

January 11, 2023

Mr. Roy Jones, Chair
NERC Member Representatives Committee

Dear Roy:

I invite the Member Representatives Committee (MRC) to provide input on a matter of particular interest to the NERC Board of Trustees (Board) in preparation for its February 16, 2023, meeting in Tucson, Arizona. In addition, input is requested on any items on the preliminary agendas for the quarterly Board, Board Committees, and MRC meetings. The preliminary agenda topics were reviewed at the January 18, 2023, MRC Informational Session and attached hereto (**Attachment A**).

Prioritization of Activities and Effective Engagement

The electric sector is currently undergoing a massive transformation and faces an unprecedented threat and risk environment. The ERO Enterprise is committed to maintaining its focus on addressing the reliability, resilience, and security issues that face our sector. Complementing this commitment, the ERO Enterprise continues to improve alignment of programs and processes, and improve the security and integrity of its own systems and security practices to reduce risk. To support these efforts, NERC's 2023-2025 business plan and budget is centered on four priority areas of focus – energy, security, agility, and sustainability:

- **Energy:** Tackling the challenge of grid transformation and climate change-driven, extreme weather
- **Security:** Moving the needle by focusing on supply chain, Information Technology (IT) and Operational Technology (OT) system monitoring, cyber design, and evolution of the Critical Infrastructure Protection (CIP) Standards
- **Agility:** Tooling the company to be more nimble in key areas, particularly standards development and internal operational processes
- **Sustainability:** Investing in ERO systematic controls, eliminating single points of failure, strengthening succession planning, and ensuring robust cyber security protections for all systems

In addition, non-budgeted needs arise that require additional focus and resources. Most recently in the last quarter of 2022, FERC directed NERC to address several efforts related to inverter-based resources and physical security matters. FERC, NERC, and the Regional Entities also announced a joint inquiry into the grid's performance during Winter Storm Elliott. We recognize the volume of work underway and the strain additional matters add to NERC, Regional Entity, and stakeholder resources. We also recognize that the current economic environment is a challenge for all of us and remain sensitive to the need of balancing reliability, resilience, security, and technology costs.

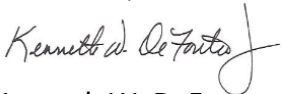
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All of this activity is in recognition of the crucial responsibility we all have of assuring the reliability, resilience, and security of the North American grid. Prioritization of our activities and effective engagement with our stakeholders is key to the success of this mission. We have heard from stakeholders concerned about the volume of work, resource requirements, level of engagement, and effectiveness; however, it is not clear **which** efforts stakeholders believe are driving a disproportionate use of their resources relative to the value of the risks being mitigated. Therefore, the Board requests MRC input on the following:

- 1. What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?**
- 2. What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?**

Written comments in response to the input requested above, the preliminary agenda topics, and on other matters that you wish to bring to the Board's attention are due by **February 1, 2023**, to Kristin Iwanechko, MRC Secretary (Kristin.Iwanechko@nerc.net). Please include a summary of your comments in your response (i.e., a bulleted list of key points) for NERC to compile into a single summary document to be provided to the Board for reference, together with the full set of comments. The formal agenda packages for the Board, Board Committee, and MRC meetings will be available on February 2, 2023, and the presentations will be available on February 9, 2023. The Board looks forward to your input and discussion of these matters during the February 2023 meetings, as well as continued engagement over the course of the meetings and at the annual stakeholder dinner on February 15, 2023.

Thank You,



Kenneth W. DeFontes, Jr., Chair
NERC Board of Trustees

cc: NERC Board of Trustees
Member Representatives Committee

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Member Representatives Committee (MRC)

Pre-Meeting and Informational Webinar
January 18, 2023

RELIABILITY | RESILIENCE | SECURITY



- Review schedule and preliminary agenda topics for the February 2023 Board, Board Committees, and MRC meetings
- Review input topic
 - Prioritization of Activities and Effective Engagement

- **January 11:** Input letter issued
- **February 1:** Written comments due on input topics and preliminary agenda topics
- **February 2:** Board and MRC agenda packages and input letter comments posted
- **February 9:** Board and MRC presentations posted
- **February 15-16:** Board, Board Committee, and MRC open meetings

Wednesday, February 15, 2023	
8:00 – 8:45 a.m.	Finance and Audit Committee Meeting— <u>Open</u>
9:00 – 9:45 a.m.	Compliance Committee Meeting— <u>Open</u>
10:00 – 10:45 a.m.	Technology and Security Committee Meeting — <u>Open</u>
11:00 – 11:45 a.m.	Corporate Governance and Human Resources Committee Meeting— <u>Open</u>
11:45 a.m. – 1:15 p.m.	Lunch
1:15 – 3:00 p.m.	Technical Session
3:00 – 3:30 p.m.	Break
3:30 – 5:00 p.m.	Member Representatives Committee Meeting— <u>Open</u>
5:30 – 6:30 p.m. 6:30 – 8:00 p.m.	Reception Stakeholder Dinner
Thursday, February 16, 2023	
9:30 a.m. – 12:00 p.m.	Board of Trustees Meeting— <u>Open</u>

All meeting times are Mountain

- 2022 Year-End Unaudited Summary of Results
- Annual Review of Finance and Audit Committee Mandate

- CMEP Annual Report
- Proposed Amendments to Compliance Committee Mandate

- E-ISAC Operations Update
- ERO Enterprise Align Project Update
- ERO Enterprise Business Technology Update
- NERC Business Continuity Program Update
- Annual Review of Technology and Security Committee Mandate

- Approve Proposed Amendments to Board Committee Mandates
- Annual Review of Committee Mandate
- Approve Revisions to Board and Board Committees' Annual Evaluations
- Review NERC Governance Guidelines
- Annual Conflict of Interest and Independence Report
- People and Culture Update

- Bulk Power System Awareness Update
- Winter Preparations – NERC Alert Update
- North Carolina December 2022 Event
- Inverter-Based Resources Panel Discussion

- Election of NERC Trustees
- Future Meetings
- Plan for Evaluating MRC Governance and Effectiveness
- General Updates and Reports
 - Business Plan and Budget Input Group Update
 - Update on FERC Activities
 - Regulatory Update
- Responses to the Board's Request for Input
 - Prioritization of Activities and Effective Engagement
- Additional Discussion on First Quarter Open Meetings
 - Board Committee Meetings (February 15)
 - Technical Session (February 15)
 - Board Meeting (February 16)

- Committee Membership and Charter Amendments
- Governance Documents Amendments
- Report on the February 14 and 16, 2023 Closed Meetings
- Approve Election and Appointment of Board Chair and Vice Chair, Board Committee Assignments, and NERC Officers
- Board Committee Reports
 - Approve Proposed Amendments to Board Committee Mandates
 - Accept Year-End Unaudited Summary of Results
- Semi-Annual Committee, Group, and Forum Reports to the Board
 - Approve PCGC 2023 Work Plan
 - Approve SC 2023-2025 Strategic Work Plan
 - Approve CCC 2023 Work Plan
 - Approve RSTC 2023-2025 Strategic Plan

- Standards Quarterly Report and Actions
 - Adopt Project 2021-04 Modifications to PRC-002 (Glencoe SAR)
 - Adopt Project 2021-05 Modifications to PRC-023
 - Cold Weather Standards Status
 - Standards Process Improvement Opportunities Status
- Year-End Review of the Achievements of the 2022 ERO Enterprise Work Plan Priorities
- Joint RISC/RSTC Presentation: Evaluation and Prioritization of Emerging Risks



Questions and Answers

MEMORANDUM

TO: Ken DeFontes, Chair
NERC Board of Trustees

FROM: John McCaffrey, Senior Regulatory Counsel, American Public Power Association
John Di Stasio, President, Large Public Power Council
Terry Huval, Executive Director, Transmission Access Policy Study Group

DATE: February 1, 2023

SUBJECT: Response to Request for Policy Input to NERC Board of Trustees

The American Public Power Association, Large Public Power Council, and Transmission Access Policy Study Group concur with the Policy Input submitted today by the State/Municipal and Transmission Dependent Utility Sectors of the Member Representatives Committee, in response to NERC Board Chair Ken DeFontes' January 11, 2023 letter requesting policy input in advance of the February 15-16, 2023 NERC Board of Trustees meetings.



NERC Board of Trustees Policy Input – Q1 2023

Electricity Canada appreciates this opportunity to provide policy input to the NERC Member Representatives Committee (“MRC”) and Board of Trustees (“Board”).

Summary of Key Points:

- Overall, Electricity Canada encourages NERC to rank and prioritize risks by leveraging the industry feedback collected through the latest RISC Survey.
- In addition, we recommend that NERC concentrate most on efforts that provide value across the continent, including extreme weather (not specific to cold weather), inverter-based resources, and energy sufficiency.
- Regarding cold weather and extreme cold weather efforts underway, Electricity Canada regards these as disproportionate for regions with mature processes already established.
- Electricity Canada encourages NERC to review the value of projects which have indications of a disconnect between the standards development team and industry feedback, as repeated defeats at ballot or stalled drafting create churn and pull resources from across industry.
- We support the ISO/RTO Council’s recommendation to target high-risk areas for Compliance & Enforcement activities, and update certain CMEP processes to revise how non-consequential violations are tracked and addressed.
- We recommend that NERC work closely with the Regions to identify how efforts on risk can best be delegated and/or leveraged. We also see value in ongoing attention to the direction of regional scope in which risks are moving, to minimize the potential for duplication of efforts.
- In response to FERC directives, we encourage NERC to first pursue follow-ups with entities rather than necessarily moving towards industry-wide standards work.
- Finally, we suggest that early or simultaneous release of implementation guidance may facilitate the standards development process. However, the value of this would depend on having first prioritized standards and allocated capacity accordingly.

Prioritization of Activities and Effective Engagement

Overall, Electricity Canada encourages NERC to leverage the industry feedback recently collected through the 2022 RISC Survey in order to identify an appropriate ranking of risks, and to extend that ranking to the balance and allocation of project capacity and resources.

As the ability to substantively comment on open-ended strategic decisions within a short time period, and without information regarding current allocation of capacity and resources, is limited, Electricity Canada looks forward to continued discussion at the Q1 Board and MRC meetings, and the learnings from the most recent RISC Survey.

Other specific comments follow.



1. What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?

In addition to the recommendation above that NERC identify projects of relatively lower value through the RISC Survey rankings and framework, Electricity Canada also recommends that NERC concentrate more on efforts that can provide value across the continent - such as extreme weather (not specific to cold weather), inverter-based resources, and energy sufficiency - and less on efforts which are regionally specific (though the Regional Entities may be leveraged as appropriate).

For example, in recent years, NERC and industry have invested substantial efforts in Cold Weather and Extreme Cold Weather projects. While this addresses a reliability risk, these efforts are disproportionate for regions which already have mature processes established.

Furthermore, Electricity Canada encourages NERC to review the value of projects which have indications of a disconnect between the standards development team and industry feedback. For example, the CIP virtualization suite of standards has undergone multiple iterations which have been repeatedly defeated at ballot. Project 2020-04 Modifications to CIP-012 is another example, where the Standard Authorization Request was authorized in December 2020, but has stalled at third draft with NERC seeking supplemental drafting team nominations. This disconnect creates churn and pulls resources from across industry in the provision of comments each cycle.

Relatedly, early or simultaneous release of implementation guidance may facilitate the standards development process and add value. However, this should be a secondary consideration dependent on a more targeted prioritization of standards development, given that capacity and resources are finite.

Electricity Canada also supports the recommendation from the ISO/RTO Council for NERC to target high-risk areas for Compliance & Enforcement activities, and update certain CMEP processes to revise how non-consequential violations are tracked and addressed. The goal would be to reduce/eliminate reporting and evidentiary requirements associated with enforcing high volume, low risk requirements that are burdensome due to zero-defect compliance.

2. What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?

Electricity Canada recommends that NERC work closely with the Regions to identify how efforts on risk can best be delegated and/or leveraged. We encourage NERC to focus on efforts that provide value across the continent, perhaps reviewing whether some extreme weather work may be better addressed at the Regional level.

Additionally, as noted in our response to the Q4 policy input letter, we encourage NERC to monitor regional level risks with the aim of minimizing the potential for duplication of efforts. As an example, resource adequacy is identified as part of the RISC ERO Reliability Risk Report's risk profile for Grid





Transformation, but resource adequacy is also identified within the Rules of Procedure section 313 as an issue to be addressed at the Regional Entity level. Overall, we would see value in ongoing attention to the direction of regional or continental scope in which risks are moving.

We understand that non-budgeted needs arise, including FERC directives, which require additional focus and resources. However, we encourage NERC to focus on the identified risks and associated rankings in the RISC reports, as well as the findings from the most recent survey, as a framework for prioritizing its work and managing the balance of resources to risks.

Furthermore, in response to FERC's directives, we encourage NERC to first pursue follow-ups with entities that are experiencing difficulties, rather than necessarily moving to develop a new industry-wide standard or revision of a standard. For example, rather than concentrating resources to strengthen the CIP-014 physical security standard because an entity is the victim of a particular attack, a review of the entity should first be undertaken, which considers its application of the standard and the relevant controls in place. If appropriate, the entity could then be required to revise its risk assessment or its assessment of potential physical attack threats and vulnerabilities, which would offer mitigation for potential weak points on the grid independent of standard implementation timelines.

Electricity Canada looks forward to further discussion on this at the upcoming NERC Board meeting in February.

Dated: February 1, 2022

Contact:

Francis Bradley
President & CEO
Electricity Canada
Bradley@electricity.ca





Policy Input for the NERC Board of Trustees Provided by the Edison Electric Institute February 1, 2023

On behalf of our member companies, the Edison Electric Institute (“EEI”) Reliability Executive Advisory Committee appreciates the opportunity to provide the following policy input for the NERC Board of Trustees to review in advance of the February 15 - 16, 2023, meetings. Our perspectives on bulk-power system (“BPS”) reliability are formed by our CEO Policy Committee on Reliability, Security, and Business Continuity and the Reliability Executive Advisory Committee with the support of the Reliability Technical Committee.

In the January 11, 2023, policy input letter, NERC Board of Trustees Chair, Kenneth W. DeFontes, Jr., seeks stakeholder input in relation to which efforts stakeholders believe are driving disproportionate use of their resources relative to the value of the risks being mitigated.

I. SUMMARY OF COMMENTS

- Addressing FERC directives and orders should take precedence.
- EEI Reliability Executive Advisory Committee recommends increasing transparency and stakeholder awareness of the Reliability and Security Technical Committee (“RSTC”) working groups, including of potential SAR and technical document development.
- NERC and the various technical committees should engage industry as early as possible to collaborate on the prioritization of reliability and security issues to mitigate risk.
- NERC should facilitate stakeholder task groups and host in-person, multi-disciplinary summits similar to the FERC Supply Chain Conference or Reliability Leadership Summit to ensure root causes are identified and all stakeholder points of view are considered to develop workable solutions for specific challenges facing the grid.

II. COMMENTS

The Board of Trustees seeks policy input on NERC and industry activities to prioritize valuable activities and achieve a better balance of resources relative to risks being mitigated.

Protecting our nation's energy grid and ensuring a reliable supply of energy are top priorities for EEI and our member companies. The risks that must be addressed with the evolving grid are broad and often impact multiple jurisdictions, including those overseen by state and local retail regulators. Consequently, coordination among stakeholders and the numerous jurisdictional entities is critical. That said, with the recent increase in FERC reliability-related orders, addressing the directives from FERC orders and reliability-related directives should take precedence as the highest priority.

Further, the Reliability Executive Advisory Committee suggests that NERC dedicate additional time and resources in collaboratively working with industry to first identify the root cause of emerging risks and event driven reliability issues and second to develop multiple cost-effective and risk-based solutions that address the identified root cause. In-person, multi-disciplinary summits (similar to the FERC Supply Chain conference or Reliability Leadership Summit) as well as industry driven task teams could be effective tools for achieving the efficient and effective identification and mitigation of specific reliability risks. Clearly identifying the root cause and collaborating with industry selected sector representative experts who understand the technical and reliability issues early in the process will avoid unnecessary delays.

To help balance resources and prioritize risks, EEI recommends reevaluating the RSTC processes. Currently, the RSTC meets quarterly, and the RSTC members are given approximately two weeks to review the materials and coordinate with their respective sectors. However, the materials and the agenda packages are many hundreds of pages of technical materials. EEI recommends that the RSTC members receive additional time to evaluate this volume of material. By properly balancing the amount of material presented at a meeting and the frequency of meetings, greater stakeholder engagement and process efficiency should result. In addition, the RSTC and its working groups are responsible for developing problem statements, receiving industry feedback, and allowing for adequate discussion. While this can take time, this upfront work is critical to ensuring timely and effective project successes. Furthermore, the RSTC and its working groups should increase transparency and stakeholder involvement and awareness of the activities of working groups in advance of a SAR or other work product being developed for submission to the RSTC for endorsement. To aid in this transparency, EEI recommends that the RSTC working groups' meeting schedules be consistently posted on the NERC website. This will allow the SARs, technical papers, and activities of the RSTC working groups to receive more fulsome industry engagement. This will be useful because the work products presented to the RSTC generally set the direction for future standards development work and do not always contemplate jurisdictional and broader policy issues, which is necessary for creating solutions to address grid reliability.

When the RSTC was formed, one of the stated objectives was to form multi-disciplinary issues-based working groups and task forces to increase effectiveness and efficiency and eliminate overlapping or conflicting work. While some progress has been made towards this goal recently, the draft RSTC 2023-2024 Strategic Plan shows approximately nine groups that point to IBRs as a strategic risk priority. Because addressing the reliability impacts from IBRs is a top priority, the EEI Reliability Executive Advisory Committee recommends a single point of contact or assigned group to coordinate IBRs efforts of the RSTC and its working groups to ensure there is not duplication or conflicting efforts in order to avoid an inefficient use of stakeholder resources and cause unnecessary delays.

The EEI Reliability Executive Advisory Committee looks forward to continuing its long-standing collaboration with NERC in prioritizing activities that efficiently and effectively mitigate risk to the BPS.

Thank you for the opportunity to provide policy input.

TO: Kenneth W. DeFontes, Jr., Chair
NERC Board of Trustees

FROM: Edison G. Elizeh
Federal Utility/Federal PMA Portion Sector 4

DATE: February 1, 2023

SUBJECT: Response to Request for Policy Input to NERC Board of Trustees

The Portion of Sector 4 representing the Federal Utilities and Federal Power Marketing Administrations (Federal PMAs) appreciate the opportunity to respond to your January 11, 2023 letter to Mr. Roy Jones, Chair NERC Member Representative Committee (MRC) requesting input on certain policy issues. The Federal PMAs also appreciate the opportunity to provide comments to the NERC Board of Trustees (Board) based on the recent February 2023 meeting.

- The Federal PMAs have no further input on the Board and MRC’s agenda. The items listed in the draft agenda adequately represent the issues the Board and MRC need to discuss and approve.
- The Federal PMAs are in alignment with NERC’s 2023-2025 business plan and budget, to be centered on the four priority areas – energy, security, agility, and sustainability. NERC provides many great services and has been meeting numerous challenges across our industry. NERC’s role continues to evolve as the industry goes through this fast pace of transformation. The issues we face are more complex than ever before. The Federal PMAs hoped the 2023-2025 budget increases that were approved by the Board at the August 2022 meeting would set the right funding level for the priorities identified in the Reliability Issues Steering Committee (RISC) report and inputs provided from prior policy input request. We recognize that Federal Energy Regulatory Commission directives on recent events are adding additional pressure to meet all the requirements and further prioritization is needed. The Federal PMAs believe this is an excellent opportunity to do a deep dive into all functions performed by NERC and further evaluate each task to determine its effectiveness and the value it provides. The Regional Entities are in great position to reach out to the registered entities and compile a list of these tasks and present it to the Board at the June 2023 meeting. The Federal PMAs are open to and willing to support other options for collecting such information.

The following are more specific responses to questions asked by the Board in the Policy Input Letter;

1. What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?

We recommend the Board work with NERC and the Regional Entities to formulate a plan on how best to compile a list of items that are:

- No longer identified as a critical need, and
- If the task is needed, should we evaluate if there are more efficient ways to get to the same result.

This exercise will help the industry understand the priority of NERC's work and help identify areas where additional support can be provided.

NERC provides many great services and we encourage NERC to continue to build on recent efforts regarding inverter-based resources. We encourage NERC to further enhance its goals and objectives in both cyber and physical security. NERC's outreach and education of legislators, regulators, and the public needs to continue in the collaborative fashion as we move towards a carbon free industry. Changes in load magnitude and load characteristics, changes to the generation mix and its operational characteristics, energy delivery challenges, and the challenges associated with building new facilities are among the issues NERC can provide solid technical information on to policy-makers and the public. The RISC report identified several of these areas and the recent Reliability Summit also put more emphasis on challenges we face.

2. What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?

We offer a few observations and suggestions for the Board and NERC to consider for streamlining the current standard setting processes. A few have been communicated to the Board in prior policy input responses by the Federal PMAs:

- The standard development processes need to be further streamlined and the applicability of the standards need to be assigned to the appropriate registered entities. For instance, NERC has recently undertaken efforts to require Transmission Planners to run Electromagnetic Transient (EMT) studies for every new interconnection. Running large numbers of EMT studies will not address the disturbance ride-through concern due to a number of modeling and data issues. We believe that there are other more effective options such as requiring the generator owner/operator to certify that they have done the appropriate review to insure that their protection settings will allow their plant to ride through a disturbance.

- NERC needs to enforce registration of any equipment impacting the bulk power system reliability, regardless of its jurisdictional boundaries. Perhaps the NERC Rules of Procedures should be modified to include additional registered entities, regardless of what voltage class of their interconnection to the electrical system.
- NERC needs to continue to enhance the process and look at the standards holistically. This includes insuring that the various requirements are consistent across the standards and that each one complements the other. For instance, the planning and operating standards are currently not ideally coordinated, particularly when it comes to system performance and the types of contingencies that need to be studied, for example.
- Standards need to be written in a clear, implementable, and address actual power system reliability needs. A possible approach is that NERC staff be the primary drafters of the standards with a collaborative approach for input from the industry. The draft standards can then be put out for industry to receive further comments following a process like what FERC uses for its rule-making.
- NERC needs to allow some flexibility for regions that currently have stricter regional standards than the regular NERC national standards. The registered entities should be able to adopt the national standard if they so choose. The FAC-501 in Western Electricity Coordinating Council (WECC) is a good example. If NERC decide to have a national standard on FAC-501 with a lower bar than WECC registered entities, then WECC can choose the national standard.
- NERC needs to recognize each region's extreme weather might differ from other regions and whether a national standard makes sense or not. For example the northwest region of NERC already have mature processes to deal with ice loading or abnormal winter conditions. NERC and the industry spent many hours collecting and evaluating what happened with the cold snap in ERCOT. As part of recommendations NERC and the industry have been developing standards on cold weather. Regions like our region already have mature processes in place in relation to this type of event and thus a concern on the duplication this may create.

The Federal PMAs appreciate the opportunity to provide this policy input to the NERC Board of Trustees.



ISO/RTO Council's (IRC) Policy Input to Board of Trustees

February 1, 2023

The ISO/RTO Council¹ (IRC) offers the following input to the Member Representatives Committee (MRC) in response to Mr. Kenneth W. DeFontes, Jr.'s, letter dated January 11, 2023 on Prioritization of Activities and Effective Engagement.

Recent BES reliability events and Federal Energy Regulatory Commission (FERC) directives are driving numerous projects and initiatives at the North American Electric Reliability Corporation (NERC) and the IRC agrees with the goal of directing industry resources towards effective solutions to mitigate the highest risks exposed in these events. The IRC offers several suggestions to help focus NERC and stakeholder resources towards those activities.

IRC Summary Comments

While NERC has done a good job identifying risks to the BES, there are opportunities to more effectively mitigate risks by prioritizing the development of Reliability Standards to address the immediate, high-risk threats first. As articulated by Willie Phillips, Acting FERC Chairman, at NERC's recent 2023 Reliability Leadership Summit, the IRC submits that the top three reliability issues facing industry are: extreme weather, resilience as it relates to grid transformation and physical and cyber security. The IRC also suggests that NERC establish shorter implementation timelines when addressing high-risk issues since the risk persists until the standard is implemented. Furthermore, until NERC addresses the balance between independent, wide-area reliability interests and asset owners in the standards voting process, resulting standards may not be as effective in holding all responsible entities in the reliability chain² accountable.

NERC should prioritize its work and dedicate resources to activities in accordance with the risk mitigation they provide relative to resource commitment. Activities viewed as offering proportionately lower risk mitigation for the effort dedicated include: standards development projects addressing administrative changes to data specifications and modifications to terms in the NERC glossary,³ voluntary Reliability Guidelines, and activities in the Compliance Monitoring and Enforcement Program (CMEP) which have disproportionate resource requirements relative to threat mitigation.

IRC Responses to Specific MRC Policy Input Questions

1. What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?

Reliability Standard Projects Addressing Low Impact or Less Immediate Threats: There are currently nineteen (19) active Reliability Standards projects, potentially another eleven (11) identified by the Reliability and Security

¹ The IRC is comprised of the Alberta Electric System Operator (AESO), the California Independent System Operator Corporation (California ISO), Electric Reliability Council of Texas, Inc. (ERCOT), the Independent Electricity System Operator of Ontario, Inc., (IESO), ISO New England, Inc. (ISO-NE), Midcontinent Independent System Operator, Inc., (MISO), New York Independent System Operator, Inc. (NYISO), PJM Interconnection, L.L.C. (PJM), and Southwest Power Pool, Inc. (SPP).

² The IRC's November 1, 2022 MRC Policy Input explains the importance of the Reliability Chain.

³ Project 2021-06 Modifications to IRO-010 and TOP-003, Project 2021-08 Modifications to FAC-008 and Project 2022-01 Reporting ACE Definition and Associated Terms.



Technical Committee and several more pursuant to recent FERC Orders.⁴ Not all of these projects impact the reliability and security of the BES equally nor with the same immediacy. This number of standards development projects will require a substantial amount of NERC and industry resources to run and participate in the standard development process, including the staffing of drafting teams. The IRC suggests NERC give the highest priority to the risks discussed in response to Question 2, below. The IRC also asks that NERC defer projects that are administrative or present minimal risk to the BES.⁵

Reliability Guidelines: Voluntary Reliability Guidelines are less effective than Reliability Standards at closing reliability gaps. Guidelines can serve a useful purpose in NERC’s toolbox provided the risk being mitigated is lower and/or less immediate. The resources required to develop and comment on Guidelines are on the same order as a mandatory standards project. Compounding this issue is the lack of a formal process to convert Guidelines to Reliability Standards if they have proven unsuccessful in mitigating risk. Consider the *Generating Unit Winter Weather Readiness* Reliability Guideline that was first approved in December 2012 following the 2011 Polar Vortex. Although this Guideline was unsuccessful in mitigating extreme cold weather risk, a standards development project was not initiated until after several other storms occurred in 2014 and 2018. In retrospect, resources should have been focused on developing generator winterization standards sooner as evidenced by Winter Storms Uri (2021) and Elliott (2022). Prior to starting work on a Guideline, NERC should assess whether the risk warrants the effort and whether resources may be better spent on a standards development project, particularly following major events. The IRC suggests that NERC initiate standards development projects when addressing root causes that have led to multiple major events.

CMEP and Risk-Based Compliance: With the objective of better utilizing resources, Electric Reliability Organization (ERO) resources should focus on ensuring compliance with standards where failure to comply has the greatest potential to lead to future reliability events and result in societal harm (e.g. the more than 200 deaths attributable to Winter Storm Uri). In the earlier days of the NERC CMEP, the Board directed resources towards ensuring compliance with Vegetation Management standards and this proved to be effective. We suggest that NERC identify and communicate specific compliance focus areas to registered entities based on recent major events.

The IRC also sees a need to update certain CMEP processes to revise how non-consequential violations are tracked and addressed. The goal would be to reduce/eliminate reporting and evidentiary requirements associated with enforcing high volume, low risk requirements that are burdensome due to zero-defect compliance (e.g., patch management requirements). If caught and corrected quickly, these processes result in low or no impact to the reliability or security of the BES yet require significant registered entity and ERO resources to process. Therefore, ERO staff should be given guidelines on when they can apply discretion to encourage entities not to report something that is administrative in nature, and rather engage in discussion that can help the entity strengthen controls that would minimize future risk of non-compliance.

2. What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?

⁴ Internal Network Security Monitoring for High and Medium Impact Bulk Electric System Cyber Systems (Docket RM22-3-000) and Order Directing Report (RD23-2-000)

⁵ See Footnote 3.



Reliability Standards are NERC's most effective tool to mitigate BES risks, yet the development of Reliability Standards has not kept pace with immediate threats posed by recent BES events. The proposed revisions to the standard development process will help, but the IRC believes additional steps should be taken.

Direct Standards Projects Towards Immediate, High-Risk Threats

Prioritize standards development projects based on BES risk and urgency to focus on those that address high risk threats and defer those that are administrative in nature or present low risk/impact. The IRC sees the following areas as high priority: extreme weather, resilience as it relates to grid transformation and physical and cyber security. Some standards development projects are already underway, but new ones may be needed to close reliability gaps identified in recent event reports (e.g., System Planning Impacts from Distributed Energy Resources Working Group (SPIDERWG) White Paper Standards Review)⁶ and FERC Directives.

Shorten Implementation Timelines for High-Impact Reliability Standard Projects

FERC provided project completion timelines for developing cold weather standards, but they did not include implementation timelines. NERC's proposed implementation timeline is lengthy as generators are given 5 years to fully implement the requirements following adoption of the standard. This means that the risks posed by the lack of generator winterization can persist for up to 7 years after Winter Storm Uri. Similarly, it may take NERC up to 3 years to register inverter-based resources (IBR) resources. We consider 5-7 years or more following risk identification from large BES events to be too long and ask that NERC work towards reducing the length of implementation timelines.

Address Risks Posed by Inverter-Based Resources

We support FERC's directives to register BES-connected IBR resources and bring them under NERC's mandatory Reliability Standards. In aggregate, the numerous existing and expected IBR resources have a significant impact on BES reliability and the applicability of NERC Standard requirements should be extended to additional IBRs that have a material impact on the BES.⁷ One threat from IBRs is their inability to remain interconnected through electrical disturbances. Exacerbating the problem is a lack of modeling data from IBRs below the current BES threshold and vendors that consider IBR control system data proprietary. As a result, IRC members are unable to accurately assess and prepare for likely operational scenarios. NERC should expedite the implementation timeframes in FERC's directives.

Review the Structure of the Registered Ballot Body

The IRC believes that restructuring the Registered Ballot Body (RBB) will help lead to Reliability Standards that can more effectively mitigate risk by placing needed requirements on all registered entities in the reliability chain. Registered entities with independent, wide-area responsibility for the BES are currently underrepresented in the balloting process. The most recent example of this unbalanced influence is on the outcome of the cold weather project (Project 2021-07) with respect to generator winterization. The IRC expressed concerns throughout the standard development process but felt the need to reiterate the unaddressed concerns at FERC. The IRC awaits NERC staff's update on the RBB review, and suggests that consideration be given to the RBB

⁶ [https://www.ferc.gov/media/february-2021-cold-weather-outages-texas-and-south-central-united-states-ferc-nerc-and-https://www.nerc.com/comm/RSTC_Reliability_Guidelines/NERC_2022_Odessa_Disturbance_Report%20\(1\).pdf](https://www.ferc.gov/media/february-2021-cold-weather-outages-texas-and-south-central-united-states-ferc-nerc-and-https://www.nerc.com/comm/RSTC_Reliability_Guidelines/NERC_2022_Odessa_Disturbance_Report%20(1).pdf) and https://www.nerc.com/comm/RSTC_Reliability_Guidelines/Whitepaper_SPIDERWG_Standards_Review.pdf

⁷ FERC's NOPR identifies reliability standard gaps related to data sharing, model validation, planning and operational studies and performance requirements.



voting balance so that wide area reliability interests are appropriately weighted in the standard development process.

Conclusion

The IRC reiterates the need to have Reliability Standards that effectively address the immediate, high-risk threats to the reliability and security of the BES. The IRC offers recommendations on prioritization, standard development, implementation timelines and compliance and enforcement activities to support the goal of balancing the allocation of NERC and industry resources based on the risks posed to the BES. As always, the IRC appreciates the opportunity to provide policy input to the MRC for NERC's upcoming Board meeting.

**Policy Input to the NERC Board of Trustees
February 16, 2023 Meeting
Provided by the North American Generator Forum**

The North American Generator Forum (NAGF) appreciates the opportunity to provide policy input for the NERC Member Representatives Committee (“MRC”) and Board of Trustees (“BOT”) in response to BOT Chair Kenneth W. DeFontes, Jr.’s letter dated January 11, 2023. The NAGF provides the following policy input in advance of the NERC BOT meeting.

Summary

Item 1: What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?

The NAGF has identified a number of NERC projects in formal development that do not provide value relative to the risk being mitigated. In addition, the NAGF questions the value of documents developed by NERC compared to the amount of resources needed to develop such documents.

Item 2: What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?

The NAGF proposes an alternative method to the Standard Development Process for addressing threats/challenges to the Bulk Electric System (BES) which would achieve a better balance of resources and ensure focus on high priority risks.

Discussion

The BOT requests MRC policy input on the following:

- 1. What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?**

- a) The NAGF believes that the following active NERC Projects do not provide value and take a disproportionate amount of resources relative to the risk being mitigated:
- Project 2021-01: Modifications to MOD-025 and PRC-019
 - Project 2021-02: Modifications to VAR-002
 - Project 2021-06: Modifications to IRO-010 and TOP-003
 - Project 2021-08: Modifications to FAC-008
 - Project 2022-05: Modifications to CIP-008 Reporting Thresholds.

In addition, the NAGF sponsored SAR for Project 2019-04: Modifications to PRC-005-6 has expanded beyond the original scope overcomplicating the intent and introducing more ambiguity than the previous version. The NAGF questions the value to the industry given the latest project development.

- b) The NAGF believes that the value and benefits provided by white papers, reliability guidelines, security guidelines, and other NERC generated documents needs to be revisited. Development of such documents has increased significantly and so has the use of resources to support the development of these documents.
- c) The NAGF supports NERC's efforts regarding extreme weather events. However, at this point NERC has completed in depth analysis of a number of extreme weather events and should have a template for expediting the analysis that will lead to more efficient use of its and industry resources.

2. What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?

- a) The NAGF believes that one of the foundational issues that needs to be revisited is the idea that creating new or revising existing Reliability Standards is the only way to address threats and/or challenges to the BES. This philosophy has led to the current Standards Development Queue of 19 active Projects in formal development. At one time it was thought that the Standards Development Queue would level out and possibly taper off as Projects were completed. Just the opposite has occurred; the Standards Development Queue continues to expand and grow to the point where industry does not have the bandwidth to dedicate time to support all of these activities. The predictable result of fewer industry experts participating in the SDT process is poorly written standards that do not pass industry voting, creating rework. Similarly, artificially short timelines result in rushed work, limited industry input and more failed votes.
- b) The NAGF believes that cost recovery for generators to comply with reliability standards as well as for proactive investments as identified in reliability/security guidelines would counterbalance the "hammer

approach” of non-compliance violations/fines. Cost recovery for generators would provide certainty for investments which would ultimately enable industry to better allocate resources to support reliability/resilience of the BES. This approach would also lead to more efficient use of resources (NERC and industry) focused on the highest priority risks. We strongly recommend that NERC work with industry and state regulatory bodies to develop, coordinate, and implement such cost recovery methods.

- c) The NAGF recommends that NERC work with FERC to develop a plan to rank and manage emergent FERC directives based on risk to the BES and resource availability.

January 31, 2023

Cooperative Sector Policy Input to the NERC Board of Trustees

The Cooperative Sector appreciates the opportunity to provide policy input to the NERC Board of Trustees (BOT) regarding the prioritization of ERO activities based in the associated risks to the reliable operation of the Bulk Electric System as well as effective engagement with industry stakeholders.

Summary of Policy Input

The Cooperative Sector continues to support efforts to address emerging risks. All stakeholders (NERC, FERC, and the industry) must work together to address key reliability issues using a holistic approach rather than the piecemeal approach that is described in detail below.

Responses to the specific questions asked by the NERC Board

1. **What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?**
 - There has been a significant increase in requests for industry comments on reliability standards, guidelines, and data requests. It is apparent that these requests are stressing resources because almost all deadlines for recent postings have been extended. Because there are so many projects that entities are required to review, submit comments and subsequently a ballot, projects are often pushed through the approval process to satisfy a FERC rulemaking. The implementation of these Reliability requirements often become burdensome and may not provide the intended reliability improvements.
 - An example of this are the multiple revisions to EOP-011 and EOP-012 to develop cold weather requirements. Some requirements are being implemented although some of these requirements may be changed again depending on the FERC approval of additional cold weather requirement revisions.
 - From a review conducted by Cooperatives, documents submitted to the RSTC for approval have steadily increase from 29 in 2020 to 41 in 2022. Unsurprisingly, distributed energy resources (DER) and inverter-based resources (IBR) have accounted for the incremental growth with an increase from 4 documents in 2020 related to these issues to 16 in 2022. No doubt these are important issues that need to be addressed to ensure we have a reliable grid going forward but it does require incremental industry resources. Addressing these issues requires significant engineering research to learn new skills to model and to adapt grid operations to account for the impact of these resources. Since these are obviously important challenges that need to be addressed as evidenced by multiple NERC event reports, we recommend that NERC consider relying on NATF or NAGF to potentially tackle other lower priority issues for NERC. For example, efforts around EMP and GMD would appear to be a lower priority at this point and NERC should consider relying on the work those entities are doing until DER and IBR reliability issues are addressed. It is imperative that there is limited overlap between what each group is managing. When there is overlap of activities, it contributes to the

strain on resources. Entities must determine whether to contribute resources to participate in NERC standards development activities or forum best practices activities.

- Over the past several years, NERC has chosen to create new Standards Drafting Teams (SDTs) to address SARs open in a set of standards where an existing SDT already exists. While the intent to create clear focused teams was a good one, the result is ineffective, creates confusion, and increases the volume of Standards activities that require monitoring by industry. The results of this practice have also shown that multiple drafting teams has not resulted in an increase in speed in addressing open SARs. With the recent FERC INSM Order and the recently approved drafting team for revisions to CIP-008, there are approximately a half dozen active SDTs addressing changes to CIP standards (one dating back to 2016 and several formed from 2020 to 2023) This has resulted in multiple teams trying to post modifications to the same standard at the same time.

2. What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?

- The industry struggles to recruit volunteers to participate on committees, subcommittees, task forces, drafting teams etc.... To address the limited number of available qualified experts, the industry advocated to transition to the RSTC structure to limit the strain on technical experts by reducing the number participants needed to support the technical committee structure, however it appears recruiting volunteers continues to be an issue. Cooperatives suggest that stakeholders and the ERO partner to develop resources that enhance awareness of how supporting ERO activities enhances grid reliability which subsequently could lead to more participation.
- Cooperatives believe that there are still opportunities to modify the audit scopes for those entities that have proven low risk to the Bulk Electric System. If technical experts are not spending as much time preparing for audits, they will have the more opportunities to volunteer to participate in ERO activities.
- Cooperatives believe it is important for the ERO to consider the scarcity of resources in prioritizing reliability challenges to address. NERC should continuously evaluate reliability priorities to ensure that NERC and the industry are deploying scarce resources to highest priority items with the greatest mitigation reduction. As part of this effort, NERC should identify where it is having trouble getting resources. The results of this identification should be correlated against the risk priorities to determine if the highest risk issues are those that are suffering from lack of resources. Furthermore, as new reliability priorities arise, NERC should evaluate if other priorities need to be shelved until the new priorities are addressed.
- Cooperatives suggest that NERC consider ways to combine like/similar projects into a single effort. This would reduce duplicative or repetitive voting, commenting efforts required from industry. Potentially, it will reduce needed resources/volunteers. This consolidation could be done as a part of the Standard Authorization Request process.
- Cooperatives suggest that as the changes to NERC Rules of Procedure, Section 300 (Reliability Standards Development) and Appendix 3A (Standard Processes Manual) are implemented upon FERC approval that the Standards Committee review its existing processes to determine if changes are needed to address the reactive approach to developing SARs to manage FERC reliability expectations.

- It has been observed that Reliability Guidelines now have effectiveness surveys linked to guideline on the NERC website where industry is supposed to provide comment based on FERC's direction to NERC, however, the timing, use, and results of these effectiveness surveys has not been communicated by NERC to industry.
- Cooperatives are concerned that there are several Standards development projects that are far from gaining industry consensus. The most recent draft of MOD-026 and VAR-002 failed to even break the 50% approval mark. Considering that there are 19 active standards projects (that involve more than 30 reliability standards), posting a draft that cannot gain industry approval is not an efficient use of already scarce industry resources. This issue was recognized by the Standards Process Stakeholder Engagement Group (SPSEG) as an opportunity address projects which do not demonstrate measurable industry support.
 - From the October 2022 SPSEG letter to the NERC BOT: The Standards Committee should implement certain changes in how it administers current processes to facilitate the efficient administration of the SAR phase for projects that must be posted for formal comment (NERC Staff Recommendation 2f). The SPSEG recommends the Standards Committee: (1) refer any questions regarding the technical support for a proposed SAR to the RSTC or hold a comment period for that purpose, consistent with the Standard Processes Manual; and (2) provide guidance to drafting teams to assess whether a project has sufficient stakeholder support, including developing a list of uniform questions to be used during comment periods for that purpose.

The Cooperative Sector continues to believe the exceptional reliability of the North American Bulk Electric System is based on collaboration and consensus that is the basis of the ERO Enterprise and its programs.

Submitted on behalf of the Cooperative Sector by:

Patti Metro

Senior Grid Operations & Reliability Director

Business & Technology Strategies | National Rural Electric Cooperative Association

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NERC Board of Trustees
February 2, 2023
Policy Input of the Merchant Electricity Generator Sector

Sector 6, Merchant Electricity Generator Sector, takes this opportunity to provide policy input in advance of the upcoming North American Electric Reliability Corporation (NERC) Member Representatives Committee (MRC) and Board of Trustees (Board) meetings on February 15-16 in Tucson, Arizona.

In a letter to MRC Chair Roy Jones dated January 11, 2023, Board Chair Kenneth DeFontes requested MRC input on two questions regarding prioritization of activities and effective engagement. Sector 6 makes the following comments in response.

Key Points

- NERC should be mindful of competing risk priorities and resource constraints when conducting enforcement activity.
- NERC should establish a more rigorous and formal risk management and prioritization framework.
- NERC must not rely solely on the standards development process to address risks to the BES, as it has additional tools available to achieve the same desired result.

Sector 6 Comments for Policy Input

1. What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?

The ERO strives to be a risk-driven organization, but frequently Registered Entities' experience with compliance enforcement actions does not reflect that commitment. Oftentimes, enforcement activities consume a disproportionate amount of both ERO and Entity resources when compared to the risk that the condition may pose to the reliability of the BES. The ERO should be laser focused on risk when conducting its enforcement activities, and take into account the resources required to mitigate a risk balanced against other risks that may be neglected due to resource constraints within the industry and the ERO.

Sector 6 acknowledges the value of guidelines and position papers the ERO develops on important issues impacting the BES. However, NERC should be judicious in its own resource allocation to ensure its expertise is leveraged based on risk prioritization so that its expert output to industry is not diluted by questions on whether or not a given issue is truly impactful. This can be accomplished through a more rigorous and formal risk management and prioritization framework.

2. What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?

NERC should endeavor to better prepare for emergent issues to ensure the ERO strikes the right balance between operating proactively, and reactively when required.

As the NAGF notes in its comments, NERC must remain diligent in messaging and practice to ensure that the full range of the ERO toolbox is considered for solving reliability and security threats to the BES. Creating new Reliability Standard requirements is not the only path to addressing those threats. Apparent deviation from this philosophy has led to a bloated standards development queue. The queue has grown to the point where industry may not have the bandwidth to dedicate time to support all of these activities. The predictable result of fewer industry experts participating in the standards development process is poorly written standards that do not pass industry voting, creating additional churn on already constrained resources.

Sincerely,

/s/

Sector 6 Merchant Electricity Generator Representative:

Sean Cavote
PSEG

MEMORANDUM

TO: Kenneth W. DeFontes, Chair NERC Board of Trustees

FROM: Michael Moody and Darryl Lawrence – MRC Sector 9 Small End-Use Electricity Customer Representatives

DATE: February 1, 2023

SUBJECT: Small End-Use Sector (9) Response to Request for Policy Input to the NERC Board of Trustees

The representatives to the NERC Member Representatives Committee for the Small End-Use Customer Sector (9) appreciate the opportunity to provide these comments in response to the request in your letter to Mr. Roy Jones dated January 11, 2023.

The NERC Board of Trustees requested MRC sector policy input regarding the NERC Standards processes improvements and the Standards Process Stakeholder Engagement Group (SPSEG) preliminary recommendations.

The Small End-Use Sector (9) responds to the BoT's specific questions as follows:

The Board requested MRC policy input on the following specific questions:

1. What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?

Sector 9 Response: Sector 9 can identify no NERC efforts which are driving a disproportionate use of resources relative to the risk being mitigated.

2. What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?

Sector 9 Response: Sector 9 believes that NERC should balance its focus on the recently revealed load forecasting anomalies which are a significant risk to reliability. As the power system is stripped of controllable fuel resources, there is an identified need for a deeper dive into the ability of the load forecasting techniques currently in use to successfully forecast electric load during challenging (rather than normal) weather conditions.

NERC should clearly identify which issues are outside of its jurisdictional reach and collaborate with the other entities (US states via NARUC, FERC, DOE, Canadian Provinces) to make clear where NERC's ability to implement change through its authorities ends and the other entities begins. A good example recently implemented was the gas-electric harmonization and its assignment to NAESB.

More of this delegation to the most effective organization needs to be done so that NERC can preserve its resources for those issues where it has stronger more impactful authorities.

NERC's current focus on extreme weather generator readiness/performance, gas/electric interdependency and the continued IBR performance issues is appropriate, but each of these issues has off-ramps where other regulatory entities can play a lead role. NERC should be careful not to reach into the portions of the solutions where other regulatory entities have greater capability to provide regulatory direction to the industry.

MEMORANDUM

TO: Ken DeFontes, Chair
NERC Board of Trustees

FROM: John Haarlow
Terry Huval
John Twitty
Brian Evans-Mongeon

DATE: February 1, 2023

SUBJECT: Response to Request for Policy Input to NERC Board of Trustees

The Sector 2 and 5 members of the NERC Member Representatives Committee (MRC), representing State/Municipal and Transmission Dependent Utilities (SM-TDUs), appreciate the opportunity to respond to your January 11, 2023 letter to MRC Chair Roy Jones in which the Board of Trustees (Board) requests MRC input concerning prioritization of NERC activities and effective engagement with stakeholders. In particular, the Board requests MRC input on the following two questions:

1. What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?
2. What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?

The SM-TDUs respond to the Board's questions below. We look forward to discussing these issues and other agenda items during the meetings of the Board and the MRC on February 15-16, 2023.

Summary of Comments

- The SM-TDUs appreciate the Board's request for input concerning prioritization and effective engagement, as we share industry concerns about the volume of NERC-related work, as well as the effectiveness of those efforts.
- Focusing on the risk categories identified in the 2021 ERO Reliability Risk Priorities Report, the SM-TDUs view issues associated with Grid Transformation and Extreme Events as the highest priorities for Bulk Power System (BPS) reliability, and we offer some specific observations on these issues. The SM-TDUs believe that past and ongoing work on addressing Security Risks have helped the industry reach a level of maturity that has significantly reduced the risks in this category.
- NERC should be mindful that efforts to promote NERC agility and sustainability, while aimed at helping the ERO and industry respond to reliability risks more efficiently and effectively, often require stakeholder time and attention without necessarily resulting in any lightening of industry workloads on key reliability issues.

- An effective process for prioritizing the most critical NERC efforts is essential to managing resource constraints and allowing NERC and its stakeholders to effectively address pressing reliability risks. A principal challenge in implementing such effective prioritization is tracking and managing the large number of committees, working groups, and other formal commitments that require NERC and stakeholder attention.
- One concept that the SM-TDUs would like NERC to consider is the formation of a group that would focus specifically on prioritizing or “triaging” specific initiatives at NERC.
- The SM-TDUs emphasize the importance of collaboration and cooperation between NERC and stakeholders in seeking to prioritize and respond to the myriad BPS reliability challenges facing the industry.

SM-TDUs’ Response

The SM-TDUs welcome the Board’s request for input concerning prioritization and effective engagement as the ERO and the industry face an expanding set of challenges driven by the ongoing grid transformation and the frequency and severity of significant weather events. NERC and its stakeholders are being called upon to tackle this expanding set of challenges with finite financial and personnel resources. Accordingly, prioritizing the efforts that are likely to be most important and effective in promoting BPS reliability is essential. The SM-TDUs provide some observations on particular reliability issues in response to Question No. 1, and we offer some broader process suggestions in response to Question No. 2 that the SM-TDUs believe would help NERC and its stakeholders identify and prioritize the most important BPS reliability issues in a consistent and effective manner.

1. What efforts underway at NERC do you believe do not provide value or are driving a disproportionate use of resources relative to the risk being mitigated?

The SM-TDUs are reluctant to characterize particular NERC efforts as lacking in value or to suggest that resources are not being properly allocated in response to particular risks. NERC and its stakeholders, however, do not have limitless resources to utilize in supporting BPS reliability. Thus, as the Board correctly recognizes, prioritization is key to the success of NERC’s mission to reduce risks to the reliability, resilience, and security of the BPS. The SM-TDUs have observed in past policy input responses that treating everything as an emerging risk makes it difficult to prioritize the right issues. Stated another way, if everything is a priority, then nothing is a priority. Accordingly, the SM-TDUs offer a number of suggestions below about prioritizing particular NERC efforts in response to BPS reliability challenges.

While the SM-TDUs provide input regarding priorities here, we note as an initial matter that it would be helpful to understand better where NERC and the ERO Enterprise spends most of its time and resources. The Business Plan and Budget process provides transparency into allocation of the ERO Enterprise’s financial resources, but additional information on how management and staff spend their time would be informative. This would help us understand which issues are garnering the most attention and resources among the committees, working groups, task forces, and NERC staff to potentially redirect this focus into more appropriate areas.

The SM-TDUs focused on NERC’s 2021 ERO Reliability Risk Priorities Report (Risk Report) prepared by the Reliability Issues Steering Committee (RISC) in responding to the Board’s

question.¹ Public power has endorsed NERC's Risk Framework as the process for determining priorities,² and we believe that the 2021 Risk Report provides an important roadmap of NERC priorities. The report groups BPS risks into four categories: (1) Grid Transformation; (2) Extreme Events; (3) Security Risks; and (4) Critical Infrastructure Interdependencies.

The SM-TDUs generally agree that Grid Transformation and Extreme Events should be top priorities, but, as the Risk Report indicates, these are quite broad and encompass multiple issues. These broad categories should be translated into specific priorities with a clear NERC action plan to address specific risks. The SM-TDUs submit that there should be a process to prioritize specific risks within the Grid Transformation and Extreme Events categories. The SM-TDUs offer the following observations on specific issues related to the Grid Transformation and Extreme Events categories:

- *IBRs*: Addressing IBR issues is important, and we appreciate NERC's efforts on these issues over the past few years. Treating something as a priority does not necessarily mean acting hastily, and we think NERC has focused the appropriate level of resources and attention on IBR issues, handling the challenges through studies, guidelines, work groups, etc. NERC's approach was both deliberate and thorough. Now with FERC's recent IBR registration order and notice of proposed rulemaking on perceived IBR reliability gaps, NERC has already done a lot of the groundwork to respond to FERC's orders.
- *Winter Storms*: FERC and NERC in late December 2022 announced a joint inquiry into Winter Storm Elliott. This comes about a year after FERC and NERC staff released their final report examining the impact of the February 2021 Winter Storm Uri, and while the industry is in the process of implementing and revising winter weatherization standards.³ The SM-TDUs appreciate the importance of assessing weather-driven events, but we caution that not every such event requires an in-depth inquiry/analysis. We have some concerns about the level of time and resources necessary to conduct such inquiries in cases where lessons learned and potential mitigation measures can be drawn from prior similar events.
- *Electric/gas interdependency*: The Risk Report primarily focuses on electric-natural gas interdependency as part of its discussion of the Critical Infrastructure Interdependencies risk category. The SM-TDUs believe, however, that electric-gas harmonization issues should be regarded as part of the grid transformation discussion. As the grid interconnects more and more IBRs, many of which are variable energy resources, flexible resources become more critical. Natural gas resources play an important role in power portfolios, and the grid's reliance on gas will become more prominent as other baseload resources like coal and nuclear retire. The gas-electric harmonization forum being conducted by the North

¹ The report is available at:

https://www.nerc.com/comm/RISC/Documents/RISC%20ERO%20Priorities%20Report_Final_RISC_Approved_July_8_2021_Board_Submitted_Copy.pdf.

² See Framework to Address Known and Emerging Reliability and Security Risks (Feb. 2021), available at: https://www.nerc.com/comm/RISC/Related%20Files%20DL/Framework-Address%20Known-Emerging%20Reliabilit-Securit%20%20Risks_ERRATTA_V1.pdf.

³ EOP-011-2 goes into effect on April 1, 2023 in the United States. EOP-011-3 and EOP-012-1 have been filed for regulatory approval. And Phase 2 of the Extreme Cold Weather project is developing EOP-011-4 and EOP-012-2.

American Energy Standards Board (NAESB) has identified a timeline for its process that will require participation and engagement on multiple fronts including federal and state regulatory agencies. This will not happen on a quickened pace.

With respect to the third BPS risk category included in the Risk Report – Security Risks – the SM-TDUs agree that physical and cybersecurity remain priorities, though it is important to recognize the past and ongoing work on these issues that has helped the industry achieve a level of maturity that significantly reduces security risks.

The SM-TDUs acknowledge the increase in physical attacks on substations in recent years, but industry is, among other responses, effectively leveraging the E-ISAC, the Electricity Subsector Coordinating Council, and relationships with government partners in responding to this uptick in attacks. We caution against overcompensating for this risk, as in the SM-TDUs' experience, physical attacks are typically isolated events that are not undertaken with the intent of causing significant disruption of electric service. The industry cannot reasonably protect against all physical attacks given the expense and level of construction needed to fortify all bulk substations. The SM-TDUs hope to engage further on these issues in connection with FERC's recent order directing NERC to submit a report concerning the adequacy of CIP-014. As to cybersecurity, the industry has a largely mature program in place after nearly a decade of effort. Reliability Standard CIP-003 provides a robust level of protection based on the risks we face today. Expanding standards to low-impact facilities generally will not provide reliability value relative to the risk being mitigated.⁴ And lastly, the SM-TDUs do not believe that electromagnetic pulse (EMP) risks are critical. The research and assessments of the U.S. Government (*e.g.* DOE) and industry groups such as EPRI should simply be monitored. Any substantive developments from those efforts ought to be considered for possible standards development in a more targeted way rather than included in a standards development process that could potentially draw NERC and industry resources and staff away from higher priority issues. In addition, we are not convinced that industry in general has the expertise and resources to effectively develop and implement mitigations of this risk.

As to the fourth risk category in the Risk Report – Critical Infrastructure Interdependencies – the SM-TDUs generally agree that, while important, this category of risks is appropriately ranked as lower priority than the other categories (subject to our discussion above regarding gas-electric coordination issues).

The SM-TDUs note that the categories included in the Risk Report dovetail largely, but not entirely, with the NERC priority areas of focus included in the 2023-25 business plan and budget (*i.e.*, energy, security, agility, and sustainability). As discussed above, the SM-TDUs generally believe that NERC's priorities should be focused on energy and security matters, as these issues directly impact reliability of the BPS. While the goals of enhancing NERC agility and sustainability are generally laudable to the extent that they can help the ERO and industry respond to reliability risks more efficiently and effectively, these efforts often require stakeholder time and attention without necessarily resulting in any lightening of industry workloads on key reliability issues.

⁴ The SM-TDUs recognize that FERC's recent order on internal network security monitoring (INSM) requires NERC to assess the feasibility of extending INSM to low-impact BES Cyber Systems.

Given all of the technical considerations surrounding these priorities, it will be essential that the Reliability and Security Technical Committee (RSTC) be given the resources to provide the analytical work that is needed to support the wide range of issues being addressed. We are interested in seeing the details of the emerging RSTC work plan that will come out of the meetings the Committee held in late January/early February and whether it is in a position to support the wide range of topics it has been assigned. As discussed in response to Question No. 2 below, the SM-TDUs believe that NERC may want to consider additional or different processes to help prioritize these efforts.

2. What steps can NERC and industry take to achieve a better balance of resources relative to the risks being mitigated?

In responding to Question No. 1, the SM-TDUs provided observations concerning the prioritization of specific reliability risk categories. In response to Question No. 2, the SM-TDUs wish to identify some process concerns and offer constructive suggestions for potential improvements that would help NERC and its stakeholders identify and prioritize the most important BPS reliability issues in a consistent and effective manner.

The SM-TDUs share the concerns referenced in the Board's policy input letter about the volume of NERC-related work and the associated resource requirements, as well as the effectiveness of those efforts. Personnel and financial resources are limited for both NERC and industry, and resource constraints are exacerbated by the fact that many of the most engaged subject matter experts (SMEs) are serving on team rosters for multiple projects.

An effective process for prioritizing the most critical NERC efforts is essential to managing resource constraints and allowing NERC and its stakeholders to effectively address pressing reliability risks. A principal challenge in implementing such effective prioritization is tracking and managing the large number of committees, working groups, and other formal commitments that require NERC and stakeholder attention. For example, the SM-TDUs' understanding is that the RSTC currently has as many as 35 groups reporting to it.

The importance of resource limitations cannot be overstated. This issue is particularly salient as it relates to the technical analysis being asked of the RSTC. Over-reliance on the RSTC when it simply does not have the resources to support an overabundance of priorities may place the ERO Enterprise in a position where necessary technical analysis is not always possible at the appropriate level. For example, in the case of the Standards Authorization Review process, the recently proposed changes to the standards development process call for SARs vetted by the RSTC to be eligible for informal, rather than formal, posting, with no requirement for the drafting team to respond to stakeholder comments received on the SAR. The lack of available resources for the RSTC may make its determinations less reliable, and not in the best interest of the ERO Enterprise business model, and reliability more broadly.

Under the Risk Framework adopted by the Board, the RSTC and the RISC are both intended to play a role in identifying and prioritizing NERC responses to reliability risks. In the SM-TDUs' experience, however, the challenges associated with managing the volume of ongoing work have made it difficult to consistently prioritize issues effectively.

One concept that the SM-TDUs ask NERC to consider is the formation of a group that would focus specifically on prioritizing or “triaging” specific initiatives at NERC, and address new issues as they arise. While the SM-TDUs are open to different ways of structuring such a group, one approach might be to have a committee that comprises members of the Board, NERC management, and the MRC. The group might be modeled, for example, on the Business Plan and Budget Input Group. Such a group might also be used to inform any Board decisions on the use of new Rule of Procedure 322 currently posted for stakeholder comment. The group would be informed by the work of the committees, but could focus on identifying priorities. Specific objectives for this group could include the development of an effective process and tool for establishing criteria to measure risk and risk mitigation tactics, as well as an overall accountability system for tracking and measuring performance (*i.e.*, meeting effort/initiative objectives) and process metrics for assessing effectiveness, in the spirit of continual improvement of the risk identification, prioritization, and mitigation processes. The SM-TDUs are interested in pursuing this collaborative concept with the Board, NERC management, and other stakeholders, to help make the ERO Enterprise more efficient and agile overall.

The SM-TDUs are mindful of the fact that, having expressed concern about the current number of NERC committees and working groups, we are proposing to create another one. We believe, however, that having a collaborative group dedicated to prioritizing NERC efforts would likely help alleviate some of the resource constraints currently faced by NERC and stakeholders.

More effective prioritization of ongoing NERC initiatives (whether accomplished through a new stakeholder group or otherwise) could, for example, allow for reduction of the current number of committees and working groups. Not all reliability risks require standards; industry best practices may be sufficient for many mature programs. Lower priority issues that are currently the focus of a committee, working group, or task force, might simply be monitored, allowing unneeded groups to be suspended or eliminated and freeing up staff and SMEs with the appropriate expertise to focus on priority issues.

As a more general point, the SM-TDUs emphasize the importance of collaboration and cooperation between NERC and stakeholders in seeking to prioritize and respond to the myriad BPS reliability challenges facing the industry. The SM-TDUs are very appreciative of efforts by the Board and NERC management to maintain open dialogue with the public power sector, and we look forward to opportunities for ongoing engagement. Ultimately, a strong focus on encouraging collaboration, trust, and a growing reliance on best practices that industry and NERC can embrace because it is in the best interests of all will help foster a culture of accountability focused on promoting the best reliability outcomes for the BPS.