

Agenda

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

July 18, 2018 | 11:00 a.m. – 12:00 p.m. Eastern

Dial-in: 1-800-581-5838 | Conference ID: 988973

Click here for: [Webinar Registration](#)

Introduction and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement*

Agenda Items

1. Preliminary Agenda Topics for the August 2018 Board, Board Committees, and MRC Meetings*
2. Overview of Policy Input Letter*
3. Informational Items
 - a. Update on Special Reliability Assessment: Conventional Generation Retirements and BPS Reliability Impacts*
 - b. 2019 Business Plan and Budget*
 - c. Effectiveness and Efficiency 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.

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Member Representatives Committee (MRC)

Pre-Meeting and Informational Webinar
July 18, 2018

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- Review preliminary agenda topics for:
 - Open Board of Trustees (Board) Committee conference calls prior to August meetings
 - August 15 MRC meeting
 - August 15-16 Board and Board Committee meetings
- Receive updates on emerging and informational issues

Schedule of Quarterly NERC Meetings and Conference Calls

Conference Calls in Advance of the Onsite Meetings	
July 19, 2018 11:00 a.m. – 1:00 p.m. Eastern	Finance and Audit Committee Conference Call and Webinar— <u>Open</u>
August 9, 2018 2:00 – 3:00 p.m. Eastern	Technology and Security Committee Conference Call— <u>Open</u>
Wednesday, August 15, 2018	
7:30 – 8:30 a.m.	Public Breakfast
8:30 – 9:30 a.m.	Finance and Audit Committee Meeting— <u>Open</u>
9:45 – 10:45 a.m.	Corporate Governance and Human Resources Committee Meeting— <u>Open</u>
11:00 a.m. – Noon	Compliance Committee Meeting— <u>Open</u>
Noon – 1:00 p.m.	Lunch
1:00 – 5:00 p.m.	Member Representatives Committee Meeting— <u>Open</u>
5:30 p.m.	Reception
Thursday, August 16, 2018	
7:30 – 8:30 a.m.	Public Breakfast
8:30 a.m.–Noon	Board of Trustees Meeting— <u>Open</u>

**Times are tentative and subject to change*

- Finance and Audit Committee Webinar, July 19 (11:00 a.m. Eastern)
 - Review NERC and Regional Entity proposed 2019 business plans and budgets, and associated assessments
- Technology and Security Committee, August 9 (2:00 p.m.)
 - ERO Enterprise information technology (IT) strategy and IT projects update
 - E-ISAC update

- Second quarter unaudited financial statements
- NERC and Regional Entity proposed 2019 business plans and budgets, and associated assessments

- Board remuneration study findings; proposed revisions to Board compensation program
- 2018 ERO Enterprise and corporate performance metrics
- Board self-assessment and MRC assessment of Board of Trustees effectiveness survey
- Employee reporting and document retention policies
- Human resources and staffing update

- ERO Enterprise program alignment efforts
- Vegetation management discussion
- Compliance Monitoring and Enforcement Program quarterly report

- Schedule for MRC officer and sector elections
- Board of Trustees Nominating Committee update
- Responses to the Board's request for policy input
- Additional policy discussion of key items from Board Committee meetings
- MRC input and advice on Board agenda items and accompanying materials
- Resilience framework
- Addressing recommendations from recent reliability assessments
- Western Interconnect Gas-Electric Interface Study

- Operating Committee highlights
- Canadian update
- Update on FERC reliability matters
- Accountability matrix
- Regulatory update

- Report on Board of Trustees and Canadian regulators meeting
- Report on Board of Trustees August 14, 2018 closed session
- Board Committee reports
 - Approve recommended Board compensation program
 - Accept second quarter unaudited financial statements
 - Approve NERC and Regional Entity proposed 2019 business plans and budgets and associated assessments
- Standards quarterly report and actions
 - Supply chain activities update
 - Standards efficiency review update
 - Adopt BAL-002-3 and CIP-012-1

- Approve Rules of Procedure Section 1208 transfer of Wisconsin Public Service Corporation and Upper Michigan Energy Resources Corporation
- Approve revisions to Appendix 4E of the Rules of Procedure
- Approve Rules of Procedure Section 1600 data request for GMD data
- Approve WECC bylaws amendments
- Transitioning Reliability Coordinator footprints in the West
- FERC Technical Conference report
- Committee, forum, and group reports

- Overview of policy input letter
- Update on *Special Reliability Assessment: Conventional Generation Retirements and BPS Reliability Impacts*
- 2019 business plan and budget
- Effectiveness and efficiency update

- **July 11:** Policy input letter issued
- **August 1:** Written comments due on policy input topics and preliminary August agenda topics
- **August 2:** August Board and MRC agenda packages and policy input letter comments posted
- **August 9:** August Board and MRC presentations posted



Questions and Answers

Overview of Policy Input Letter

Action

Information

Summary

For this quarter, the Board does not have any specific issues for advance policy input. Preliminary agenda topics for the August meetings are included in the MRC Informational Session agenda package (see Item 1) and written comments on the preliminary agenda topics are due by August 1, 2018. The agenda packages for the Board, Board Committees, and MRC meetings will be available on August 2, 2018. The presentations will be available on August 9, 2018. MRC members will have an opportunity to provide comments on those materials during the MRC meeting on August 15, 2018.

Special Reliability Assessment on Accelerated Generation Retirements

Action

Information

Background

In May 2017, NERC solicited policy input from stakeholders on future special reliability assessments and discussed these topics with the Member Representatives Committee (MRC). NERC proposed conducting an assessment of the potential impacts on Bulk Power System reliability that could be caused by accelerated retirements of large amounts of predominantly coal-fired and nuclear generation resources. The assessment topic was selected to align with the work of the Reliability Issues Steering Committee (RISC) and other NERC reliability assessments.

NERC is conducting a two-part assessment:

- Part I: Review regional processes for managing reliability impacts of generation retirements, identify potential issues, and develop recommendations for NERC, policymakers, and industry stakeholders. Part I will be based on regional planning processes and narrative input provided by Regional Entities and NERC assessment areas.
- Part II: Analyze system studies of the potential effect of accelerated coal-fired and nuclear generation retirements on Bulk Power System reliability during various conditions such as system events (N-1 planning contingencies, generator fuel-supply contingencies) and extreme weather conditions including polar vortex. System studies are being performed in partnership with system planners from various stakeholder entities in areas where coal-fired and nuclear generation are significant to the resource mix.

NERC staff worked with ERO Enterprise reliability assessment and performance analysis leadership to develop the assessment scope and solicited feedback from the Planning Committee (PC) in December 2017. In January 2018, NERC engaged a variety of stakeholders, including PSE&G, Exelon, ReliabilityFirst, PJM, Texas RE, and ERCOT for participation in the assessment.

Status

NERC staff is completing its draft report and initiating review with the Reliability Assessments Subcommittee and the PC. The first draft of the report is expected to be sent to the MRC in September for review and comment. NERC staff aims to present the final report to the NERC Board of Trustees in November.

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Accelerated Generation Retirements

Special Assessment Update

Mark Olson, Senior Engineer Reliability Assessments
MRC Informational Session
July 18, 2018

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- **RISC Report:** Resource mix continues to evolve with the addition of emerging technologies and energy policies
- ERO Enterprise role is to provide independent technical assessment of potential risks from the changing resource mix
- Special Reliability Assessment of Potential Impacts from Accelerated Generator Retirements initiated in January 2018

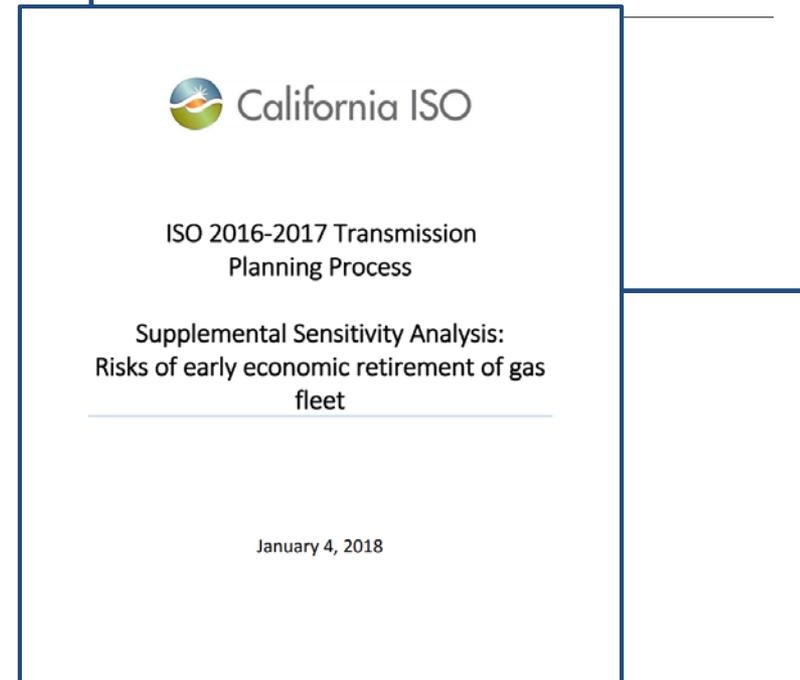
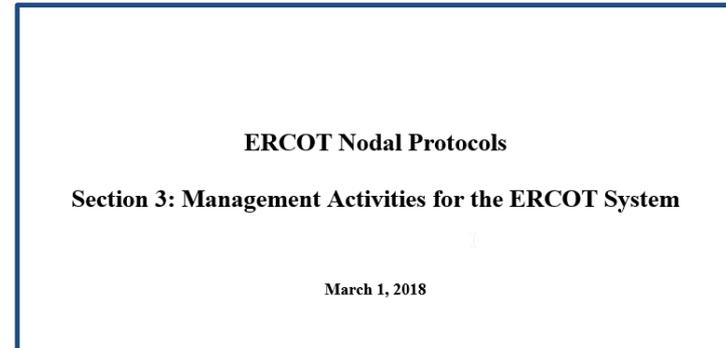
- Inform policymakers, regulators, and industry about potential impacts of accelerated generation retirements on reliability
- Implement RISC Report recommendations to provide technical assessments of impacts from the changing resource mix
- Recommend further actions to mitigate risks and inform decision makers

- Examine the potential impacts of retirements on:
 - Resource and transmission adequacy
 - Bulk Power System (BPS) reliability in event scenarios (e.g., extreme weather, generator fuel supply disruptions)
- Recommend improvements to generator retirement planning processes to mitigate risks where appropriate
- Assessment focuses on at-risk generation, such as nuclear and coal-fired generators in market areas
- Understand long-term implications of decreased resource diversity

- Analysis of generation reserve margins for accelerated generation retirement scenarios including:
 - Comparison with reference margin levels
 - Impact of extreme weather and natural gas disruption scenarios on reserves

- Describe industry studies examining the potential reliability impact of accelerated generator retirements
- Coordinate with utilities and RTOs to understand transmission implications through power flow studies

- Describe regional processes for managing generator retirements:
 - Timelines and responsibilities for review and approval
 - Studies performed
- Identify recommendations to mitigate risks from accelerated generator retirements
- **Inputs:**
 - Regional Entity questionnaire
 - Planning process documents
 - Responses to FERC AD 18-7



Date	Milestone
November – December 2017	Planning Committee Scope Discussions
January – February 2018	Initiate entity studies and regional input
March – May 2018	Entity studies and Regional Entity assessment inputs
June – July 2018	Report drafting
August – September 2018	Planning Committee Review
September 2018	NERC Senior Management Review
September 2018	MRC Review
November 2018	NERC Board Review

A stylized map of North America is centered on the page. The map is divided into three horizontal color bands: a light blue band at the top, a medium blue band in the middle, and a dark blue band at the bottom. The word "Questions?" is written in a large, bold, black sans-serif font across the middle of the map, overlapping the medium and dark blue bands. The map shows the outlines of the United States, Canada, and Mexico.

Questions?

NERC 2019 Business Plan and Budget Development Update

Action Update

Background

The [first draft](#) of the NERC 2019 Business Plan and Budget was posted for comment on May 18 and the comment period ended on June 29. NERC received comments from six organizations:

Member Executive Committee (MEC)
National Rural Electric Cooperative Association (NRECA)
American Public Power Association (APPA)
Edison Electric Institute (EEI)
Canadian Electricity Association (CEA)
Independent Electricity System Operator (IESO)

These [comments](#) are posted on the NERC website and are summarized in the enclosed presentation along with next steps. The second draft of the 2019 Business Plan and Budget will be posted for comment on or about July 13, along with NERC's response to the comments on the first draft. Comments on the second draft will be due by July 31.

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NERC 2019 Business Plan and Budget Development Update

Scott Jones, Senior Vice President and Chief Financial Officer
MRC Informational Session
July 18, 2018

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- **First draft of 2019 Business Plan & Budget posted on May 18**
- **Comments received through June 29 from various trade associations:**
 - US: Member Executive Committee (MEC)
 - US: National Rural Electric Cooperative Association (NRECA)
 - US: American Public Power Association (APPA)
 - US: Edison Electric Institute (EEI)
 - Canada: Canadian Electricity Association (CEA)
 - Canada: Independent Electricity System Operator (IESO)

- **Overall budget comments:**

- Support technology/tools, E-ISAC strategy, and non-ISAC cost control efforts
- Concern with trend of budget increases

- **Request for further discussion/clarity:**

- Canadian usage of E-ISAC
- Need for SAFNR upgrade
- Additional costs for CMEP Technology Project
- Future cost savings resulting from office space expansion

- **Consider:**

- Engaging stakeholders in CMEP Technology Project and prioritizing security
- Benchmarking medical and other benefits
- Providing projected costs for additional years
- Using additional funds to lower assessments

- **Addressed many comments at July 10 Trades Meeting**
 - SAFNR
 - CMEP, Entity Registration, Standards technology projects
 - Medical benefits
- **Management response letter posted on July 13 includes additional information**
- **Draft 2 of 2019 Business Plan & Budget**
 - Overall budget and assessment increase remains unchanged
 - Minor adjustments between some departments
 - Continue to recommend ASR release of \$564k to reduce average assessment increase to 9.5%
 - Ongoing discussions with Canadians on E-ISAC questions and next steps

- July 19 – FAC webinar to review second draft and RE final drafts
- July 31 – Comments due on second draft
- August 8 – MRC BP&B Input Group call
- August 8 – Post final BP&Bs and assessments
- August 15 – FAC meeting to recommend approval of final BP&Bs
- August 16 – Board meeting to approve final BP&Bs
- August 24 – Submit BP&Bs to FERC for approval, with subsequent filings with Canadian authorities



Questions and Answers

Effectiveness and Efficiency Update

Action

Update

Background

During the May 9, 2018, MRC meeting, management presented a recommended framework for identifying and evaluating opportunities to improve ERO Enterprise effectiveness and efficiency, including the effectiveness and efficiency of stakeholder engagement and ERO Enterprise operations. The purpose of this agenda item is to provide a brief update regarding work which is underway and next steps.

Summary

During its May 9, 2018, presentation, management recommended a structured approach to this initiative consisting of three main focus areas: (1) stakeholder committee engagement, with the initial focus on the MRC and NERC standing committees; (2) the effectiveness of ERO Enterprise core programs and processes; and (3) identifying opportunities to reduce NERC, Regional Entity and/or enterprise wide costs without adversely impacting effectiveness.

With respect to stakeholder committee engagement, management is placing its initial focus on the NERC standing committees. A draft proposal is being developed for further review and discussion with a small group that includes the standing committee chairs and those who volunteered at the May 9, 2018, MRC meeting from the MRC and Board of Trustees. This group will assist management in an initial review prior to presentation and discussion with the full MRC and other stakeholders. Management expects to have this proposal available for circulation to this group in advance of the August 2018 MRC meeting, with the goal of developing a refined draft for review with the MRC and broader stakeholder community at the November 2018 MRC meeting.

Regarding ERO Enterprise operations, both the ERO Operations Leadership Team (OLT) and the ERO Finance Group (EROFG) are evaluating options to improve operational effectiveness and efficiency. These activities are just now beginning. Additionally, NERC's Information Technology department (IT) is working on significant technology enhancements to the Compliance Monitoring, Compliance Enforcement, Standards, and Registration program areas to provide consistency and improve efficiency across the ERO Enterprise. NERC IT is also underway on a benchmarking initiative and evaluating the technology footprint across the ERO Enterprise to identify possible areas of improvement, cost-sharing, and overlap.

NERC also began an internal evaluation of its program areas during the development of the 2019 Business Plan and Budget. A product of this evaluation was the elimination of five positions (outside the E-ISAC) to streamline staffing levels without adversely impacting NERC's overall operations.