and enhance the linkages among the goals, deliverables, and metrics. A strategic planning design framework will be shared with the MRC during its May meeting. For the February 2016 meeting, the MRC has been asked to provide policy input on document format and content presentation, as well as how the metrics can clearly measure progress toward strategic plan goals.

The ERO Enterprise Strategic Planning Schedule (2017–2020 Strategic Planning Cycle) illustrates the timeline for the redesign, as well as the development of the content for the 2017–2020 cycle. The content development process includes increased opportunity for MRC input—both before and after the existing content is refined. The schedule also highlights continued alignment and coordination with the Reliability Issues Steering Committee and ERO Enterprise Business Plan and Budget development activities.

**Attachments**

1. ERO Enterprise Strategic Planning Schedule (2017–2020 Strategic Planning Cycle)
# ERO Enterprise Strategic Planning Schedule
## (2017-2020 Strategic Planning Cycle) ¹

<table>
<thead>
<tr>
<th>Dates</th>
<th>NERC</th>
<th>Regional Entities</th>
<th>Related Stakeholder-NERC Committee Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2015–January 2016</td>
<td>NERC and Regional Entities develop and finalize common Business Plan and Budget (BP&amp;B) assumptions and key focus areas for text of respective 2017 BP&amp;Bs</td>
<td></td>
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<tr>
<td>November 5, 2015</td>
<td>Board of Trustees meeting, includes 2016–2019 strategic plan and 2016 metrics presented for approval and longer-term planning considerations submitted for information</td>
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<tr>
<td>January–March 2016</td>
<td>Draft redesigned strategic plan framework</td>
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<tr>
<td>January 5, 2016</td>
<td>Member Representatives Committee (MRC) informational session agenda package posted</td>
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<tr>
<td>January 12, 2016</td>
<td>MRC informational session/policy input letter distributed, includes policy input on strategic planning redesign</td>
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<tr>
<td>January 27, 2016</td>
<td>MRC agenda package posted</td>
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<tr>
<td>February 9, 2016</td>
<td>ERO EMG closed meeting to review and get input on the strategic plan redesign</td>
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<tr>
<td>February 10, 2016</td>
<td>MRC meeting, includes presentation of strategic planning schedule and initial thoughts on redesign/high-level overview of policy input</td>
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</tbody>
</table>

¹ Includes key 2017 Business Plan & Budget (BP&B) preparation points
<table>
<thead>
<tr>
<th>Dates</th>
<th>NERC</th>
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<th>Related Stakeholder-NERC Committee Initiatives</th>
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</thead>
<tbody>
<tr>
<td>April 7, 2016</td>
<td>ERO EMG closed meeting to review and get input on the strategic plan redesign</td>
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<tr>
<td>April 20, 2016</td>
<td>MRC agenda package posted</td>
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<tr>
<td>May 2, 2016</td>
<td></td>
<td>1&lt;sup&gt;st&lt;/sup&gt; draft of 2017 Regional Entity BP&amp;Bs due to NERC&lt;sup&gt;2&lt;/sup&gt;</td>
<td></td>
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<tr>
<td>May 4, 2016</td>
<td></td>
<td>MRC meeting, includes presentation of redesigned strategic plan framework</td>
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<tr>
<td>May 19, 2016</td>
<td></td>
<td>Draft of NERC, Regional Entity, and consolidated ERO Enterprise 2017 BP&amp;B posted on NERC website</td>
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<tr>
<td>June 2016</td>
<td></td>
<td>FERC Technical Conference</td>
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<td>June 2016</td>
<td></td>
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<td>Responses due on ERO Enterprise Effectiveness survey</td>
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<tr>
<td>June 29, 2016</td>
<td></td>
<td>Reliability Leadership Summit</td>
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<tr>
<td>June 30, 2016</td>
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<td></td>
<td>Comments due on 1&lt;sup&gt;st&lt;/sup&gt; Draft of NERC 2017 BP&amp;B</td>
</tr>
<tr>
<td>July 6, 2016</td>
<td>MRC informational session agenda package posted</td>
<td>Final Regional Entity 2017 BP&amp;B submittal due to NERC (approved by Regional Entity Boards)</td>
<td></td>
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<tr>
<td>July 13, 2016</td>
<td>MRC informational session/policy input letter distributed to include request for input on the content for the 2017–2020 strategic planning documents</td>
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<tr>
<td>July 15, 2016</td>
<td>Final NERC draft 2017 BP&amp;B, final Regional Entity 2017 BP&amp;Bs, and consolidated ERO Enterprise 2017 BP&amp;B posted on NERC website</td>
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<tr>
<td>July 21, 2016</td>
<td>NERC Finance and Audit Committee and management conference call and webinar to review final NERC draft 2017 BP&amp;B, final Regional Entity 2017 BP&amp;Bs, and consolidated ERO Enterprise BP&amp;B</td>
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<tr>
<td>July 27, 2016</td>
<td>MRC agenda package posted</td>
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<sup>2</sup> Regional Entities post draft 2017 BP&Bs for comment by their stakeholders in accordance with individual Regional Entity public review processes and schedule
<table>
<thead>
<tr>
<th>Dates</th>
<th>NERC</th>
<th>Regional Entities</th>
<th>Related Stakeholder-NERC Committee Initiatives</th>
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</thead>
<tbody>
<tr>
<td>July 29, 2016</td>
<td></td>
<td></td>
<td>Comments due on final draft of 2017 NERC BP&amp;B</td>
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<tr>
<td>August 3, 2016</td>
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<td></td>
<td>MRC policy input due on the content for the 2017–2020 strategic planning documents</td>
</tr>
<tr>
<td>August 9, 2016</td>
<td>Board of Trustees closed strategic planning meeting</td>
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<tr>
<td>August 10, 2016</td>
<td>Final recommended 2017 NERC and Regional Entity BP&amp;Bs and assessments posted for August Finance and Audit Committee (FAC) and Board of Trustees review</td>
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<tr>
<td>August 10, 2016</td>
<td>FAC quarterly (Q3) meeting, includes recommendation to Board of Trustees regarding approval of NERC and Regional Entity final 2017 BP&amp;Bs and assessments</td>
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<tr>
<td>August 10, 2016</td>
<td>MRC meeting, includes strategic planning update and high-level overview of policy input</td>
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<tr>
<td>August 11, 2016</td>
<td>Board of Trustees meeting, includes approval of NERC and Regional Entity 2017 BP&amp;Bs and assessments</td>
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<tr>
<td>August 15–22, 2016</td>
<td>Develop strategic planning package for ERO EMG strategic planning session, which includes inputs from FERC Technical Conference, Reliability Leadership Summit, RISC 2016 ERO Reliability Risk Priorities report, Board of Trustees strategic planning meeting, MRC policy input, ERO Enterprise, and themes from ERO Enterprise Effectiveness survey results</td>
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<tr>
<td>Dates</td>
<td>NERC</td>
<td>Regional Entities</td>
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<tr>
<td>August 23, 2016</td>
<td>Send strategic planning package to the ERO EMG</td>
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<tr>
<td>August 24, 2016</td>
<td>Submit regulatory filings with FERC and Canadian provincial authorities for approval. Package to include: (1) the 2017 NERC and Regional Entity BP&amp;Bs approved by the Board of Trustees, (2) NERC’s annual funding requirement (including Regional Entity costs for delegated functions) and (3) the mechanism for assessing charges to recover that annual funding requirement.</td>
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<tr>
<td>August 30–31, 2016</td>
<td>ERO EMG strategic planning session</td>
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<tr>
<td>September 1–8, 2016</td>
<td>Based on ERO EMG input, revise content for the 2017–2020 strategic planning documents according to redesigned framework</td>
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<tr>
<td>September 9–16, 2016</td>
<td>Provide draft 2017–2020 strategic planning documents to NERC and Regional Entity program leads for review</td>
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<tr>
<td>September 19–23, 2016</td>
<td>Address inputs from NERC and Regional Entity program leads and finalize 2017–2020 strategic planning documents</td>
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<tr>
<td>September 23, 2016</td>
<td>ERO EMG meeting to endorse 2017–2020 strategic planning documents</td>
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<tr>
<td>September 27, 2016</td>
<td>MRC informational session agenda package posted</td>
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<tr>
<td>October 4, 2016</td>
<td>MRC informational session/MRC policy input letter distributed to include request for input on the 2017–2020 strategic planning documents</td>
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<tr>
<td>October 18, 2016</td>
<td>MRC and Board of Trustees agenda packages posted</td>
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<tr>
<td>October 25, 2016</td>
<td>MRC policy input due on the 2017–2020 strategic planning documents</td>
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<td>Dates</td>
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<td>Regional Entities</td>
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<tr>
<td>November 1, 2016</td>
<td>MRC meeting, includes presentation of 2017–2020 strategic planning documents</td>
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<tr>
<td>November 2, 2016</td>
<td>Board of Trustees meeting, includes presentation and approval of the 2017–2020 strategic planning documents</td>
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Cost Effectiveness Method and Pilot Proposal

**Action**
Discussion

**Background**
Federal, State and Provincial regulatory authorities, the NERC Board of Trustees, Regional Entities, and many industry stakeholders have expressed interest in the identification of “costs” incurred from implementing NERC Reliability Standards compared to risks they address. The desire from certain stakeholders is to ensure that these elements are appropriately considered during the standards development and revision process.

In the past, determination of the costs from the implementation of NERC Reliability Standards have generally been implicitly considered through the standards development process, wherein detailed comments are sought and modifications to proposed standards made based on input from the ballot pool (which is a cross-section of interest participants). However, a desire for more direct “measurement” of costs has been raised by certain stakeholders, as well as many state regulators, for a multitude of reasons. For example, registered entities have articulated the need to estimate implementation costs for budgeting and rate case development. Additionally, many state regulators would like this information to determine consumer costs implications of reliability.

The objective of this proposal is to develop an approach to measure the order of magnitude of the associated costs related to Reliability Standard implementation. The actual cost to implement a Reliability Standard is difficult to estimate. In general, whenever a Reliability Standard is drafted, it is designed to provide registered entities several options to comply with its requirements; generally focused on performance rather than prescription of how to obtain the results. In addition, registered entities vary in their operations, vulnerabilities, and starting points from which to calculate incremental costs. Hence, the costs for Reliability Standard implementation will vary by orders of magnitude by entity.

There are two basic questions that the “consideration of the cost” could address. The first is to determine the level of cost versus the reliability benefit to mitigate an identified risk. If the risk to the reliability of the Bulk Electric System (BES) is small or medium and occurs infrequently, and the cost to prevent the potential harm is great, it may be prudent to require only restorative measures, rather than preventative actions. However, if the risk to the reliability is small and frequent, or medium/large with any frequency, and the cost to prevent harm from the potential risk is reasonable, it may be prudent to require preventative measures. In particular, when assessing the cost versus reliability benefit, capital, operating and societal costs are important considerations.

The second question that could be addressed is whether a particular Reliability Standard is, or can be, developed with the most cost effective solution. Typically, standards are drafted so registered entities have options regarding how to meet their requirements and those options
represent a range of cost effective solutions. This consideration is embedded into the standards development process and industry stakeholders draft and ballot the proposed Reliability Standard, with the ability to provide comments. As the employers of the standards drafting teams (SDTs) will also ultimately be affected by the cost implications from the Reliability Standard, there is a high level of confidence that cost-effective solutions should result.

**Consideration of Risks to Reliability**

NERC has transitioned to include risk analysis in all aspects of its regulatory model, and this includes focusing the Electric Reliability Organization’s (ERO) and stakeholder resources on the highest risks to the reliability of the BES. One of the milestones was the creation of the Reliability Issues Steering Committee (RISC), a stakeholder-driven committee that evaluates which issues are the most critical. NERC, Regional Entities and the NERC standing committees (Planning Committee, Operating Committee and Critical Infrastructure Protection Committee) support the RISC by providing data and information on current issues. The RISC issues an annual report to the NERC Board.

Once adopted by the Board and instituted into the ERO Enterprise Strategic Plan, a package of solutions to address each risk is developed. This may include a variety of mechanisms, such as guidelines, training, alerts, monitoring, sharing lessons learned or a Reliability Standard. The mechanism(s) that is chosen depends on the level of risk and the need for accountability. If one of the mechanisms in the package to address a risk to reliability is a Reliability Standard, it is developed using the Reliability Standards Development Process. This process begins with the drafting of a Standards Authorization Request (SAR), which identifies the scope of the project, and the appointment of a SAR drafting team by the Standards Committee. During the development of the SAR, the drafting team members reach out to industry stakeholders to obtain initial input and concerns, which may include gathering information about costs of implementation, before the standard is drafted. Cost continues to be a consideration throughout the process up to, and including, approval of the standard by the balloting body.

**Proposal for Developing Cost Evaluations during Standard Development**

The proposal for developing cost evaluations during standard development consists of two phases. The first phase of cost analysis would be conducted prior to, or in conjunction with, the SAR stage of standard development. This would provide a high level analysis of the risk reduction to the BES being considered, as well as the potential monetary and societal costs of not addressing the reliability risks. If the SAR drafting team believes there is a need to pose questions to the industry during the SAR drafting phase, they would clearly identify the reliability risk being mitigated and provide industry the opportunity to identify alternate methods to be captured in the standard that may achieve the reduction in risk to the BES in a cost effective manner.

During the second phase of cost analysis, a mechanism would be established for collecting information from various types of registered entities that may have cost impacts associated with implementing a standard. Once a SAR has been accepted by the Standards Committee, the SDT would then initiate development of the Reliability Standard. They could initiate the cost assessment process by determining the types of registered entities that may incur an incremental cost burden based on the draft standard. The entities considered may be a functional entity, or a subset of a functional entity. The SDT could use available data to determine the number of such entities. The SDT could then seek a representative sample of volunteer registered entities willing to provide cost information, providing each of the
volunteer entities with a questionnaire. The goal of this phase would be to collect information on the specific type of cost information requested, compiled on a per unit basis where possible. This may also include a range of costs to represent potential implementation solutions. For example, if there were three potential requirements that mitigate a risk, there would be three estimates of incremental cost, which would result in a range of costs. The SDT and NERC staff would compile the cost information provided by the volunteer entities for each category of entity, and would project the cost by the number of entities in each category to provide a continent-wide representative estimation. Anonymized cost information would be posted on the NERC standards project page, and would also be used to form a database for applications of future standard developments and periodic reviews.

Pilot Plan

Project 2015-10: Single Points of Failure TPL-001 from the 2016-2018 Reliability Standards Development Plan could be considered for piloting the above approach. This project addresses the following two directives from FERC Order No. 786 and considers other improvements to TPL-001-4 — Transmission System Planning Performance Requirements. There are no time-sensitive FERC directives.

• Paragraph 40 directs NERC to modify Reliability Standard TPL-001-4 to address the concern that the six-month threshold could exclude planned maintenance outages of significant facilities from future planning assessments.

• Paragraph 89 directs NERC to consider a similar spare equipment strategy for stability analysis upon the next review cycle of Reliability Standard TPL-001-4.

In the first phase, during the SAR development for this project, the SAR drafting team would provide information about the FERC directives being addressed. They would also request that industry identify the reliability risks to the BES from not addressing planned maintenance outages of significant facilities that are more than the six-month threshold. The SDT would further request industry identify the reliability risks to the BES if stability analysis for P0, P1 and P2 categories in TPL-001-4 is not performed. This stability analysis would consider the possible unavailability of the long lead time equipment. Finally, they would request industry identify methods to reduce the identified BES risks achieved in a cost-effective manner.

As part of the second phase, if industry feedback identifies risks that must be addressed by a standard modification, the SDT would initiate the cost assessment process by determining the types of registered entities that may incur an incremental cost burden based on the proposed changes. The SDT would then seek a representative sample of volunteer registered entities willing to provide cost information, requesting data and information from each of the volunteer entities on the scope of spare equipment affected and staff cost or commitment estimates for the expected studies. This data would then be used to inform the development of the proposed changes to the standard, and provide valuable representative cost information to the balloting body.
**Additional Policy Discussion of Key Items from Board Committee Meetings**

**Action**
Discussion of specific items presented at the Board of Trustees (Board) committee meetings. Staff presentations made at the Board committee meetings will not be duplicated at the Member Representative Committee (MRC) meeting.

**Background**
On February 10, 2016, the MRC can expect to continue its increased participation and dialogue during the Board committee meetings in Sarasota. 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 Standards Oversight and Technology Committee and Finance and Audit Committee will hold meetings via conference call on February 2, 2016, and February 4, 2016, respectively, instead of meeting in-person in Sarasota. The agendas and associated background materials are posted approximately one week in advance of the meetings on the following webpages:

- Standards Oversight and Technology Committee
- Finance and Audit Committee

The February 10, 2016, Board committee agendas and associated background materials are posted on the following webpages:

- Corporate Governance and Human Resources Committee
- Compliance Committee
Action
Information

Summary
In its July 16, 2015, Notice of Proposed Rulemaking (NOPR), the Federal Energy Regulatory Commission (FERC) proposed to direct the North American Electric Reliability Corporation (NERC) to develop new or modified Critical Infrastructure Protection (CIP) Reliability Standards to provide security controls relating to supply chain risk management for industrial control system hardware, software, and services. The Commission sought and received comments on this proposal, including: (1) the NOPR proposal to direct that NERC develop a Reliability Standard to address supply chain risk management; (2) the anticipated features of, and requirements that should be included in, such a standard; and (3) a reasonable timeframe for development of a standard.

On January 28, 2016, FERC is holding a technical conference on this topic to clarify issues, share information, and determine the proper response to address security control and supply chain risk management concerns. Marc Sachs, NERC’s senior vice president and chief security officer and the head of NERC’s Electricity Information Sharing and Analysis Center (E-ISAC), will be a panelist at the technical conference to discuss NERC’s NOPR comments.

In addition, as the E-ISAC is separate from NERC’s regulatory roles, Mr. Sachs will discuss supply chain management based on his experience prior to joining NERC, including risks presented by the supply chain, as well as controls and mechanisms to reduce risk. At the February MRC meeting, Mr. Sachs will provide an overview of the technical conference.
Bulk Electric System Notification and Exception Process Update

**Action**
Discussion

**Background**
On December 13, 2013, North American Electric Reliability Corporation (NERC) filed a petition for approval of revisions to the definition of the Bulk Electric System (BES) resulting from Order Nos. 773 and 773-A. On March 20, 2014, FERC issued an order approving the revised definition and establishing July 1, 2014, as the effective date.

The BES definition includes bright-line core criteria with enumerated inclusions and exclusions. As a result of the application of these BES definition provisions, all Elements and Facilities necessary for the reliable operation and planning of the interconnected bulk power system will be included as BES elements. FERC also approved the process for review of Elements, on a case-by-case basis, to enable exceptions from the BES definition, where appropriate, as well as a process for entities to self-notify Regional Entities of their respective determinations of BES Elements.

An Electric Reliability Organization (ERO) enterprise-wide software application, the Bulk Electric System (BES) Notification and Exceptions Tool or BESnet, has been developed to support implementation of the BES definition. The BESnet application should be used by entities to notify their Regional Entity about the changes in the status of BES facilities that affect the registered entity’s responsibilities for compliance with NERC’s Reliability Standards. BESnet is the official means of notifying Regional Entities of newly identified inclusions and exclusions resulting from the application of the BES definition. Entities are encouraged to have preliminary discussions with their Regional Entities prior to submitting notifications for the record. Entities also should use BESnet to request inclusion or exclusion of an Element from the BES for review on a case-by-case basis, as outlined in Appendix 5C of the NERC Rules of Procedure.

**NERC Review Panel**
The NERC Review Panel (NRP) is the last step in reviewing the technical material. The NRP consists of Subject Matter Experts within NERC, who have extensive knowledge of the bulk power system, including conducting loadflow, short circuit and stability studies and analyses. The NRP consists of a minimum of three members. Each case is evaluated on a case-by-case basis, on its own merits, along with the evidence presented and information in the record. The NRP requests additional information, as needed from the respective Regional Entity and the Submitting Entity. The NRP also conducts additional studies and analyses, as deemed necessary.

The NRP team takes into consideration the following when making a decision:

- The extent to which the Element(s) is necessary for the Reliable Operation of the system
- Any unique characteristics of the Element(s) in relation to the electrical characteristics of the system and topology
• The aggregate effect of excluding similar types of Elements within a portion of the (Local zone) and the BES
• The effect of disconnecting the Element from the rest of the BES
• Coordination of Protection Systems on the network with Protection Systems on the BES

The NRP issues a proposed decision, which is then reviewed by the NERC Senior Vice President and Chief Reliability Officer as designated by NERC President and CEO, who then issues a final NERC decision.

**Challenges to BES Exception Request decisions**
A Submitting Entity, or Owner if different, aggrieved by the decision of NERC to approve or disapprove an Exception Request or to terminate an Exception with respect to any Element may file a written challenge in accordance with the NERC Rules of Procedure. Challenges are decided by the NERC Board of Trustees Compliance Committee, and such decisions are the final NERC decisions. The Submitting Entity, or Owner if different, may appeal the final NERC decision to, or seek review of the final NERC decision by, the Applicable Governmental Authority(ies).

**Statistics as of January 15, 2016**
BESNet (BES Exception Request and Self-Determined Notifications)

**Exception Requests**
• 7 exclusions disapproved
• 3 exclusions approved
• 34 inclusions approved
• 4 awaiting NERC action

**Self-Determined Notifications**
• 597 inclusions accepted
• 496 exclusions accepted
• 30 exclusions rejected
• 3 inclusions rejected by the Application of BES Radial System Exclusion
• 58 awaiting NERC action

**Reference Documents**
Quarterly statistics will be posted on NERC’s web site at [BES Notification and Exception Processes Statistics](#). Other reference documents are available on NERC’s web site at [BES Resource Documents](#).
Clean Power Plan Final Rule: NERC Reliability Assessment Plan (Phase II)

Action
Information

Background
In its Initial Reliability Review and Phase I Special Reliability Assessment, NERC highlighted its objective of publishing assessments on the Clean Power Plan (CPP) as the Environmental Protection Agency (EPA) prepared to issue its final rule.

On August 3, 2015, the EPA released a final rule that would reduce carbon CO₂ emissions from existing power plants (Clean Air Act Section 111(d)). NERC’s phased approach for evaluating the final rule as well as providing reliability guidance to states was proposed at the August 12, 2015, Member Representatives Committee meeting in Toronto.

Update
On January 27, 2016, NERC released the Reliability Considerations for Clean Power Plan Development document for states, developed by NERC and the Planning Committee’s Advisory Group on CPP (Advisory Group), particularly aimed at providing information to the electric utility agencies, state environmental agencies, and policymakers about reliability considerations and risks that should be considered for Bulk Power System reliability. To help support plan development, the considerations document concentrates on system and regional aspects of the expected resource mix changes, the potential acceleration of strained essential reliability services (e.g., voltage support, ramping, frequency response), the implications of a changing dispatch (i.e., increased cycling, energy limitations, maintenance planning), and reliability considerations of further concentration of natural gas generation, variable resources, distributed resources, and demand-side management. NERC is presently in the outreach stage working with states and state planners to incorporate the reliability considerations into the final plans submitted to the EPA.

Additionally, NERC is revising its initial Phase I analysis and calibrating it with revised assumptions and requirements set forth in the final rule. The Advisory Group will support the technical input on this assessment. In addition, the Regional Entities are expected to support the NERC assessment and use the results to perform reliability analysis that will assess any Region-specific challenges. Scenarios being analyzed for the NERC assessment include sensitivities around renewables penetration, nuclear retirements, and natural gas generation levels. The scenario analysis is in progress using key input assumptions as developed by NERC and the Advisory Group and the Phase II assessment is expected to be issued by the end of the first quarter of 2016.

NERC will continue to conduct its long- and short-term reliability assessments, which will incorporate state, regional, or federal CPP plans as they are integrated into planning processes.
Outreach and Follow-up of Reliability Assessment Reports

**Action**
Information

**Background**
As part of NERC’s reliability assessment, outreach and coordination of key findings and recommendations is a critical phase of the Electric Reliability Organization’s (ERO) assessment obligations. Prior to completion of a special reliability assessment or NERC’s annual Long-Term Reliability Assessment, an outreach and coordination plan is developed that serves to assure that the target audience has been reached and the key messages are understood. The plan identifies the target audience groups, whether industry, federal, state or provincial regulators, policymakers, or other special interest groups, and the means through which the most effective communication platform can be achieved. In general, these platforms include closed meetings, open meeting forums, technical and/or policy conferences, webinars, multimedia presentations, as well as direct one-on-one coordination. The objective of these coordination efforts focus on establishing a dialogue around technical challenges, recommendations for action, and forming a feedback loop so NERC can be assured that identified parties have integrated bulk power system reliability considerations into their processes and/or policies.

Outreach occurs to many identified groups—generally, the target audience—prior to the release of the report, providing advanced notice on the timing and general messaging of the assessments. Often, a deeper review of the approach and methods used are discussed. Feedback is provided and often incorporated into NERC’s assessment. As a result of this outreach, NERC’s reports are anticipated by targeted audiences (for example, federal agencies request the timing of a report’s release), and NERC coordinates messaging and responses. This may involve in some cases being called to testify to Congress or at the National Association of Regulatory Utility Commissioners (NARUC) meetings on report specifics.

Separately, outreach occurs with media, including press releases and announcements, which, along with related talking points, are also shared with the ERO Enterprise’s Regional Communicators Group and Regional Executives. Webinars are held with media across North America, providing an opportunity for NERC’s assessment team and executives to field questions and explain the complex and technical nature of the results. This process has led to sustained interest in NERC’s reliability assessments, resulting in significant coverage in numerous news outlets.

Currently, NERC uses several venues to engage industry, regulators and policy makers, which include established points of contact throughout the industry and government, as well as known conferences and meetings. For example, through coordination with NARUC, NERC has participated in their quarterly meetings providing a forum of state utility regulators and staffers engaged in important policy decisions. It would be difficult for NERC to coordinate with every state utility commission due to the sheer amount of agencies; however, the NARUC forum
gathers all state regulators and enables NERC to share a consistent message to all 48 states interconnected to the bulk power system.

NERC’s ongoing outreach and coordination plan ensures key messages and recommendations are shared with FERC, NARUC, Department of Energy, Environmental Protection Agency, the White House executive office staff, Congress, Canadian federal and provincial regulators, stakeholders, and various trade groups, both prior to release and after release of assessments.¹

Further, NERC’s annual Long-Term Reliability Assessment provides a vehicle to assure that recommendations made in special and earlier long-term reliability assessments are being followed and industry plans include mechanisms to ensure reliability.

**Essential Reliability Services Reports and Assessments**

Over the past five years, NERC’s External Affairs team has worked with the Reliability Assessments team to develop a coordinated and structured approach for outreach and coordination. This process was followed for the Essential Reliability Services Task Force (ERSTF) report and the final stages of this outreach are nearing completion. The ERSTF report is one of the first where the topic and application based on the changing resource mix will require an ongoing conversation with state regulatory officials. This outreach is facilitated through the participation of state utility commissioners on the Member Representatives Committee, coordination with the Regional Entities as they obtain feedback and engage with the states in their regions, and an ongoing relationship with NARUC. Additionally, NERC has worked closely with the Federal Energy Regulatory Commission to establish needed changes within its market rule and interconnection requirement authority. This coordination has led to a successful implementation of market options for frequency response, as well as ensuring all new resources interconnected to the bulk power system provide reactive support.

The following materials were designed specifically for NERC’s outreach and coordination efforts and support NERC’s development of reliability guidance and information sharing with policy makers:

- [1-Pager Abstract Document on Essential Reliability Services](#)
- [Multimedia Animations on Essential Reliability Service Concepts](#)

**Clean Power Plan Reports and Assessments**

A similar outreach and coordination plan is underway with NERC’s focus and published assessments on the Clean Power Plan. Coordination with states is particularly important with this assessment, as the focus relies on ensuring state policy decisions are aligned with, and consider, the reliability of the bulk power system. A primary role for NERC in this outreach plan is for NERC and its technical experts to be available as a resource to state plan developers. NERC desires to participate and work with state plan developers (from any agency) on reliability considerations and potential challenges as well as opportunities that may arise with a particular plan.

¹ The acronyms represent the Federal Energy Regulatory Commission, National Association of Regulatory Utility Commissioners, Department of Energy, and Environmental Protection Agency.
Compliance Guidance Implementation

Action
Information

Background
In May 2015, a Compliance Guidance Team (Team) was formed by the Member Representatives Committee (MRC), with support from the NERC Board of Trustees (Board), to consider approaches useful in providing guidance for implementing standards, and develop a policy proposal for the purpose, development, use, and maintenance of this guidance. The Team developed a Compliance Guidance Policy which includes the development of the following:

- Implementation Guidance which would provide examples for implementing a standard.
- Compliance Monitoring and Enforcement Program (CMEP) Practice Guides which would provide direction to Electric Reliability Organization (ERO) Enterprise CMEP staff on approaches to carry out compliance and enforcement activities.

At its November 5, 2015, meeting, the Board accepted the Compliance Guidance Policy and endorsed the following recommendations:

- The Compliance and Certification Committee (CCC) will lead, with Standards Committee (SC) support, a joint review of existing documents to submit for ERO Enterprise endorsement;
- An SC review of Section 11 of the Standard Processes Manual (SPM) to determine whether revisions should be considered;
- The CCC and SC, with ERO Enterprise CMEP staff, conduct a joint review of measures and Reliability Standard Audit Worksheets (RSAWs);
- Developing a CMEP Practice Guide on providing deference to endorsed Implementation Guidance; and
- Developing a “one-stop shop” on the NERC website.

Update
Below is an overview of the status of each of the recommendations included in the policy.

Review of Existing Documents to Submit for ERO Enterprise Endorsement
A task force has been created, consisting of both CCC and SC members, as well as NERC staff to conduct this review. The task force held a kick-off call in January to begin discussing this recommendation and plans to present an initial list of documents to the CCC at its March 1-2, 2016, meetings. The final list will be submitted to the ERO Enterprise by March 31, 2016, to be considered for endorsement.

Additionally, the task force, specifically the CCC members, are developing a process to approve organizations not on the pre-qualified list to submit guidance documents for
endorsement. The task force targets presenting the process to the CCC for its approval at the March 1-2 meetings.

**Review of Section 11 of the SPM**
The SC, through the Standards Committee Process Subcommittee, is reviewing Section 11 to see if modifications need to be made based on the recommendation, in addition to other potential modifications being considered.

**Review of Measures and RSAWs**
This recommendation has not been started yet, as initial efforts have been focused on implementing Compliance Guidance.

**Development of CMEP Practice Guide on Deference**
ERO Enterprise staff is currently developing a CMEP Practice Guide on providing deference to endorsed Implementation Guidance. This will be the first CMEP Practice Guide developed and it will be published on the NERC website.

**Development of a “one-stop shop” on the NERC Website**
The NERC standards department has created a “one-stop shop” for standards in the United States that can be accessed from the top link in the left navigation panel on the standards home page. This spreadsheet includes the status of all standards and a number of links to related documents (i.e., standard, project page, implementation plans, FERC orders, RSAWs). As Implementation Guidance is endorsed and CMEP Practice Guides are developed, they will be added to the “one-stop shop” spreadsheet.

Additionally, the NERC website will be updated to include a page for Implementation Guidance and CMEP Practice Guides. Pre-qualified organizations should submit vetted Implementation Guidance to complianceguidance@nerc.com to be considered for endorsement.
Update on Regulatory Matters  
(As of January 25, 2016)

**Action**

**Information**

**FERC Orders Issued Since the Last Update**
FERC orders are available on the NERC website [FERC Orders](#) page.

**NERC Filings to FERC Since the Last Update**
NERC filings to FERC are available on the NERC website [FERC Filings](#) page.

**NERC Filings in Canadian Jurisdictions Since the Last Update**
NERC filings to Canadian applicable governmental authorities are available on the NERC website [Canadian Filings and Orders](#) page. This page also contains links to the websites of each of the Canadian applicable governmental authorities, where orders, consultation records, and other records related to NERC matters may be found.

Processes for making standards enforceable and monitoring and enforcing compliance are specific to each jurisdiction in Canada. The Federal, Provincial, and Territorial Monitoring and Enforcement Sub-group (MESG) has developed provincial summaries of each province’s electric reliability standard-making and enforcement functions, with U.S. comparators. The [Canada](#) page of the NERC website contains these summaries, as well as a link to the [Canadian Memorandum of Understanding (MOU)](#) page.

**Anticipated NERC Filings**
Highlights of NERC filings that will be submitted to applicable governmental authorities in the U.S. and Canada appear below:

1. January 25, 2016 – NERC will submit comments in response to FERC’s Notice of Proposed Rulemaking proposing to eliminate the exemption for wind generators from the requirement to provide reactive power. *Docket No. RM16-1-000*


3. February 16, 2016 – Within 45 days of the end of each quarter, NERC must submit the unaudited report of the NERC budget-to-actual spending variances during the preceding quarter. *Docket No. FA11-21-000 Pending Board approval*

4. February 19, 2016 – NERC must submit its Annual Risk-Based Compliance Monitoring and Enforcement Program (CMEP) report informational filing. *Docket No. RR15-2-000*

5. February 26, 2016 – NERC will submit a quarterly filing in Nova Scotia of FERC-approved Reliability Standards.
   *Pending Board approval*

   *Pending Board approval*

8. March 14, 2016 – NERC will submit the retirement of Reliability Standard BAL-006-2 (Inadvertent Interchange) and proposed Reliability Standards BAL-005-1 (Balancing Authority Control) and FAC-001-3 (Facility Interconnection Requirements).
   *Pending Ballot Body and Board approval*

9. March 14, 2016 – NERC will submit proposed Reliability Standard FAC-003-4 (Vegetation Management), per Order No. 777.
   *Pending Ballot Body and Board approval*

10. March 14, 2016 – NERC will submit the retirement of Regional Reliability Standard TOP-007-WECC-1a (System Operating Limits).
    *Pending Board approval*

11. March 21, 2016 – NERC must submit a one-year informational filing discussing the implementation of the Risk-Based Registration program. *Docket No. RR15-4-000*

12. March 31, 2016 – NERC must submit the annual Standards Report, Status and Timetable for Addressing Regulatory Directives report informational filing. *Docket No. RR09-6-003*

**Mexican Energy Reforms Update**

A commissioner from the Comisión Reguladora del Energía (CRE) will provide an update on the implementation of Mexico’s energy reforms during the February 11, 2016, NERC Board of Trustees meeting. NERC and WECC will continue to serve as a resource to CRE and are working with CRE to develop a MOU to detail this collaboration. The NERC-WECC-CRE MOU is in addition to the separate Membership and Operating Agreement WECC is negotiating with CRE to detail WECC’s role in monitoring compliance with certain Reliability Standards in the Mexican state of Baja California Norte.