

Minutes

Member Representatives Committee

May 9, 2018 | 1:00 – 5:00 p.m. Eastern

The Ritz-Carlton, Pentagon City
1250 S. Hayes Street
Arlington, VA 22202

Chair Jason Marshall, with Vice Chair Greg Ford present, called to order a duly noticed meeting of the Member Representatives Committee (“MRC” or the “Committee”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on May 9, 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 Committee members and attendees, acknowledging the NERC Board of Trustees (the “Board”), Federal Energy Regulatory Commission (“FERC”) Commissioner Cheryl LaFleur, David Ortiz and others from the FERC, State Commissioner David Clark, and past Chair of CAMPUT Murray Doehler. He recognized the leadership and staff of Southwest Power Pool (“SPP”) Regional Entity (“RE”) present at the meeting, and expressed appreciation for their work done as a RE since the self-regulatory model has been in place. Mr. Marshall reminded attendees that full presentations were conducted at the Board committee meetings and will 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, 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 Committee approved the minutes of the February 7, 2018 and April 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 2018 was included in the agenda package.

Remarks from FERC Commissioner Cheryl LaFleur

Ms. LaFleur recognized FERC staff at the meeting and expressed appreciation to Mr. Berardesco, the NERC leadership team, and NERC staff for their steadfast performance over the last few months and commitment to the mission. She welcomed Jim Robb as CEO and President of NERC, and recognized his previous senior positions in all three U.S. interconnections, and experience working with the U.S.,

Canada, and Mexico. Ms. LaFleur welcomed Mr. Ortiz as acting director of the Office of Electric Reliability of FERC.

Ms. LaFleur discussed items on the Committee's agenda, noting that the ERO Enterprise has been focused on resilience long before Reliability Standards became mandatory and needs to continue to focus on resilience in the future. Ms. LaFleur discussed the importance of the Standards Efficiency Review, noting that in the effort to streamline Reliability Standards it is important to not look for a reduction in requirements, but also whether and how the Standards need to evolve to further enhance reliability, particularly with respect to emerging issues.

Proposed Amendments to NERC Bylaws

Mr. Marshall reminded the Committee that approving the NERC Bylaws is one of the main functions of the MRC. Mr. Berardesco presented the proposed amendments to the NERC Bylaws included in the MRC agenda package. He stated that the Board approved the proposed amendments to the NERC Bylaws during the February meeting. Mr. Berardesco explained that the changes apply only to the notice period for closed Board meetings, shortening notice from five days to 24 hours. He stated that open meetings will still require a five days' notice, and that for both open and closed meetings notice must go to every member of NERC. Upon motion duly made and seconded, the Committee approved the proposed amendments to the NERC Bylaws.

Responses to the Board's Request for Policy Input

Mr. Marshall acknowledged the Committee's responses to the Board's letter requesting policy input. Mr. Thilly noted that there were no specific topics for policy input, but the Board requested input on preliminary agenda topics that were presented at the MRC Informational Session and included in the policy input letter. In addition to the new approach of requesting input on preliminary agenda topics, a standing agenda item has been added to the MRC agenda for input on Board agenda items. He recognized the work being done in response to the Board's resolution on the supply chain management standard, noting the whitepaper submitted by American Public Power Association ("APPA") and National Rural Electric Cooperative Association ("NRECA"), and work by the North American Transmission Forum ("NATF") and NERC staff.

An MRC member expressed support for the new policy input approach and noted that the Committee has an obligation to offer its advice to the Board on policy issues, and should not be solely reactive. Further, MRC members should offer advice whenever there is an opportunity, not only when there is a policy input request.

Additional Policy Discussion of Key Items from Board Committee Meetings

Corporate Governance and Human Resources Committee

An MRC member asked if metrics data for each of the REs is posted publicly. Mark Lauby, Senior Vice President and Chief Reliability Officer at NERC, noted that not all metrics data can be separated by RE.

Finance and Audit Committee

An MRC member expressed appreciation for the investments made toward cyber security and the E-ISAC specifically. MRC members discussed the importance of MRC input to the Business Plan and Budget (“BP&B”). They expressed concern about the timing of MRC BP&B Input Group meetings and a desire to coordinate those more appropriately with the Board’s review of the BP&B.

Compliance Committee

An MRC member inquired about the metric for serious risk violations, questioning whether the target should be zero, versus a higher number. It was noted by Mr. Thilly, that this metric is not so much a performance metric designed to drive performance, but a “dashboard” metric that is an indicator of industry performance, and in that regard, a target of more than zero seems appropriate.

Technology and Security Committee

None.

MRC Input and Advice on Board Agenda Items and Accompanying Materials

Mr. Marshall noted that this is a new agenda item, as mentioned earlier by Mr. Thilly, and asked for any comments on the items on the Board’s agenda for the following day.

MRC members discussed supply chain activities, including the whitepapers and implementation guidance being developed by trade associations and forums in response the Board’s resolution on supply chain management, which are being finalized for the August Board meeting. Next steps will be discussed during the August Board meeting. An MRC member also suggested exploring the possibility of certifying CIP vendors. The Committee discussed timing for forming a group to work further on this issue, and when to include the vendor community.

Framework for Evaluating and Improving ERO Enterprise Effectiveness and Efficiency

Mr. Walker presented context and background for the framework for evaluating and improving ERO Enterprise effectiveness and efficiency included in the agenda package. He summarized key approaches for evaluating stakeholder committee engagement, effectiveness of ERO Enterprise operations, and efficiency of ERO Enterprise operations, highlighting the following:

- Reviewing stakeholder committee organization, priorities, and charters;
- Focusing on the BP&B process to review resource alignment and allocation;
- Reviewing opportunities to reduce costs without impacting effectiveness, including using existing processes whenever possible;
- Tracking and sharing stakeholder time devoted to ERO groups; and
- Leveraging technology to reduce travel time and costs, and leveraging enterprise-wide buying power.

Mr. Walker discussed next steps, including developing a consensus around the draft framework, assembling teams for the stakeholder engagement activities, and developing metrics to measure

progress. He suggested that the leadership of the standing committees and some or all of the MRC BP&B input group should be members of the teams.

The Committee discussed the process for assembling teams and provided general consensus on the framework.

Standards Efficiency Review

Howard Gugel, Senior Director of Standards at NERC, presented on the Standards Efficiency Review, highlighting the advisory group's role and its members. He noted the group has reviewed approximately 80 percent of the Reliability Standard Requirements so far; to identify candidates for potential retirement or for incorporation elsewhere. Mr. Gugel provided examples of potential candidates for retirement, including the respective justifications for retirement. He reviewed the schedule which anticipates submitting proposed balloted standards efficiencies to the Board in Q1 or Q2 of 2019. He stated that the group expects to propose retiring approximately 20 percent of the Requirements, subject to industry comment and ballot approval and ultimately Board of Trustees and FERC approval.

Distribution Provider Reference Document for "Directly Connected" Determinations

Ken McIntyre, Vice President and Director of Standards and Compliance at NERC, presented the Distribution Provider (DP) reference document which was developed to promote consistent ERO Enterprise application of the DP criteria, with emphasis on determining whether DP system and load is directly connected to the Bulk Electric System. He provided background on the reference document, noting it was developed following the same process used for Compliance Monitoring and Enforcement Program Practice Guides. Mr. McIntyre reviewed next steps which include revisions based on feedback from the MRC and the industry; and further clarification of the process to be followed in developing registration reference documents.

An MRC member expressed concern regarding the development process for the reference document, stating there should have been an earlier opportunity for MRC and stakeholder input.

Resilience Framework

Peter Brandien, Chair of the Reliability Issues Steering Committee ("RISC"), presented on the resilience framework, noting the progress the RISC has made. He noted the RISC developed a framework which was presented at the February meeting and since then, the RISC has sought opportunities to incorporate industry input into the framework. Mr. Brandien stated the framework is based on the National Infrastructure Advisory Council's framework which includes the following four aspects: robustness; resourcefulness; rapid recovery; and adaptability. He noted the RISC has mapped ERO Enterprise activities with the framework and has not identified any major gaps. He reviewed additional activities suggested by the standing committees, which mainly identify areas for additional focus. Mr. Brandien noted the RISC will review comments submitted by industry to FERC regarding resilience and FERC's response to the comments.

Mr. Lauby discussed how the resilience framework relates to NERC's reliability construct. He stated that NERC's view of reliability has two fundamental concepts: adequacy and operating reliability. Mr.

Lauby reviewed the definition of an adequate level of reliability noting that a system with an adequate level of reliability is resilient. He reviewed a chart showing that within a band which is deemed acceptable, at some point there will be an event that brings reliability down until rebounding to a recovered steady-state. He mapped the chart with the resilience framework and suggested the following resilience indicators: robustness, amplitude, degradation, recovery, and recovery state.

Mr. Brandien expects to present the RISC's recommendations to the Board at the August meeting, regarding how resilience fits into NERC's mission and any additional work that should be addressed within NERC's jurisdiction.

The Committee discussed aligning NERC, DOE, and FERC on resilience, specifically regarding mitigating potential fuel risks. Mr. Robb highlighted that resilience can be further discussed during NERC's July workshop regarding recommendations from recent reliability assessments. Ms. LaFleur noted that while NERC is uniquely positioned to use Reliability Standards to address the issue, FERC must consider other tools to address resilience including market and infrastructure tools.

Technical Committee Highlights: Operating Committee

Due to timing concerns, highlights of the Operating Committee were postponed until the August meeting.

Inverter-Based Resources Performance Task Force Update

Ryan Quint, Senior Engineer at NERC, provided an update regarding the inverter-based resources performance task force. He discussed two recent fire events which involved inverters, including the alerts NERC sent in response to each, and key findings from the events. Mr. Quint noted that NERC developed a modeling notification to assist manufacturers in modeling their equipment.

2018 Summer Reliability Assessment Preview

Tom Coleman, Director of Reliability Assessment at NERC, reviewed preliminary key findings from the 2018 Summer Reliability Assessment. He discussed Electric Reliability Council of Texas reserve margin drivers and the continued flexibility needs in California ISO. Mr. Coleman stated that the report will be published in late May.

2018 State of Reliability Report Preview

David Till, Senior Manager of Performance Analysis at NERC, reviewed preliminary key findings from the 2018 State of Reliability Report, noting that in 2017 there were two Category 5 events due to hurricanes. He stated that preliminary key findings show a continued decline in average transmission outage severity and misoperation rates. He reviewed the schedule for the report, highlighting the report should be delivered to the Board and MRC for review in late May and publicly released in mid to late June.

Update on FERC Reliability Matters

Mr. Ortiz, acting director of the Office of Electric Reliability at FERC, provided an update on the following FERC reliability activities: primary frequency response; final rule on security management controls; distributed energy resources paper and technical conference; PRC-025-2: Generator Relay

Loadability; reassignment of SPP RE entities; joint blackstart report; reform of generation interconnection procedures and agreements; and grid resilience proceeding.

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 expressed his appreciation to the staffs from MRO, SERC, SPP RE, and NERC for their outstanding efforts on the SPP RE realignment. He 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

May 9, 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.)

The Ritz-Carlton, Pentagon City
1250 S Hayes Street
Arlington, VA 22202

Conference Room: Grand Ballroom (2nd Floor)

Introduction and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement*

Consent Agenda

1. **Minutes - (Approve)**
 - a. February 7, 2018 Meeting*
 - b. April 10, 2018 Conference Call*
2. **Future Meetings***

Regular Agenda

3. **Remarks from FERC Commissioner Cheryl LaFleur**
4. **Proposed Amendments to NERC Bylaws* - (Approve)**
5. **Responses to the Board's Request for Policy Input***
6. **Additional Policy Discussion of Key Items from Board Committee Meetings***
 - a. Corporate Governance and Human Resources Committee
 - 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. **Framework for Evaluating and Improving ERO Enterprise Effectiveness and Efficiency***
9. **Standards Efficiency Review***
10. **Distribution Provider Reference Document for "Directly Connected" Determinations***

- 11. Resilience Framework***
- 12. Technical Committee Highlights: Operating Committee***
- 13. Inverter-Based Resources Performance Task Force Update***
- 14. 2018 Summer Reliability Assessment Preview***
- 15. 2018 State of Reliability Report Preview***
- 16. Update on FERC Reliability Matters***
- 17. Accountability Matrix***
- 18. Regulatory Update***

*Background materials included.

Member Representatives Committee - Attendance (May 9, 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
Jay	Bartlett	3. Cooperative Utility
Don	Gulley	3. Cooperative Utility
Lam	Chung	4. Federal/Provincial
Paul	Choudhury	4. Federal/Provincial
Sylvain	Clermont	4. Federal/Provincial
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
Ben	Egleby	7. Electricity Marketer
Brenda	Hampton	7. Electricity Marketer
Jay	Barnett	8. Large End-Use Electricity Customer - Proxy Charles Acquard
John	Hughes	8. Large End-Use Electricity Customer
Herb	Schrayshuen	9. Small End-Use Electricity Customer
Jackie	Roberts	9. Small End-Use Electricity Customer
Bill	Magness	10. ISO/RTO - Proxy Betty Day
Peter	Gregg	10. ISO/RTO
Gordon	van Welie	10. ISO/RTO
Liz	Jones	11. Regional Entity - Texas RE - Proxy Tammy Cooper
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
Murray	Doehler	Canadian Provincial
David	Ortiz	U. S. — Federal
Silvia	Parada Mitchell	Regional Entity - MRO
Harvey	Reed	Regional Entity - NPCC
Lisa	Barton	Regional Entity - RF
Kristin	Iwanechko	Secretary