

Minutes

Member Representatives Committee

November 6, 2018 | 1:00 p.m. – 5:00 p.m. Eastern

Grand Hyatt Atlanta in Buckhead
3300 Peachtree Road NE
Atlanta, GA 30305

Chair Jason Marshall, with Vice Chair Greg Ford present, called to order a duly noticed meeting of the Member Representatives Committee (MRC) of the North American Electric Reliability Corporation (NERC) on November 6, 2018, at 1:00 p.m., Eastern, and a quorum was declared present. The agenda and MRC members and their proxies in attendance are attached as **Exhibits A** and **B**, respectively.

Introduction and Chair's Remarks

Mr. Marshall welcomed MRC members and attendees, acknowledging the NERC Board of Trustees (Board), Federal Energy Regulatory Commission (FERC) Commissioner Cheryl LaFleur, Kal Ayoub and others from FERC, Katie Jereza from the Department of Energy, State Commissioner David Clark, and CAMPUT representative David Morton. He noted the retirements of John Hughes, MRC member and president and CEO of ELCON, Gary Taylor, SERC president and CEO, and Tim Roxey, NERC vice president and former head of the E-ISAC, as well as the appointment of Jason Blake as the incoming president and CEO of SERC, and congratulated each of them. Mr. Marshall reminded attendees that full presentations were conducted at the Board committee meetings and would not be repeated during the MRC meeting. He acknowledged the MRC's responses to the policy input request from Roy Thilly, Chairman of the Board.

NERC Antitrust Compliance Guidelines and Public Announcement

Ms. Iwanechko directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda package, and indicated that all questions regarding antitrust compliance or related matters should be directed to Charlie Berardesco.

Minutes

Upon motion duly made and seconded, the MRC approved the minutes of the August 15, 2018, and October 10, 2018, meetings as presented at the meeting.

Schedule of Future Meetings

The schedule of future meeting dates and the pre-meeting and informational webinars for 2019 was included in the agenda package.

Elections and Nominations

Mr. Marshall announced the nominations of Greg Ford for chair and Jennifer Sterling for vice chair of the MRC for 2019. The MRC unanimously approved, on a motion by Bill Gallagher and seconded by David Clark, Mr. Ford as chair and Ms. Sterling as vice chair. Mr. Ford and Ms. Sterling will assume their new positions at the start of the February 2019 MRC meeting in Manhattan Beach, CA.

MRC Sector Nominations and Election Schedule

Mr. Marshall reminded attendees that the nomination period for the annual election of member representatives closes on November 9, 2018. The election will run from December 7, 2018, through December 17, 2018.

Board of Trustees Nominating Committee Update

Fred Gorbet, chair of the Board Nominating Committee (BOTNC), reported that the BOTNC interviewed five candidates in October to fill the open Canadian position and is on schedule to make a recommendation to the MRC in December.

Responses to the Board's Request for Policy Input

Mr. Marshall acknowledged the MRC's responses to Roy Thilly's October 3, 2018, letter and October 15, 2018, supplemental letter requesting policy input on the Reliability Issues Steering Committee (RISC) resilience report, ERO Enterprise program alignment efforts, and proposed 2019 ERO Enterprise dashboard metrics and performance objectives. He noted that the RISC's resilience report will be presented at the Board meeting the following day and the ERO Enterprise program alignment efforts were discussed during the Compliance Committee meeting in the morning. Attendees did not have any additional comments on these two items during the MRC meeting.

Proposed 2019 ERO Enterprise Dashboard Metrics and Performance Objective

Jim Robb, president and CEO of NERC, explained that NERC is shifting its approach to metrics for 2019 to have two sets: (1) ERO Enterprise dashboard metrics that monitor industry performance; and (2) ERO performance objectives that include specific items for NERC and the Regional Entities to accomplish in support of the goals in the ERO Enterprise Operating Plan. He expressed appreciation for the policy input received and noted it would be taken into consideration for the next draft of the metrics.

- Commissioner LaFleur highlighted the importance of the cyber security metric. Mr. Robb agreed that cyber security is a priority and noted the need to consider an appropriate level of transparency while considering appropriate cyber security measures.

Additional Policy Discussion of Key Items from Board Committee Meetings

Attendees did not have any additional comments related to the Board's Finance and Audit Committee, Compliance Committee, and Technology and Security Committee Meetings.

Corporate Governance and Human Resources Committee (CGHRC)

An MRC member requested more transparency and communication on actions taken in response to the Board effectiveness surveys.

MRC Input and Advice on Board Agenda Items and Accompanying Materials

Mr. Marshall welcomed comments on the items on the Board's agenda for the following day. An MRC member encouraged the Board to ensure all phases of the standards efficiency review remain a high priority.

Effectiveness and Efficiency

Mark Lauby, senior vice president and chief reliability officer at NERC, reviewed the objectives of the effectiveness and efficiency effort through a "four-legged" approach: (1) NERC initiatives; (2) Regional

Entity initiatives; (3) ERO Enterprise coordination costs and opportunities; and (4) stakeholder engagement opportunities. He reviewed several ongoing and future efforts at NERC, the Regional Entities, and across the ERO Enterprise. For stakeholder engagement, Mr. Lauby explained that NERC plans to review its committee structure, acknowledging that the current model has been in place for a long time, committee activities are increasingly overlapping, and the industry model is changing. He reviewed one potential concept that contemplates a shift from technical committees to technical councils with mission-driven task forces. He highlighted the need to ensure a balanced participation model with a selection process that ensures the best technical expertise. Mr. Lauby suggested creating a joint NERC staff and stakeholder working group to build on this concept and develop a proposal for the Board's consideration. Mr. Marshall noted that he and Mr. Ford will work with NERC leadership to identify stakeholders interested in participating on the working group.

- MRC members were supportive of reviewing the technical committee model and reinforced the need for stakeholder involvement, evaluating various approaches to achieving effectiveness and efficiency in the committee model, and ensuring balanced sector representation for any change that is contemplated.
- An MRC member commented that some task forces assist with recurring activities, such as assessments, and may need to be more permanent.
- An MRC member expressed interest in lessons learned from Regional Entities that have made changes to their committee structure.
- An MRC member asked how effectiveness and efficiency efforts will be tracked and measured. Mr. Lauby noted there is a metric for effectiveness and efficiency in 2018 and future metrics related to effectiveness and efficiency will be considered.

Inverter-Based Resources Activities

James Merlo, vice president of reliability risk management at NERC, provided an overview of activities related to inverter-based resources, highlighting key findings of the August 2016 Blue Cut Fire disturbance, the resulting Level 2 NERC alert published in June 2017, the October 2017 Canyon 2 Fire disturbance, and the resulting second Level 2 alert published in May 2018. Mr. Merlo also discussed additional documents that NERC issued following these events, including a modeling notification in April 2018 to provide guidance on how to model momentary cessation and a reliability guideline in September 2018 outlining best practices for inverter-based resources.

Ken McIntyre, vice president of regulatory programs at NERC, discussed the importance of coordination across the ERO Enterprise when an event occurs. He added that compliance monitoring and enforcement activities are informed by a better understanding of a particular technology and its impact. He highlighted several recent activities related to inverter-based resources: (1) implementation guidance submitted by the Planning Committee (PC); (2) development of a Practice Guide by the ERO Enterprise; (3) inclusion of inverter issues in the 2019 CMEP Implementation Plans as an area of focus; and (4) potential clarification of PRC-024 based on a recommendation from the inverter-based resource performance task force and input from the technical committees.

- Commissioner LaFleur asked whether a standard was being developed to address the issues observed. Mr. Merlo noted that the Operating Committee (OC) and PC are working with the

inverter-based resource performance task force to publish a gap analysis of PRC-024 and will subsequently develop a Standard Authorization Request (SAR) to be submitted to the Standards Committee.

2018 Long-Term Reliability Assessment

John Moura, director of reliability assessments and technical committees, thanked the technical committees for their input and industry for their support and data submittals for the annual Long-Term Reliability Assessment (LTRA). He discussed the following key findings from the 2018 LTRA: (1) reserve margins continue to tighten, but remain adequate through 2023 in most areas; (2) reliance on natural gas generation continues to increase; (3) an adequate supply of frequency response is projected through 2022; (4) increasing solar and wind resources require larger amounts of flexible capacity to support the increasing ramp requirements; and (5) over 30 GW of new distributed solar photovoltaic resources are expected by the end of 2023.

- An MRC member asked whether NERC evaluates impacts of natural gas at historically “normal” levels. Mr. Moura noted that the analysis conducted is based largely on industry projections, which may not necessarily represent historical trends.
- MRC members suggested a future focus on uncertain energy allowances and reserve margin requirements in future assessments.

Special Reliability Assessment: Accelerated Generation Retirement Scenario

Mr. Moura provided an overview of the Accelerated Generation Retirement Scenario special reliability assessment, noting that it contemplates reliability impacts if generation was retired at a faster pace. This assessment is part of NERC’s effort to address the changing resource mix and evaluate the large scale retirements of conventional generation. He discussed the ten areas studied where a significant portion of the resource mix is made up of coal-fired and nuclear generation. Mr. Moura also discussed the approach for the scenario analysis which uses the Energy Information Agency’s data as a reference case. He reviewed the following key findings and recommendations in the studied scenario: (1) generation retirements may reduce reserve margins to near or below target levels; (2) natural gas-fired generation in proportion to the total resource mix increases; and (3) transmission upgrades, generation dispatch, and operating procedures are needed to ensure reliability. He noted that NERC will distribute an embargoed draft report to the MRC and Board on November 27, 2018, and plans to present it to the Board for acceptance on a December 13, 2018, conference call. Mr. Marshall enforced the need for MRC members to honor the confidentiality of the embargoed report.

- An MRC member suggested an increased focus on energy resources to meet demands rather than reserve margins, as there are mechanisms in place to ensure reserve margins are maintained.
- MRC members discussed concerns with how the assessment could be interpreted. The NERC Board and NERC staff acknowledged this concern and reinforced the need to clearly articulate the assessment as a “what if” scenario and not a prediction of a future state.
- An MRC member asked whether specific actions are expected in response to the report. Mr. Robb stated the main message was the importance of focusing on the broader reliability concerns in the event generation retirements were accelerated.

Technical Committee Highlights: Planning Committee

Brian Evans-Mongeon, PC chair, provided an overview of the history and purpose of the PC, noting that the PC has an executive committee and a number of subcommittees, working groups, and task forces. He stated that the PC supports NERC on reliability assessments, emerging issues, technical planning analysis, standards and compliance input, among other activities. Mr. Evans-Mongeon discussed a number of areas where the PC is focused on initiatives across other committees, including a new initiative regarding System Planning Impacts for Distributed Energy Resources. He also highlighted some recent changes to PC processes including an updated charter, reorganized agenda, and weekly updates on action items. Mr. Evans-Mongeon discussed the following tasks for the PC: (1) addressing recommendations from the RISC's ERO Reliability Risk Priorities Report related to the PC; (2) advancing a technical report, in concert with the OC, to initiate a corrective SAR for PRC-024; (3) addressing the findings in the special reliability assessment on natural gas disruptions; and (4) scoping out new data points in NERC's generation, transmission, and distribution databases.

Update on FERC Reliability Matters

Kal Ayoub, deputy director in the Office of Electric Reliability (OER) at FERC, reported that Andy Dodge has been named the new director of the OER at FERC and provided an overview of his background. Mr. Ayoub then provided an update on the following FERC reliability activities: supply chain risk management final rule; FERC-NERC joint inquiry to assess the extreme cold weather event from January 2018; October 18, 2018, technical conference on winter 2018-2019 operations and market performance in regional transmission organizations (RTOs) and independent system operators (ISOs); 2019 ERO and Regional Entity business plans and budgets; and recent approvals via delegated letter orders.

Accountability Matrix

Ms. Iwanechko invited questions or comments regarding the accountability matrix included in the MRC agenda package, which is updated quarterly and captures key action items from the quarterly MRC and Board meetings and the policy input letter responses.

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.

Adjournment

There being no further business, the meeting was adjourned.

Submitted by,



Kristin Iwanechko

Secretary

Agenda

Member Representatives Committee

November 6, 2018 | 1:00 p.m. – 5:00 p.m. Eastern

(Please note the schedule may be adjusted real-time should meetings conclude early and/or extend past their scheduled end time.)

Grand Hyatt Atlanta in Buckhead
3300 Peachtree Road NE
Atlanta, GA 30305

Conference Room: Grand Ballroom – Lower Lobby Level

Introduction and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement*

Consent Agenda

1. **Minutes - (Approve)**
 - a. August 15, 2018 Meeting*
 - b. October 10, 2018 Conference Call*
2. **Future Meetings***
3. **Elections and Nominations**
 - a. Election of MRC Officers for 2019*
 - b. MRC Sector Nominations and Elections Schedule*

Regular Agenda

4. **Board of Trustees Nominating Committee Update***
5. **Responses to the Board's Request for Policy Input***
 - a. Reliability Issues Steering Committee Resilience Report
 - b. ERO Enterprise Program Alignment Efforts
 - c. Proposed 2019 ERO Enterprise Dashboard Metrics and ERO Performance Objectives
6. **Additional Policy Discussion of Key Items from Board Committee Meetings***
 - a. Corporate Governance and Human Resources Committee (November 1, 2018)
 - b. Finance and Audit Committee
 - c. Compliance Committee
 - d. Technology and Security Committee

- 7. MRC Input and Advice on Board Agenda Items and Accompanying Materials***
- 8. Effectiveness and Efficiency***
- 9. Inverter-Based Resources Activities***
- 10. Reliability Assessments**
 - a. 2018 Long-Term Reliability Assessment*
 - b. Special Reliability Assessment: Accelerated Generation Retirement Scenario*
- 11. Technical Committee Highlights: Planning Committee***
- 12. Update on FERC Reliability Matters***
- 13. Accountability Matrix***
- 14. Regulatory Update***

*Background materials included.

Member Representatives Committee - Attendance (November 6, 2018)

Voting Members

First Name	Last Name	Sector
Jason	Marshall	Chair
Greg	Ford	Vice Chair
Jennifer	Sterling	1. Investor-Owned Utility
Katherine	Prewitt	1. Investor-Owned Utility
Carol	Chinn	2. State/Municipal Utility
Roy	Jones	2. State/Municipal Utility
Jay	Bartlett	3. Cooperative Utility - Proxy Barry Lawson
Don	Gulley	3. Cooperative Utility - Proxy Barry Lawson
Lam	Chung	4. Federal/Provincial
Paul	Choudhury	4. Federal/Provincial - Lam Chung
Sylvain	Clermont	4. Federal/Provincial - Lam Chung
Lloyd	Linke	4. Federal/Provincial
Bill	Gallagher	5. Transmission Dependent Utility
John	Twitty	5. Transmission Dependent Utility
Martin	Sidor	6. Merchant Electricity Generator
Donald	Holdsworth	6. Merchant Electricity Generator - Proxy Sean Cavote
Ben	Engleby	7. Electricity Marketer
Brenda	Hampton	7. Electricity Marketer
Jay	Barnett	8. Large End-Use Electricity Customer - Proxy Kara Beckmann
John	Hughes	8. Large End-Use Electricity Customer
Herb	Schrayshuen	9. Small End-Use Electricity Customer
Bill	Magness	10. ISO/RTO - Proxy Brandon Gleason
Peter	Gregg	10. ISO/RTO - Proxy Dave Robitaille
Gordon	van Welie	10. ISO/RTO - Proxy Peter Brandien
Liz	Jones	11. Regional Entity - Texas RE
Melanie	Frye	11 Regional Entity - WECC
Asim	Haque	12. State Government - Proxy David Clark
David	Clark	12. State Government

Non-Voting Members

First Name	Last Name	Sector
David	Morton	Canadian Provincial
Bruce	Walker	U. S. — Federal - Proxy Catherine Jereza
Andy	Dodge	U. S. — Federal - Proxy Kal Ayoub
Silvia	Parada Mitchell	Regional Entity - MRO
Harvey	Reed	Regional Entity - NPCC
Todd	Hillman	Regional Entity - SERC
Lisa	Barton	Regional Entity - RF
Rob	McGarrah	Regional Entity - FRCC
Kristin	Iwanechko	Secretary