

Minutes

Board of Trustees

August 17, 2023 | 9:00 a.m.–12:00 p.m. Eastern
In-Person/Live Webcast

Westin Ottawa Hotel
11 Colonel By Dr.
Ottawa, ON K1N 9H4, Canada

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 August 17, 2023, at 9:00 a.m. Eastern, and a quorum was declared present.

Present at the meeting were:

Board Members

Kenneth W. DeFontes, Jr., Chair
George S. Hawkins, Vice Chair
Jane Allen
Robert G. Clarke
Larry Irving
Suzanne Keenan
Susan Kelly
Robin E. Manning
Jim Piro
Kristine Schmidt
Colleen Sidford

NERC Staff

Tina Buzzard, Assistant Corporate Secretary
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
Erika Chanzas, Manager, Business Planning
Howard Gugel, Vice President, Compliance Assurance and Registration
Kelly Hanson, Senior Vice President and Chief Administrative Officer
Latrice Harkness, Director, Standards Development
Stan Hoptroff, Vice President, Business Technology
Nina Jenkins-Johnston, Assistant General Counsel
Soo Jin Kim, Vice President, Engineering and Standards
Mark G. Lauby, Senior Vice President and Chief Engineer
Kimberly Mielcarek, Vice President, Communications
John Moura, Director, Reliability Assessment and Performance Analysis
Sônia Rocha, Senior Vice President, General Counsel, and Corporate Secretary
Liz Saunders, Director, HR Centers of Excellence
Janet Sena, Senior Vice President, External Affairs

Andy Sharp, Vice President and Chief Financial Officer

NERC Antitrust Compliance Guidelines

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

Introduction and Chair's Remarks

Mr. DeFontes welcomed all of the attendees to the meeting. He also welcomed Mr. Sami Khoury, Head of the Canadian Centre for Cyber Security (CCCS), Mr. Harneet Panesar, Chief Operating Officer, Ontario Energy Board, Ms. Patricia Hoffman, Principal Deputy Assistant Secretary for the Office of Electricity, U.S. Department of Energy, and Mr. David Morton, Chair, CAMPUT. Mr. DeFontes noted that President and CEO Jim Robb was unable to attend the meeting due to unforeseen family obligations.

Consent Agenda

Upon motion duly made and seconded, the Board approved the consent agenda as follows:

Minutes

The draft minutes for the May 11, 2023 meeting were approved as presented to the Board at this meeting.

Committee Membership

Personnel Certification Governance Committee Membership

RESOLVED, that the Board hereby appoints the following individuals to the Personnel Certification Governance Committee, each for a term ending December 2025:

- Derek Scott, Manitoba Hydro; and
- Tyler Springer, AEP.

Regular Agenda

Remarks by Sami Khoury, Head of the Canadian Centre for Cyber Security (CCCS)

Mr. Cancel introduced Mr. Khoury, Head of the CCCS. Mr. Khoury remarked on the threat landscape and the opportunity to work together and progress to date. He noted the CCCS's collaboration with U.S. counterparts at the National Security Administration, Cybersecurity and Infrastructure Security Agency (CISA), and Department of Energy. Mr. Khoury noted several major areas of concern, including ransomware incidents and nation state activities. He remarked on the collaboration with CISA on cyber security performance goals.

Remarks by Harneet Panesar, Chief Operating Officer, Ontario Energy Board

Mr. Cancel introduced Mr. Panesar of the Ontario Energy Board (OEB). Mr. Panesar began his remarks by noting the importance of recognizing and honoring Canada's indigenous peoples. He remarked on how the OEB has worked with NERC on issues involving the energy transition, transparency, and accountability. Mr. Panesar noted the four main objectives for OEB: reconciliation with indigenous nations, resiliency regarding the distribution sector, innovation regarding cost effective solutions for energy consumers, and cyber security. He reported that OEB will be participating in GridEx this year.

Remarks by Patricia Hoffman, Principal Deputy Director, Grid Deployment Office, U.S. Department of Energy

Mr. DeFontes introduced Ms. Hoffman of DOE. Ms. Hoffman remarked on the DOE's focus on transmission issues, including the recent issuance of a Request for Information to guide potential improvements to the transmission

process and efforts to coordinate permitting among multiple federal agencies. She also highlighted continued coordination and collaboration on resilience issues, including on extreme weather issues, and efforts to understand resource availability. Ms. Hoffman noted that Office of Electricity is taking the lead on addressing the transformer shortage issue challenging industry.

Remarks by David Morton, Chair, CAMPUT

Mr. DeFontes introduced Mr. Morton, Chair, CAMPUT. Mr. Morton remarked on continued engagement between NERC and the Canadian regulators, noting that NERC's mission is increasingly more important due to extreme weather, bad actors and reliability on fossil fuels. He thanked the E-ISAC for inviting the Canadian regulators to the monthly threat meeting. He welcomed opportunities for further engagement between Canadian regulators and NERC's processes.

President's Report

Mr. Cancel provided the president's report on behalf of Mr. Robb. Mr. Cancel thanked the Canadian stakeholders for their support and engagement, and noted that NERC will continue to work closely with Canadian stakeholders. He also acknowledged the 20th anniversary of the August 2003 blackout that led to NERC becoming the North American Electric Reliability Organization. Mr. Cancel remarked that the cyber security and the physical threat landscapes remain challenging. He expressed appreciation for the support of the North American Energy Standards Board (NAESB) and the recommendations of the NAESB Gas Electric Harmonization Forum Report. Mr. Cancel also acknowledged the Member Representatives Committee (MRC) and their role in providing input to the Board.

Mr. Cancel then introduced Mr. Jason Blake, CEO of SERC, and co-chair of the ERO Executive Group. Mr. Blake remarked on the ERO Enterprise's deep connection with the Canadian community and efforts to strengthen partnerships with Canadian regulators. He remarked on four challenges being addressed across the ERO Enterprise: delivering value to stakeholders and to the mission, ensuring agility and efficiency across the ERO Enterprise, being data-driven in decision-making, and the commitment to security. He noted that this is his last time as co-chair of the ERO Executive Group, and that Jim Albright will serve as the next co-chair.

Report on the August 15 and August 17, 2023 Closed Meetings

Mr. DeFontes reported that on August 15, 2023 and August 17, 2023 (as is its custom), the Board met in closed session with NERC management to review NERC management activities. On August 15, the Board received updates on the CRISP program and the interregional transformer capability study directed by the U.S. Congress, and reviewed the structures of the Member Representatives Committee and registered ballot body. On August 17, the Board reviewed the Reliability Standards items proposed for action at this meeting, discussed the Board's resolutions for this meeting, and discussed feedback on the policy input and the MRC meeting. The Board adjourned into executive sessions with the General Counsel to discuss confidential matters. The Board also adjourned into executive session to discuss confidential matters.

Board Committee Reports

Corporate Governance and Human Resources

Ms. Keenan, Committee Chair, reported on recent Committee meetings and actions. At the August 15, 2023 closed meeting, the Committee approved an action to formalize how NERC manages its benefits plans, approved a revision to the NERC Savings and Investment Plan, and received information on how NERC is advancing efficiencies in the administration of its retirement plans. The Committee also met in executive session to receive updates on the

performance management cycle and executive compensation study, as well as to discuss the CEO mid-year assessment. The Committee then adjourned into executive session to discuss other confidential matters.

At the August 16, 2023 open meeting, the Committee approved and recommended for Board approval proposed amendments to the Compliance Committee mandate. After discussion, and upon motion duly made and seconded, the Board approved the following resolution:

WHEREAS, Article III, Section 8 of the NERC Bylaws provide that the NERC Board of Trustees shall by resolution create and appoint all committees of the Board as the Board deems necessary to perform its responsibilities;

WHEREAS, the Board has determined increased focus and oversight is needed in the area of standards development, in light of the current volume and complexity of standards-related projects and issues;

WHEREAS, the Board has previously established the Compliance Committee to aid the Board in its oversight of the Compliance Monitoring and Enforcement Program and Organization Registration and Certification Program, to serve as an adjudicatory body for appeals, and provide other approvals that are required from time to time;

WHEREAS, the Board has determined that the integrating standards oversight into the existing Compliance Committee responsibilities would enhance the Board's oversight of NERC's core regulatory processes along the entire continuum of activities, from standards development, to registration, through compliance and enforcement actions;

WHEREAS, the Board has determined that the Compliance Committee should be renamed to the Regulatory Oversight Committee, to reflect this expanded scope of responsibilities to include standards;

WHEREAS, the Corporate Governance and Human Resources Committee, at its August 17, 2023 meeting, approved the proposed mandate for the Regulatory Oversight Committee and recommended it for Board approval;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the mandate for the Regulatory Oversight Committee, as presented to the Board at this meeting, to replace the Compliance Committee mandate approved by the Board on February 2, 2018.

Compliance

Mr. Manning, Committee Chair, reported on recent Committee meetings. At the August 15, 2023 closed meeting, the Committee received an update on Compliance Monitoring and Enforcement in Canada, including the annual report on Canadian activities, reviewed NERC standards processes in preparation for the upcoming committee reorganization, and received information on NERC and Regional Entity Compliance Monitoring and Enforcement Program (CMEP) and Organization Registration and Certification Program (ORCP) audit remediation. The Committee also adjourned into executive session to discuss confidential matters. At the August 16, 2023 open meeting, the Committee approved and recommended for Corporate Governance and Human Resources Committee approval revisions to its mandate to include oversight of the standards process within its scope of activities. The Committee also received an update on inverter based resources, the CMEP and ORCP semi-annual report, and small group advisory sessions.

Finance and Audit (FAC)

Ms. Sidford, Committee Chair, reported on recent meetings of the Committee. At the July 12, 2023 closed meeting, the Committee reviewed the proposed 2024 NERC and Regional Entity 2024 business plans and budgets. At the

August 15, 2023 closed meeting, the Committee received updates on the 2024 NERC and Regional Entity business plan and budgets and the line of credit and capital financing program renewal. The Committee also received an update on internal audit activities and approved the 2024 internal audit budget and resource plan.

At the August 16, 2023 open meeting, the Committee received an update on line of credit renewals and reviewed the second quarter 2023 unaudited summary of results and recommended them for Board acceptance. Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board, upon recommendation of the Finance and Audit Committee, hereby accepts the Second Quarter 2023 NERC, Combined ERO Enterprise, and Regional Entity Unaudited Statement of Activities, as presented to the Board at this meeting.

The Committee also reviewed and recommended Board approval of the NERC, Regional Entity, and WIRAB Proposed 2024 Business Plans and Budgets and Associated Assessments. After discussion, and upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby approves the following, substantially in the form presented to the Board at this meeting:

1. The proposed 2024 NERC Business Plan and Budget;
2. The proposed 2024 Business Plans and Budgets of the Regional Entities and the Western Interconnection Regional Advisory Board; and
3. The proposed 2024 assessments to recover the costs of the approved 2024 budgets, subject to adjustments to reflect final Net Energy for Load numbers, together with such other adjustments as may be necessary.

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 resolution.

Enterprise-wide Risk

Mr. Piro, Committee Chair, reported on the Committee's closed meeting on August 15, 2023. At its meeting, the Committee received updates on Compliance and Certification Committee (CCC) activities, Regional Entity activities, internal audit activity, risk response planning, and corporate compliance and ethics. The Committee also reviewed Committee activities against its mandate. The Committee concluded in executive session to discuss confidential matters.

Technology and Security (TSC)

Ms. Allen, Committee Chair, reported on the August 16, 2023 open meeting of the Committee. At the meeting, the Committee received updates on ERO Enterprise business technology, including customer support and an update on the implementation of Align in Canada, and E-ISAC operations, including a brief on the threat landscape, the Member Executive Committee summary, and the E-ISAC customer experience.

Nominating

Mr. Clarke, Committee Chair, reported on the August 15, 2023 closed meeting of the Committee. At the meeting, the Committee reviewed the Board nomination and election process, including timelines, and reviewed trustee attributes

and expertise categories. He reported that all four trustees whose terms will conclude (Mr. Hawkins, Ms. Kelly, Mr. Irving, and Mr. Manning) will be recommended for re-nomination.

Report by Susan Kelly on Standards

Ms. Kelly, Standards Committee Liaison, reported on recent Standards Committee activity, including the May Standards Committee meeting and the July Standards Committee/Compliance and Certification Committee joint meeting, where the two committees engaged in a discussion regarding residual risks. She reported that there are at least 20 ongoing standard development projects, that NERC staff is working with stakeholder leadership to prioritize projects and coordinate projects that deal with the same set of standards, and that additional personnel is needed to support these projects. She remarked on the Board's appreciation for the work of the Standards Committee and how industry needs to continue to make completion of the cold weather Reliability Standards a high priority. Ms. Kelly also remarked on how the standards process can be streamlined and improved as challenges grow.

Report by Rob Manning on RSTC Quarterly Activities

Mr. Manning, Committee liaison, reported on recent Reliability and Security Technical Committee activities, including the hybrid sessions held in June. He reported that Rich Hydzik was recently elected as incoming committee chair, and Jon Stephens as vice chair.

Semi-Annual Reports to the Board

Personnel Certification Governance Committee

Mr. Darrell Moore, NERC, Director Situation Awareness, provided the Committee report on behalf of Committee leadership. He reported on recent activities of the Committee, referencing the materials included in the advance agenda package. He highlighted the August meeting in Vancouver and noted that PCGC will increase program fees beginning in January 2024 due to increases in administrative costs.

Compliance and Certification Committee

Mr. Scott Tomashefsky, Committee Chair, reported on recent activities of the Committee, referencing the materials included in the advance agenda package. He highlighted the Committee's approval of the 2022 Stakeholder Perception Report and two CCC procedures. Mr. Tomashefsky also reported on the joint meeting with the Standards Committee in July 2023, where the Committee discussed the level of support needed by the CCC to implement the Board's directives related to the standards process improvement effort and to enhance the value of the risk framework, and the Committee's third quarter meeting where it provided input on NERC's proposed registration criteria related to IBRs.

Reliability and Security Technical Committee

Mr. John Moura, NERC, Director, Reliability Assessment and Performance Analysis, provided the Committee report on behalf of Committee leadership. He reported on recent activities of the Committee, referencing the materials included in the advance agenda package. He highlighted RSTC activities related to reliability guidelines, white papers, reports, and standard authorization requests. Mr. Moura also reported that the Committee elected new leadership and established a review team to review the 2023 ERO Reliability Risk Priorities Report and updated the RSTC Strategic Plan and Work Plan Priorities. He also reviewed 2023 priorities.

Standards Committee

Mr. Todd Bennett, Committee Vice Chair, reported on recent activities of the Committee, referencing the materials included in the advance agenda package. He highlighted recent Committee activity to accept Standard Authorization Requests, authorize initial postings, and appoint drafting teams. Mr. Bennett also discussed the increased project activity due to the changing threat landscape.

North American Energy Standards Board

Mr. Michael Desselle, Chair of the NAESB Board of Directors, provided an update on NAESB activities in areas of mutual interest. He highlighted the July 2023 report of the NAESB Gas Electric Harmonization Forum.

North American Transmission Forum

Mr. Thomas Galloway, President and CEO, provided an update on NATF activities. He highlighted recent NATF-ERO leadership meetings, participation in the joint NERC and FERC Physical Security Technical Conference, work on inverter based resources, and other activities. He also remarked on potential collaboration regarding the interregional transfer capability study.

North American Generator Forum

Ms. Venona Greaff, Secretary, North American Generator Forum, provided an update on Forum activities, including upcoming meetings.

Standards Quarterly Report and Actions

Proposed Revisions to the NERC Rules of Procedure – Reliability Standards

Ms. Kim presented the proposed revisions to Section 300 and Appendix 3A to the Rules of Procedure, *Standard Processes Manual*. She highlighted that this revision effort began with the October 2022 recommendations of the Standards Process Stakeholder Engagement Group, and it benefited from significant stakeholder engagement and feedback. Ms. Kim noted that the proposed changes would help ensure that NERC has the ability to address urgent reliability issues with appropriate agility, while also maintaining reasonable notice and opportunity for public comment, due process, openness, and balance of interests.

Mr. DeFontes thanked everyone across the enterprise for their hard work on this effort. After discussion, and upon motion duly made and seconded, the Board approved the following resolutions:

WHEREAS, on October 10, 2022, the Standards Process Stakeholder Engagement Group (“SPSEG”), a group appointed by Chair DeFontes to recommend changes to NERC’s standard development processes that would improve NERC’s ability to address urgent reliability needs with appropriate agility, while also maintaining reasonable notice and opportunity for public comment, due process, openness, and balance of interests in standards development, submitted its unanimous recommendations for standards process changes to the Board;

WHEREAS, the SPSEG’s recommendations consisted of recommended changes to Section 300 of the NERC Rules of Procedure and Appendix 3A to the NERC Rules of Procedure, Standard Processes Manual, as well as recommendations for the standing committees to facilitate effective administration and coordination in the development of standards;

WHEREAS, the Board determined that the recommended changes should be considered through the usual processes, and it took two actions at its November 2022 meeting to initiate those processes: first, by directing that the recommended changes to Section 300 of the Rules of Procedure be posted for public comment in accordance with Section 1400 of the NERC Rules of Procedure, Amendments to the NERC Rules of Procedure; and second, by requesting that the Standards Committee promptly submit the recommended changes to Appendix 3A to the NERC Rules of Procedure, Standard Processes Manual for comment and then ballot under Section 15.0 of the Standard Processes Manual, Process for Updating Standard Processes;

WHEREAS, the changes to Section 300 of the Rules of Procedure and Appendix 3A, Standard Processes Manual were posted and further revised in response to stakeholder comments;

WHEREAS, the proposed revisions to Appendix 3A, Standard Processes Manual received the required ballot body approval;

WHEREAS, the Board finds that the proposed changes to Section 300 of the Rules of Procedure and Appendix 3A Standard Processes Manual would improve NERC’s ability to address urgent reliability needs with appropriate agility, while also maintaining reasonable notice and opportunity for public comment, due process, openness, and balance of interests in standards development;

WHEREAS, the Board also finds that the proposed Section 322 of the Rules of Procedure would make clear NERC has the authority in its Rules to meet its fundamental responsibility under Section 215 of the Federal Power Act to develop, establish, and enforce Reliability Standards to ensure the reliability of the Bulk-Power System;

WHEREAS, the Board extends its sincere appreciation to NERC’s stakeholders for their engagement in this important initiative;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the proposed revisions to Section 300 of the NERC Rules of Procedure and Appendix 3A, Standard Processes Manual, as presented to the Board at this meeting.

BE IT 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 resolution.

Project 2021-06 Modifications to IRO-010 and TOP-003

Ms. Harkness presented proposed Reliability Standards IRO-010-5 and TOP-003-6, explaining that the proposed standards would enhance the data specification approach of the two standards to reduce the administrative burden of excessive data retention, while ensuring that entities with operational responsibilities maintain the ability to request and receive needed information to support their activities. After discussion, and upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby adopts the proposed Reliability Standards TOP-003-6 and IRO-010-5, 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 Standards, as presented to the Board at this meeting.

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

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standards TOP-003-5 and IRO-010-4, as presented to the Board at this meeting.

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 Standards Status

Ms. Kim provided an update on the status of standards development to address the second phase recommendations for Reliability Standards improvements from the FERC and ERO Enterprise Joint Inquiry Report into the causes of the February 2021 cold weather event, as well to address the directives from the FERC order approving Reliability

Standard EOP-012-1 and EOP-011-3. She reported that the initial ballot of the second phase standards was not successful, and that the team will post a second draft in August. Ms. Kim also noted that the initial ballot for a revised EOP-012-2 was not successful, and the team is reviewing the comments to determine next steps. She noted that while the standard drafting team was not in a position to resolve concerns regarding the availability of cost recovery for needed investments in winterization, she was optimistic that a consensus approach could be achieved.

Other Matters and Reports

Input Letter and Member Representatives Committee Meeting

Ms. Flandermeyer expressed her appreciation to the Board for the opportunity to provide input.

ERO Reliability Risk Priorities Report

Mr. Slocum, Reliability Issues Steering Committee (RISC) Chair, presented the 2023 ERO Reliability Risk Priorities Report included in the advance agenda materials. This report is published every two years and is intended to inform regulators, policy makers and industry on existing and emerging risks as well as proposed and implemented mitigating strategies. Mr. Slocum highlighted five risk profiles and common themes, including energy policy, grid transformation, resilience to extreme events, security risks, and critical infrastructure interdependencies. He noted that the report recommends actionable mitigating activities that enable the ERO Enterprise and industry to use the risk profiles and the mitigating activities map for baseline and recurring evaluations.

The Board discussed the report and recommendations. After discussion, and upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board hereby accepts the Reliability Issues Steering Committee 2023 ERO Reliability Risk Priorities Report, as presented to the Board at this meeting.

Semi-Annual Review of the Achievements of the NERC Work Plan Priorities

Ms. Chanzas provided the midyear update on the status of the 2023 work plan priorities. She noted that, since the 2023 work plan priorities were approved in November, FERC has issued a number of directives to NERC, and the U.S. Congress has mandated an interregional transfer study requiring additional resources and reprioritization of projects. Ms. Chanzas highlighted that while most of the 32 individual work plan priorities were complete or on track to be completed, two are at risk, and two will not be reached due to directed activities.

Other Matters and Adjournment

Mr. DeFontes thanked the participants for their engagement in the meetings. There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,



Sônia Rocha
Corporate Secretary