

## Minutes Board of Trustees

May 12, 2022 | 8:30 a.m.–12:00 p.m. Eastern

### Virtual Meeting

#### Call to Order

Mr. Kenneth W. DeFontes, Jr., Chair, called to order the duly noticed open meeting of the Board of Trustees (the Board) of the North American Electric Reliability Corporation (NERC or the Corporation) on May 12, 2022, at 8:30 a.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

#### Board Members

Kenneth W. DeFontes, Jr., Chair  
George S. Hawkins, Vice Chair  
Jane Allen  
Robert G. Clarke  
Larry Irving  
Susan Kelly  
Robin E. Manning  
Jim Piro  
James B. Robb, NERC President and Chief Executive Officer  
Colleen Sidford  
Roy Thilly

#### NERC Staff

Tina Buzzard, Assistant Corporate Secretary  
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC  
Howard Gugel, Vice President, Engineering and Standards  
Stan Hoptroff, Vice President, Business Technology  
Soo Jin Kim, Director, Power Risk Issues and Strategic Management  
Mark G. Lauby, Senior Vice President and Chief Engineer  
James McGrane, Senior Counsel  
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary  
Kimberly Mielcarek, Vice President, Communications  
John Moura, Director, Reliability Assessment and Performance Analysis  
Lauren Perotti, Senior Counsel  
Bryan Preston, Vice President, People and Culture  
Lonnie Ratliff, Senior Manager, Cyber and Physical Security Assurance  
Janet Sena, Senior Vice President, External Affairs  
Andy Sharp, Vice President and Chief Financial Officer  
Mechelle Thomas, Vice President, Compliance

## **NERC Antitrust Compliance Guidelines**

Ms. Buzzard noted the public nature of the meeting and directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the advance meeting materials. She stated that any additional questions regarding these guidelines should be directed to Ms. Mendonça.

## **Introduction and Chair's Remarks**

Mr. DeFontes welcomed all of the attendees to the meeting, including Mr. David Turk, Deputy Secretary, Department of Energy ("DOE"); Chairman Richard Glick, Federal Energy Regulatory Commission ("FERC"); Commissioner Willie Phillips, FERC; Ms. Patricia Hoffman, Acting Assistant Secretary, Office of Electricity, DOE; and Mr. David Morton, Chair, CAMPUT. Mr. DeFontes remarked on the engaged discussion at the Member Representatives Committee ("MRC") meeting the day prior and expressed his gratitude to staff for successfully transitioning the meetings from the planned in-person attendance to virtual format in light of continued impacts from the COVID-19 pandemic.

## **Consent Agenda**

Mr. DeFontes introduced the Consent Agenda by thanking Mr. Greg Ford and Mr. Rich Hydzik for their willingness to serve as the leadership of the Reliability and Security Technical Committee for another term. Upon motion duly made and seconded, the Board approved the consent agenda as follows:

### **Minutes**

The draft minutes for the February 10, 2022 meeting were approved as presented to the Board at this meeting.

## **Committee Membership and Charter Amendments**

### **Reliability and Security Technical Committee Membership**

**WHEREAS**, the Reliability and Security Technical Committee ("RSTC") voted to reelect the current Chair and Vice Chair to an additional one-year term, as recommended by the nominating subcommittee, to provide continuity and to facilitate a smooth transition as the RSTC finalizes the development and implementation of a two-year strategic work plan to guide the RSTC's 2023-2025 deliverables of the RSTC;

**WHEREAS**, the RSTC Charter provides that no individual may serve more than one term as vice chair and one term as chair unless an exception is approved by the Board;

**WHEREAS**, the Board supports the reelection of the current RSTC leadership and appreciates the willingness of both Messrs. Ford and Hydzik to continue to serve;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board hereby appoints Greg Ford as Chair of the RSTC, and Rich Hydzik as Vice Chair, each for a term ending June 30, 2023.

**BE IT FURTHER RESOLVED**, that the Board hereby appoints the following individuals to the RSTC as follows:

- Sector 3: Gregory McAuley, Seminole Electric – for the 2022-2024 term; and
- Sector 10: CJ Brown, Southwest Power Pool – for the 2022-2023 term.

## **Regular Agenda**

### **Remarks by David Turk, Deputy Secretary, DOE**

Mr. Robb introduced Mr. Turk of the DOE. Mr. Turk remarked on the need for government, NERC, and industry to work together to address current and future challenges to the reliability and security of the bulk power system. He

remarked on DOE initiatives to address challenges in the areas of cybersecurity, supply chain, transmission, and renewable energy, and he highlighted areas for increased collaboration to address those challenges.

**Remarks by Richard Glick, Chairman, FERC**

Mr. Robb introduced Chairman Glick of FERC. Chairman Glick remarked on the strength of relationship between NERC and FERC and the importance of their joint roles in ensuring the reliability of the bulk power system. He remarked on the challenges posed by the changing resource mix, extreme weather, and cybersecurity threats, and he noted the need to work together to address those challenges. Chairman Glick stated that supply chain cybersecurity risks in particular may require more attention to ensure they are sufficiently addressed.

**Remarks by Willie Phillips, Commissioner, FERC**

Mr. Robb introduced Commissioner Phillips of FERC, noting his past service as an attorney with NERC. Commissioner Phillips remarked on issues of mutual concern and expressed FERC's commitment to work with NERC and industry to address challenges to reliability, particularly those posed by cybersecurity, extreme weather, the changing resource mix, and supply chain issues.

**Remarks by Patricia Hoffman, Acting Assistant Secretary, Office of Electricity, DOE**

Mr. DeFontes introduced Ms. Hoffman of DOE. Ms. Hoffman remarked on DOE priorities, including transmission planning, integrating clean energy resources, and improving the resiliency of the electric grid. She noted the need to work together to develop alternative plans to address some of the supply chain concerns facing the industry.

**Remarks by David Morton, CAMPUT Representative to NERC**

Mr. DeFontes introduced Mr. Morton of CAMPUT. Mr. Morton expressed his appreciation for NERC's participation at the recent CAMPUT meeting. He also remarked on the strengthening ties between NERC and the Canadian regulators and the improved working relationship between the E-ISAC and Canadian regulators.

**President's Report**

Mr. Robb provided the president's report. He remarked on the increasingly turbulent environment due to geopolitical tensions in Eastern Europe, ongoing supply chain concerns, and cybersecurity challenges, as well as the need for government, industry, and NERC to work together to address these issues. Mr. Robb remarked that NERC's business plan and budget process is now underway, and that NERC management prepared a three-year resource plan to phase in needed investments in resources and technology to meet the reliability challenges of the twenty-first century power grid. He encouraged stakeholders to provide their feedback on the plan.

Mr. Robb then introduced Mr. Jason Blake, CEO of SERC Reliability Corporation and co-chair of the ERO Enterprise Executive Committee, to provide additional comments. Mr. Blake remarked on the Regional Entity audits underway and noted the importance of these independent reviews in identifying areas of strength as well as opportunities where the Regional Entities can improve in driving the overall reliability mission of the ERO Enterprise. He also remarked on efforts to drive collaboration across the ERO Enterprise, particularly in the business plan and budget process. Mr. DeFontes remarked that enhancing the collaboration between NERC and the Regional Entities will strengthen the ERO Enterprise.

**Report on the April 14, May 9, and May 12, 2022 Closed Meetings**

Mr. DeFontes reported that on April 14, 2022, May 9, 2022, and May 11, 2022 (as is its custom), the Board met in closed session with NERC management to review NERC management activities. On April 14, the Board discussed, among other things, the business plan and budget process and the need to step back and evaluate governance processes more generally. On May 9, the Board met to discuss objectives for the meeting with ERO Enterprise leadership staff, staff's preliminary recommendations for standards processes improvements, and proposed amendments to the Québec Memorandum of Understanding. The Board also met in executive session with the General Counsel and CEO to discuss confidential issues. On May 11, the Board discussed Reliability Standards

proposed for adoption at this meeting, the Board's resolutions for this meeting, feedback for policy input, and planning for the August meetings.

## **Board Committee Reports**

### **Corporate Governance and Human Resources**

Ms. Keenan, Committee Chair, reported on recent Committee meetings. At the April 14, 2022 closed meeting, the Committee reviewed the proposed workforce investments necessary to advance NERC's priorities of energy, security, agility, and sustainability. She reported that the Committee, with all Trustees present, performed a deep dive analysis of the relevant factors and data and were satisfied that the proposed investments are necessary. Ms. Keenan also remarked that there are some uncertainties regarding wage data reflected in the draft budget. At the May 9, 2022 closed meeting, the Committee reviewed the corporate governance aspects of the IRS Form 990 and the Committee's self-assessment results.

At the Committee's open meeting on May 11, 2022, the Committee reviewed the results of the NERC Board Committees self-assessment and received an update on human resources and staffing. The Committee also approved and recommended for Board approval revisions to the Nominating Committee mandate.

Upon motion duly made and seconded, the Board approved the following resolution:

**RESOLVED**, that the Board, upon recommendation of the Corporate Governance and Human Resources Committee ("CGHRC"), hereby approves the Nominating Committee Mandate, substantially in the form presented to the Board at this meeting, to replace the Nominating Committee Mandate approved by the Board on August 10, 2017.

### **Compliance**

Mr. Manning, Committee Chair, reported on the May 10, 2022 closed meeting of the Committee, where the Committee received updates on Compliance Monitoring and Enforcement Program (CMEP) trends, activities, and 2022 program priorities and reviewed the results of the Committee self-assessment.

### **Finance and Audit**

Mr. Piro, Committee Chair, reported on recent meetings of the Committee. At the April 14, 2022 closed meeting, the Committee reviewed in depth the 2023 Business Plan and Budget assumptions and recommendations. At the May 10, 2022 closed meeting, the Committee met in executive session with NERC's new independent auditor and reviewed the 2021 Financial Statement audit results. The Committee also reviewed the financial aspects of the IRS Form 990, received an update on the 2023 Business Plan and Budget process, reviewed Committee actions in support of its mandate, discussed the First Quarter Statement of Activities, reviewed the results of the Committee self-assessment, and received an update on internal audit matters.

Mr. Piro reported that, at its May 11, 2022 open meeting, the Committee took action on several items. First, the Committee reviewed and recommended for Board acceptance the 2021 Financial Statement Audit Results. Upon motion duly made and seconded, the Board approved the following resolution:

**RESOLVED**, that the Board, upon recommendation of the Finance and Audit Committee ("FAC"), hereby accepts the 2021 Audited Financial Statements, as presented to the Board at this meeting.

Second, the Committee reviewed and recommended for Board acceptance the First Quarter Statement of Activities. Upon motion duly made and seconded, the Board approved the following resolutions:

**RESOLVED**, that the Board, upon recommendation of the FAC, hereby accepts the First Quarter 2022 NERC, Combined ERO Enterprise, and Regional Entity Unaudited Statement of Activities, as presented to the Board at this meeting.

Mr. Piro reported that the Committee also received a highly detailed presentation on the 2023 Business Plan and Budget process, and that NERC will post a draft budget for stakeholder comment later in May.

### **Enterprise-wide Risk**

Ms. Sidford, Committee Chair, reported on the Committee's closed meeting on May 3, 2022. At its meeting, the Committee received updates on the activities of the Compliance and Certification Committee, including an overview of the 2022 Perception Report. The Committee also received an update on Regional Entity activities, reviewed the results of the Committee self-assessment, received an update on the 2022 internal audit plan, and received updates on NERC's revamped corporate risk management framework and efforts to address environmental and social governance issues.

### **Technology and Security**

Ms. Allen, Committee Chair, reported on the Committee's closed meeting on May 9, 2022. At the meeting, the Committee received updates on E-ISAC operations, the results of the recent GridEx exercise, and the ERO Enterprise Align project. The Committee also reviewed the results of the Committee self-assessment.

### **Nominating**

Mr. Clarke, Committee Chair, reported on the Committee's closed meeting on May 10, 2022. He reported that Ms. Keenan and Mr. Piro will be recommended for re-election, but that Mr. Thilly is term limited and a search will be conducted for his replacement. At its meeting, the Committee discussed the needs and expectations for its Trustee search with the recruiting firm and reviewed the results of the Committee self-assessment.

### **Report by Roy Thilly on RSTC Quarterly Activities**

Mr. Thilly, Liaison to the RSTC, reported on the recent activities of the RSTC. Mr. Thilly remarked that the RSTC has done an excellent job transitioning to the new committee framework under the leadership of Chair Ford, and that the Committee continues to progress toward a more strategic oversight role. He reported that the RSTC elected Mr. Ford to serve another term as Chair and elected Mr. Hydzik to the role of Vice Chair. Mr. Thilly reported that the Committee continues to discuss key reliability issues, including those posed by inverter-based resources, and will be endorsing several Standard Authorization Requests to initiate standards projects to address these issues.

### **Report by Susan Kelly on Standards Quarterly Activities**

Ms. Kelly, Liaison to the Standards Committee, reported on actions taken at recent meetings, including action to authorize postings, accept Standard Authorization Requests, and appoint drafting teams. She highlighted progress on projects addressing cybersecurity considerations.

## **Standards Quarterly Report and Actions**

### **Project 2020-05 Modifications to FAC-001 and FAC-002**

Mr. Gugel presented the proposed Reliability Standards, highlighting that they would improve upon the currently effective standards by providing needed clarity as to an entity's obligations. Upon motion duly made and seconded, the Board approved the following resolutions:

#### ***Proposed Reliability Standard FAC-001-4***

**RESOLVED**, that the Board hereby adopts the proposed Reliability Standard FAC-001-4, as presented to the Board at this meeting.

**FURTHER RESOLVED**, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

**FURTHER RESOLVED**, that the Board hereby approves the proposed retirement of Reliability Standard FAC-001-3, as presented to the Board at this meeting.

#### ***Proposed Reliability Standard FAC-002-4***

**RESOLVED**, that the Board hereby adopts the proposed Reliability Standard FAC-002-4, as presented to the Board at this meeting.

**FURTHER RESOLVED**, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

**FURTHER RESOLVED**, that the Board hereby approves the proposed retirement of Reliability Standard FAC-002-3, as presented to the Board at this meeting.

#### ***Implementation Plan for Project 2020-05***

**FURTHER RESOLVED**, that the Board hereby approves the associated implementation plan for the above-listed Reliability Standards, as presented to the Board at this meeting.

#### ***Authorization***

**FURTHER RESOLVED**, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolutions.

#### **Cold Weather Standard Development Update**

Mr. Gugel provided an update on standard development activities to address the recommendations of the FERC/ERO Enterprise joint inquiry into February 2021 cold weather outages in Texas and the south central United States. He reported that draft standards to address the first phase recommendations are scheduled to be posted for a shortened comment and ballot period later in May.

#### **Standard Process Improvement Opportunities**

Mr. Gugel provided an update regarding NERC staff's efforts to examine the body of rules regarding Reliability Standards development and recommend changes to improve NERC's ability to address urgent reliability needs with appropriate agility, consistent with the resolution adopted by the Board at its February 10, 2022 meeting. He reviewed staff's preliminary recommendations, highlighting that any changes resulting from these recommendations would improve efficiency and agility while maintaining an open and inclusive standard development process.

Mr. DeFontes noted that the Board supports efforts to improve the agility of NERC's processes, and a stakeholder panel would be convened to provide feedback on the final recommendations. Ms. Kelly remarked on the need for this effort to ensure that NERC is able to act appropriately on urgent issues.

#### **Critical Infrastructure Protection Board Resolution Updates**

Mr. Gugel provided an update on activities in support of resolutions approved by the Board regarding the Critical Infrastructure Protection (CIP) Reliability Standards, referencing the material provided in the advance agenda



package. He introduced Mr. Ratliff, who provided an overview of NERC's efforts to assess the effectiveness of the supply chain risk management Reliability Standards. Mr. Tony Eddleman, Chair of the Supply Chain Working Group, provided an overview of a recent industry survey regarding entities' experiences implementing the standards and discussed efforts by other industry groups to address supply chain issues.

## **Other Matters and Reports**

### **Policy Input and Member Representatives Committee Meeting**

Mr. DeFontes referred to the discussion of policy input items and technical updates at the May 11, 2022 Member Representatives Committee meeting. Mr. DeFontes expressed his appreciation for the policy input and feedback.

### **Amended and Restated Agreement between the Régie de l'énergie, the North American Electric Reliability Corporation, and the Northeast Power Coordinating Council, Inc.**

Mr. McGrane reviewed the proposed amendments to the 2014 agreement between the Régie de l'énergie, the North American Electric Reliability Corporation, and the Northeast Power Coordinating Council, Inc., which governs Compliance Monitoring and Enforcement Program activities in Québec. He noted that the revisions do not substantially change the current approach to CMEP activities in Québec, but do provide increased flexibility for the parties. Upon motion duly made and seconded, the Board approved the following resolutions:

**WHEREAS**, the Régie de l'énergie is the entity charged under Québec law with authority over reliability matters in Québec, and the Régie de l'énergie, NERC, and NPCC have memorialized agreements with respect to Reliability Standards and Compliance Monitoring and Enforcement Program matters in Québec in 2009 and in 2014;

**WHEREAS**, the 2014 Agreement is the main governing document setting forth NERC's responsibilities for CMEP activities in Québec, including the oversight of NPCC's Compliance Monitoring and Enforcement Program activities in Québec;

**WHEREAS**, the Régie de l'énergie, NERC, and NPCC seek to revise the 2014 Agreement to reflect current practices regarding Compliance Monitoring and Enforcement Program activities in North America and to provide increased flexibility for the parties in certain respects;

**NOW, THEREFORE, BE IT RESOLVED**, that the Board hereby approves the Amended and Restated Agreement on the Implementation of the Québec Reliability Standards Compliance Monitoring and Enforcement Program (the 3rd Agreement) between the Régie de l'énergie, NERC, and NPCC on substantially the terms and conditions presented to the Board, together with such changes as are approved by NERC's Chief Executive Officer.

**BE IT FURTHER RESOLVED**, that each of NERC's Chief Executive Officer and General Counsel, are hereby authorized to execute and deliver, on behalf of NERC, the 3rd Agreement.

### **2022 Summer Reliability Assessment Preview**

Mr. Moura introduced the 2022 Summer Reliability Assessment, noting that NERC will be presenting this assessment jointly with FERC staff for the first time at the FERC May 2022 open meeting. Mr. Olson previewed the findings, highlighting increased risk in certain areas and other reliability issues. He reported that the assessment is in the process of being finalized and will be published in the coming weeks.

### **2022 State of Reliability Report Preview**

Mr. Moura previewed the 2022 State of Reliability Report, noting that the purpose of the report is to provide objective, credible, and concise information to decision makers on issues affecting the reliability and resilience of the bulk power system. He provided an overview of the preliminary key findings.

### **2022 ERO Enterprise Reliability Indicators**

Chair DeFontes referred the attendees to the advance agenda materials for the update on the 2022 ERO Enterprise Reliability Indicators.

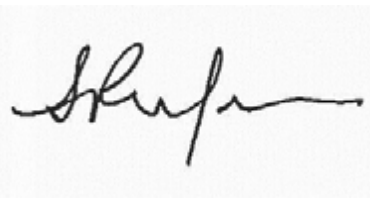
### **Committee Reports**

Chair DeFontes referred the attendees to the advance agenda package for the Committee reports. He congratulated Mr. Allen D. Schriver, North American Generator Forum Chief Operating Officer, on his upcoming retirement and thanked him for his work with the Forum and for the input and guidance he has provided over the years to NERC and stakeholders.

### **Other Matters and Adjournment**

There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,



Sônia Mendonça  
Corporate Secretary