

July 12, 2023

Ms. Jennifer Flandermeyer, Chair
NERC Member Representatives Committee

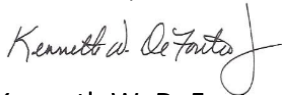
Dear Jennifer:

The Board appreciated the strategic discussion that occurred during the May 9, 2023, closed Member Representatives Committee (MRC) meeting. In particular, the discussion around opportunities for improving both MRC and Board effectiveness was very helpful and the engagement was outstanding.

In discussing the value of and overall approach for the input letter requests, MRC members suggested an opportunity to provide open input to the Board. Therefore, rather than requesting input on a specific topic as we prepare for the August 16-17, 2023, meetings in Ottawa, Canada, the Board requests MRC input on any areas that it feels important to bring to the Board's attention or on which to request additional discussion. 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 will be reviewed during the July 28, 2023, MRC Informational Session and are attached hereto (**Attachment A**).

As always, the Board appreciates the work of the MRC and all of our registered entities' work to assure the reliability and security of the North American bulk power system. There are a lot of important efforts going on and input from the MRC is critical to help the Board understand industry perspectives. Written comments are due by **August 2, 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 and presentations for the Board, Board Committee, and MRC meetings will be available on August 3, 2023. The Board looks forward to your input and discussion during the August 2023 meetings.

Thank You,



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

cc: NERC Board of Trustees
Member Representatives Committee

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NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Preliminary Agenda Topics for August 2023 Open Meetings

RELIABILITY | RESILIENCE | SECURITY



Wednesday, August 16, 2023	
8:30 – 9:30 a.m.	Technology and Security Committee Meeting — <u>Open</u>
9:45 – 11:00 a.m.	Compliance Committee Meeting — <u>Open</u>
11:15 a.m. – 11:30 p.m.	Corporate Governance and Human Resources Committee Meeting — <u>Open</u>
12:30 – 3:00 p.m.	Technical Session
3:15 – 4:15 p.m.	Finance and Audit Committee Meeting — <u>Open</u>
4:30 – 6:00 p.m.	Member Representatives Committee Meeting — <u>Open</u>
Thursday, August 17, 2023	
9:00 a.m. – 12:00 p.m.	Board of Trustees Meeting — <u>Open</u>

**All meeting times are in Eastern Time Zone*

- ERO Enterprise Business Technology Update
- E-ISAC Operations Update

- Approve Proposed Amendments to the Compliance Committee Mandate
- CMEP and ORCP Semi-Annual Report
- Small Group Advisory Sessions

- Approve Proposed Updates to the Compliance Committee Mandate

- Interregional Transfer Capability Study Update
- Cloud Computing Update
- Bulk Power System Awareness Update
- Long-Term Reliability Assessment Preview

- Accept Second Quarter Statement of Activities
- Approve NERC and Regional Entity Proposed 2024 Business Plans and Budgets and Associated Assessments

- General Updates and Reports
 - Board of Trustees Nominating Committee Update
 - Business Plan and Budget Input Group Update
 - Update on FERC Activities
 - MRC Effectiveness Review Update
- Responses to the Board's Request for Input
- Additional Discussion on Third Quarter Open Meetings
 - Board Committee Meetings (August 16)
 - Technical Session (August 16)
 - Board Meeting (August 17)

- Compliance and Certification Committee Role in Collecting Stakeholder Perceptions
- Informational Items
 - Future Meetings
 - Regulatory Update

- Adopt Project 2021-02 Modifications to VAR-002-4.1
- Approve Rules of Procedure Amendments
- Approve Standard Processes Manual Amendments
- Inverter-Based Resources Work Plan Update
- Cold Weather Standards Status Update
- Accept ERO Reliability Risk Priorities Report
- Semi-Annual Review of the Achievements of the NERC Work Plan Priorities Update

MEMORANDUM

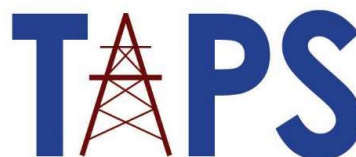
TO: Ken DeFontes, Chair
NERC Board of Trustees

FROM: Desmarie Waterhouse, Senior Vice President of Advocacy and Communications &
General Counsel, American Public Power Association
John Di Stasio, President, Large Public Power Council
Terry Huval, Executive Director, Transmission Access Policy Study Group

DATE: August 2, 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' July 12, 2023, letter requesting policy input in advance of the 2023 NERC Board of Trustees meeting.



NERC Board of Trustees Policy Input – Q3 2023

Electricity Canada appreciates this opportunity to provide policy input to the NERC Member Representatives Committee (“MRC”) and Board of Trustees (“Board”). The invitation to offer open input, integrated alongside ongoing discussions and engagement between the NERC and MRC, is appreciated.

Summary of Key Points:

- Electricity Canada urges NERC to continue briefing Canadian regulators on budgets, projections, and the strategic focus areas. We appreciate recent efforts made on outreach and engagement with Canadian and provincial regulators, and encourage NERC to continue seeking opportunities for dialogue.
- Electricity Canada continues to recommend that NERC concentrate its efforts on projects that provide value across the continent. While we recognize the importance of Cold Weather and Extreme Cold Weather risks, these efforts are disproportionate for regions where mature processes are already in place.
- Electricity Canada also continues to encourage NERC to work closely with the Regions, not only to identify how risks can be leveraged, but also to minimize duplication of efforts.
- We also encourage NERC to work with the Regional Entities to support the flow of information discussed at high-level committees to executives at voting organizations.

Electricity Canada appreciates the opportunity to bring the following areas to the Board’s attention. While these topics have been raised previously, including in recent stakeholder consultations on the budget, they are not project-specific or easily addressed by one-time actions. Rather, we offer them again as way markers which merit continued consideration as the electricity industry navigates new territory.

Engagement with Canadian regulators

Electricity Canada urges NERC to continue briefing Canadian regulators on budgets, projections, and the strategic focus areas. As noted in our comments on the draft 2024 Business Plan & Budget, entities across NERC’s ecosystem vary in their capacities and mechanisms for passing along increased costs. Two-way dialogue with Canadian regulators will be necessary to ensure that the motivators for increases are understood.

We appreciate efforts made on this alongside the 2022 Q3 Board and MRC meetings and at the May 2023 CAMPUT meeting. We encourage NERC to continue seeking further opportunities for outreach and engagement.



Continental and Regional scoping

NERC's projects and workplan will continue to evolve as does the electricity landscape. Electricity Canada continues to recommend that NERC concentrate its efforts on projects that provide value across the continent.

While we recognize the increasing number of directives from FERC to NERC, and more specifically, the substantial efforts that have been put into the Cold Weather and Extreme Cold Weather projects, these efforts are disproportionate for regions where mature processes are already in place. While we recognize the importance of these risks, we urge NERC to take into consideration the Canadian context.

Prioritizing value across the continent can also be progressed by focusing less on efforts that are regionally specific. We continue to encourage NERC to work closely with the Regions, not only to identify how risks can be leveraged, but also to minimize duplication of efforts. Opportunities to achieve this include delegating work to the Regions as appropriate, and leveraging regional efforts as a foundation for risks which have grown to a regional scope. We also encourage NERC to work with the Regional Entities to support the flow of information discussed at high-level committees to executives at voting organizations.

We hope the comments provided in this letter prove insightful and can inform conversations and engagement between the MRC and the Board. Please contact us if you have any questions or concerns.

Dated: August 2, 2023

Contact:

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



Policy Input for the NERC Board of Trustees Provided by the Edison Electric Institute August 2, 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 review in advance of the August 16 - 17, 2023, meetings. The perspectives on bulk-power system (BPS) reliability, and related supportive policies, are informed by EEI's CEO Policy Committee on Reliability, Security, and Business Continuity, the Reliability Executive Advisory Committee, and the Reliability Technical Committee.

In the July 12, 2023, policy input letter, NERC Board of Trustees Chair, Kenneth W. DeFontes, Jr., requested input on any areas that should be brought to the Board's attention.

I. SUMMARY OF COMMENTS

- Understanding interregional transfer capabilities is important. Whether or not the congressional mandate remains, this one-time study could inform future policy decisions. In undertaking this study, NERC should use the Risk Framework, which examines risks to the BPS as a way of prioritizing new work when compared to other on-going work.
 - EEI and members appreciate the opportunity to work with NERC and the regions early in the study process to develop the scope and to identify deliverables. EEI and members also welcome the opportunity to participate in the execution of this study. Industry collaboration will bolster and strengthen the results and potentially avoid duplication of study efforts with Regional Entities and Planning Coordinators.
 - To ensure that collaboration is achieved as outlined in the congressional mandate, NERC should work with the various industry trades associations and other technical organizations to select study participants to support the transfer capability study. Participation by Planning Coordinators will be particularly important since many already are conducting these types of assessments.
 - It is premature to assume that NERC will be required to undertake similar work annually. Permanent staffing and investment in this capability, therefore, may be unnecessary.

- Broad, iterative communication and feedback are part of the consensus-building process. These iterations are important to ensure future NERC Reliability Standards and other actions are technically feasible, implementable, and ultimately address the root cause of the identified reliability concerns. With the significant number of projects underway or on the horizon, feedback early and often will continue to be important. Shared understanding of the problems that industry and NERC are working to address is more critical than in the past.
- EEI members continue to support the development of Reliability Standards that address significant threats to the reliability of the BPS, such as extreme cold weather and Inverter-based Resources (IBRs) ride-through.
- EEI applauds NERC and the RSTC for their early engagement with industry to solicit input on several draft Standard Authorization Requests (SARs) and a whitepaper. This type of engagement will help to inform prioritization and improve work products and efficiency.
- The new format of the Member Representatives Committee's (MRC's) pre-meeting informational session was more effective and valuable for sharing important industry information.
- The EEI Reliability Executive Advisory Committee appreciates NERC's willingness to engage with the EEI community to help prioritize and address reliability issues effectively and efficiently.

II. COMMENTS

Interregional Transfer Capability Study

Interregional transfer capability studies are important, and NERC should ensure efforts to conduct any such studies avoid duplicative work with efforts underway by the Regional Entities or Planning Coordinators. These studies present an opportunity to utilize NERC's ability to convene expertise from each Regional Entity, along with industry, to collaborate on the study's scope, deliverables, and execution. As Regional Entities and industry already perform these types of studies, collaboration on this effort will help produce better results in a more cost-effective and expeditious manner. EEI encourages NERC to work with the industry trades associations and other technical organizations to select participants from industry to support the study and to include Planning Coordinators in these efforts.

It is unclear if the congressional mandate will stand so this effort should be evaluated as an emergent risk. NERC should use the Risk Framework, which examines risks to the BPS as a way of prioritizing this new work when compared to other on-going work.

Moreover, it is premature to assume similar work will be required annually. Permanent staffing and investment in this capability, therefore, may be unnecessary. If the mandate is renewed, NERC should work on a parallel path with

DOE to determine if there are sources of funding that could be used to offset the cost to the NERC budget in the future.

Standards Activities and Consensus Building

There have been concerns raised regarding failed standards ballots. The standards development process, from inception, was intended to be an iterative process to allow feedback from a diverse set of BPS participants to a small group of industry standards drafting team members. Diversity in decision making is important to ensuring that Reliability Standards are technically feasible, implementable, and ultimately address the root cause of the identified reliability concerns. The comment period and ballot for new or modified standards allows for the solicitation of diverse industry perspectives, including the opportunity to evaluate how the requirements are expressed comports with industry's understanding of the resulting requirements and the potential impacts to industry's systems, tools, and processes. Sometimes there are ambiguities that are identified, but this process also can uncover significant issues—even fatal flaws—in the standards as written. The comment and balloting periods allow for these issues to be identified and addressed before moving forward with a national standard. With the significant number of projects underway or on the horizon, this process is important, necessary and should be maintained, even as stakeholders evaluate how to make it more efficient.

Many of the issues faced today with BPS reliability are asymmetric and complex, including energy assurance, cold weather, and IBRs. The Reliability Standards that are drafted need to acknowledge this asymmetry with flexibility for those entities that would be required to comply. Looking at this issue, EEI suggests the use of regional standards to address regional risks as an important step forward to address issues on an expedited basis where there is a current need.

Prioritization

EEI appreciates NERC's acknowledgment of industry concerns related to the prioritization with the numerous standards projects and other activities underway, and with many new projects expected in the coming months (with several of these projects addressing the same standard at the same time). There is a concern with prioritization, duplication, and conflicting requirements and stakeholders need to have the opportunity to review and develop comments and positions before casting ballots. Having three ballots close in three consecutive days in July 2023 is an example where stakeholders may not be able to support a project due to time constraints. Additionally, some projects have disproportionate impacts on reliability and stakeholders need to have time to dedicate resources to reviewing these issues. Extreme Cold Weather is an example. This was one of the three consecutive ballots in July 2023, and the inability of stakeholders to have the time to analyze and develop a position could have been a factor in recent poor ballot results. We look forward to seeing the standards process mapping that is underway to

address these issues and potentially improve the effectiveness and efficiency of the overall standards process.

The Inverter-based Resources (IBRs) ride-through standard is a top priority for NERC. The EEI community agrees with this prioritization and is committed to addressing this performance issue expeditiously. While ride-through for IBRs is important, there are numerous draft SARs, SARs, and projects addressing IBRs that overlap or do not appear to be prioritized based on risk. Enhancing and coordinating prioritization efforts in all NERC groups and committees, is critical to ensure the SARs under development are prioritized and performance based (instead of focused on compliance).

EEI applauds NERC and the RSTC for their early engagement with industry to solicit input on several draft SARs and a whitepaper. This type of engagement informs prioritization and will improve work products and efficiency.

EEI appreciates the efforts of the MRC to enhance its effectiveness and the new format of the pre-meeting informational session. Educational information on various stakeholder engagements is valuable.

In closing, the EEI Reliability Executive Advisory Committee looks forward to continuing its long-standing collaboration with NERC to help prioritize activities to mitigate risks to the BPS efficiently and effectively.

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: August 2, 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 July 12, 2023 letter to Ms. Jennifer Flandermeyer, Chair NERC Member Representative Committee (MRC) requesting open input on priorities Member Representatives Committee (MRC) members feel are important to bring to the Board's attention or on which to request additional discussions.

Sector 4 Members appreciated the strategic discussion that occurred during the May 9, 2023, closed meeting with MRC Members. We feel continued discussion and collaborative engagement around opportunities for improving both MRC and NERC Board of Trustees (Board) effectiveness are key to our success of having a robust and reliable interconnected system.

We appreciate the opportunity to provide the following areas of comments for further discussion and consideration. We look forward to engaging on these and other policy input from other sectors at the Board's August 16-17, 2023 meeting in Ottawa, Canada. We have no further input on the Board and MRC's agenda at this time. The items listed in the draft agenda adequately represent the issues the Board and MRC need to discuss and approve.

1. **Sector vs Segment** - The review of the NERC Committee structure at the MRC pre-meeting was helpful regarding the effectiveness of continuation of the "Sector" and "Segment" construct as we move forward in the current environment.
2. **Registered Entities & Registered Ballot Bodies** - The Federal Utilities and Federal PMAs continue to be broadly supportive of developing more agile processes on registered entities and Registered Ballot Bodies to better match the rapid transition the industry is facing. We would like the Board to consider and implement policies that require any entity injecting power into the interconnected system, either directly or indirectly, to be a registered entity and follow the appropriate standards to insure that the interconnected system is safe, secure and reliable.

Market vs Reliability– In the last 10 years we have seen tremendous forward progress in the creation of new market structures and the encouragement of entities to join existing markets. This raises the question of under what operational and economic circumstances the market needs to hand off management of the resource dispatch to the Balancing Authority Areas (BAAs) and Transmission Owner Operators (TOPs) for those markets that do not have a plan to consolidate the BAAs and TOPs under a single tariff for transmission access and transmission usage. Each market runs its own Security Constrained Economic Dispatch (SCED) in the operating hour to develop the market dispatch and typically has its own timeline for when this is handed off. It is often unclear as to when the hand off to the BAAs and TOPs should occur and the degree to which the reliability standards need to be accounted for in the market dispatch. This puts a burden on the BAAs and TOPs to insure that the applicable reliability standards are met, especially in the operating hour.

There are also potentially serious seams issues between markets (Regional Transmission Organization-RTO, Independent System Operator-ISO, Energy Imbalance Market, and Day Ahead Market) that will need to be addressed. For instance, two markets following their own SCED creates further ambiguity when it comes to meeting reliability standards. The seams between a bilateral market and a market operating under SCED also brings the same ambiguity as to who is responsible for meeting the applicable standards.

The Federal Utilities and Federal PMAs would like to see NERC be more proactive and provide policy input to the Federal Energy Regulatory Commission (FERC) in this area. Such policy input could include insuring that sufficient ramping reserves, frequency and voltage support, and other ancillary services are secured by the market so as not to put the burden for providing such ancillary services on individual BAAs. Policy input is also needed on common and verifiable load forecasts and variable energy resource forecasts. Furthermore, other interoperability areas such as curtailment priority when different markets use differing transmission constructs (e.g. Market flow vs OATT transmission flow) also need to be addressed.

3. **Interconnection Queue** – All utilities operating under the OATT are flooded with requests for interconnection and transmission service. Many organized markets have closed their queue process after FERC’s ruling on PJM’s interconnection request queue. Managing this issue and making sure adequate supply and interconnected transmission are built will require the development of implementable policy directions in order to maintain a securely and reliably interconnected system for today and for the foreseeable future.
4. **Interregional Transfer Capability (ITC)** – As we move toward a more market-based structure across the interconnected system, the transfer capabilities and assumptions made in each region with respect to quantity of supply, its availability, appropriate fuel forecasts and delivery, and the capability of resources to ride

through disturbances during all critical hours are becoming more critical to overall system stability and continuous reliability. ITC is now the responsibility of Transmission Planners and Transmission Operators but the policy around common modeling, common data, and methodology used needs more policy direction.

The Federal PMAs appreciate the opportunity to provide input for the Board considerations and look forward to discussing them with the Board.



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

August 2, 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 July 12, 2023.

Summary

The IRC appreciates the opportunity to provide input to the North American Electric Reliability Corporation's (NERC) Board of Trustees on four issues that ISOs/RTOs believe are most important for the Board's consideration at this time:

- Encourage NERC to advocate for gas-electric coordination improvements
- Expedite development of Project 2022-03 for Energy Assurance with Energy-Constrained Resources
- Utilize the Eastern Interconnection Planning Collaborative (EIPC) to perform analysis in support of the NERC Interregional Transfer Capability (ITC) study²
- Renewed request for NERC to review the structure of the Registered Ballot Body (RBB)³

Encourage NERC to advocate for gas-electric coordination improvements

As wide-area Bulk Electric System (BES) operators, IRC members know first-hand the importance of electric-gas harmonization during extreme weather events such as Winter Storm Uri and Winter Storm Elliott. IRC members were active participants in the North American Energy Standards Board (NAESB) Gas Electric Harmonization (GEH) Forum. On July 28th, NAESB filed its final report⁴ with the Federal Energy Regulatory Commission (FERC) and NERC. Voting results show a split between the gas and electric industry and there will likely be continued debate on the need for action to be taken on the GEH Forum report recommendations. The IRC believes NERC is well-positioned to be an authoritative advocate for improving coordination between the electric and gas industries. In particular, we see the following areas identified in the GEH Forum report as those where NERC's voice can be effective: gas production facility winterization; data coordination between BES operators and natural gas pipelines; gas markets being open on the weekends and holidays; and reliability studies needed to understand regional pipeline capacity for generator usage patterns and the sufficiency of generator resources and fuel pipelines to accommodate the increasing reliance on variable resources.

Therefore, the IRC encourages NERC, because of their expertise and broad industry reach, to emphasize with state regulators, FERC, and other government agencies the importance of undertaking efforts to improve coordination between the electric and gas industries. NERC can be a strong advocate for gas system winterization requirements, sharing the approach taken by the electric industry, in events hosted by the National Association of Regulatory Commissioners (NARUC), for example. NERC's engagement at NAESB when efforts get underway to revise the business practice standards will lend support to IRC members and other

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). ERCOT abstains from this policy input.

² Pursuant to NERC's congressional mandate to conduct a study on interregional transfer capability as part of the Fiscal Responsibility Act of 2023.

³ The IRC has commented on the need for NERC to review the imbalance in the RBB in previous MRC Policy Input: October 20, 2021; November 1, 2022; and February 1, 2023.

⁴ NAESB GEH Report. https://www.naesb.org/pdf4/geh_final_report_072823.pdf. Refer to Recommendations #1, #7, #16 and #20.



electric system operators for the timely reporting, posting and communicating of gas capacity and scheduled quantity. This information is critical for system operators to understand natural gas fuel risk during extreme weather events. Similarly, NERC can underscore the need for gas availability to more closely align with real-time electric demands, particularly on weekends and holidays, via participation in NARUC forums or other proceedings undertaken by FERC. Finally, the GEH Forum recommendations call for studies to be conducted by the U.S. Department of Energy or FERC, to assess the regional capacity required to accommodate new generator usage patterns caused by the influx of variable energy resources. There is also a need to assess the sufficiency of generator resources and fuel supplies to complement the increased use of variable resources. NERC has conducted similar studies in the past and can share their insight and expertise with these important study efforts.

Expedite development of Project 2022-03 for Energy Assurance with Energy-Constrained Resources

In 2022, NERC initiated Project 2022-03 Energy Assurance with Energy-Constrained Resources by posting two Standard Authorization Requests (SARs) requiring entities to perform energy reliability assessments. Energy assurance and fuel assurance risks are becoming more pronounced due to extreme weather and the proliferation of intermittent renewable resources. The urgency of getting an appropriate standard out becomes more pronounced with the passage of time, particularly given the regulatory lag associated with the standard development process. We urge NERC to provide support to expedite the work on this key reliability concern.

Utilize the EIPC to perform analysis in support of the NERC ITC Study

IRC Members that participate on the EIPC believe the EIPC can add significant value to the ITC study process by performing the ITC analysis for the Eastern Interconnection (EI) and aiding NERC with defining the appropriate metrics. The IRC requests that the NERC Board utilize the EIPC as a valuable resource that can quickly assist NERC in meeting their December 2024 study deadline.

EIPC is an association of all major NERC Planning Coordinators in the EI, including both ISOs/RTOs and non-ISOs/RTOs, whose mission is to provide interconnection-wide coordination of planning activities to maintain the reliability of the Bulk Power System.⁵ EIPC has been working with FERC since last August and provided testimony⁶ at FERC’s Technical Workshop in December 2022 including a proposed methodology to determine minimum interregional transfer capability. Since then, the EIPC has engaged in fruitful discussions with NERC leadership, offering to perform the initial studies for the EI to develop a methodology for ITC analysis and to work with NERC, the EI Regional Entities, the other interconnections⁷ and FERC to develop the associated metrics as a parallel effort. EIPC has also discussed how its proposal would help NERC to address the requirements of the Congressional mandate.

To ensure all relevant perspectives are considered in the scoping of metrics, the IRC also believes Canadian, Texas Reliability Entity (TRE) and Western Electricity Coordinating Council (WECC) Planning Coordinators should be requested to collaborate with the EIPC on the study. We believe securing the EIPC would lead to faster and better risk mitigation solutions while assisting NERC in building consensus more rapidly.

⁵ Link to EIPC Website: <https://eipconline.com>

⁶ Docket AD23-3-000

⁷ Canadian, Texas Reliability Entity (TRE) and Western Electric Coordinating Council (WECC) interconnections.



Renewed Request for NERC to review the Structure of the Registered Ballot Body

The IRC has raised concerns about the Registered Ballot Body (RBB) since October 2021⁸ and we continue to believe this is an important issue. The IRC requests that NERC prioritize the RBB review to appropriately weight the RBB to better align the placement of requirements on the appropriate registered entities to close a reliability gap. Registered entities with independent, wide-area responsibility for the BES are currently underrepresented in the balloting process. The most recent example of this is 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 unaddressed concerns at FERC in order to ensure they were considered in the final standard.

Conclusion

The IRC appreciates the opportunity to bring forth areas that we believe will improve our ability to manage an ever-changing electric grid during extreme weather events. We urge the Board to consider these areas of importance and we look forward to engaging with NERC and other industry stakeholders to achieve positive outcomes for gas-electric harmonization, energy assurance standards, the efficiency and effectiveness of the ITC study, and the RBB review.

⁸ The IRC has commented on the need for NERC to review the imbalance in the RBB in previous MRC Policy Input: October 20, 2021; November 1, 2022; and February 1, 2023.

**Policy Input to the NERC Board of Trustees
August 17, 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 July 12, 2023. The NAGF provides the following policy input in advance of the NERC BOT meeting.

Summary

Item 1: Open input to the Board

The NAGF provides input on the following issues that are of concern to the Generator Owners and Generator Operators:

- a) The NAGF is concerned with the current level of NERC work activities that require industry input and support. Industry struggles with the band-width required to support all of the work initiatives effectively with its limited resources. The NAGF believes that prioritization of NERC projects based on reliability risk along with improved outreach, and communication are key to achieving the necessary industry input and support.
- b) The NAGF believes that there are areas of the standards development process that could be examined and optimized, thus leading to greater efficiencies.
- c) NERC outreach efforts with stakeholders should occur at multiple levels within industry organizations. High-level discussions with industry/trade association executives are just one aspect of the comprehensive outreach efforts that NERC should undertake.

Discussion

The BOT requests MRC policy input on the following:

1. Open input to the Board

- a. Industry Bandwidth: The current rate at which stakeholders are asked to provide feedback is daunting. Between active projects, SARs, White Papers, Reliability Guidelines, Section 1600 data requests, and NERC Alerts, the generation segment in particular is overwhelmed. Because much of the focused effort recently is related to the changing resource mix, the NAGF finds that its members do not have the bandwidth to effectively support the large number of on-going, simultaneous NERC initiatives. Recognizing that NERC is making changes in the Standards Development department and working toward a better prioritization of projects, based on risk, the NAGF encourages NERC to establish the prioritization of those efforts as quickly as possible and communicate to industry more effectively that this prioritization effort is happening. Focused, prioritized effort could reduce overall workload on the limited number of resources. The NAGF believes this type of prioritization, outreach, and communication is key to promoting improved alignment among industry and NERC.

As part of the recommendation for NERC to improve criteria for project prioritization to reduce the overall workload, the NAGF recommends reducing the number of Projects in Active Formal Development to help industry focus its limited resources.

NAGF appreciates the ability to comment on draft NERC Alerts and other activities outside of the standards process, but asks that NERC be mindful of the industry effort to respond to the number of simultaneous alerts and Section 1600 data requests. The NAGF also ask that these data requests and alerts don't duplicate FERC requests. We find that there has been overlap on NERC Alerts and Section 1600 data requests as related to topic. As a result, the same subject matter/technical experts are attempting to respond to these requests while also tasked with meeting compliance obligations related to new standards, engaging in NERC processes, and responding to FERC requests. This makes it difficult for members to provide constructive input across the board.

- b. The NAGF believes that there are opportunities for educating industry and streamlining the existing NERC Standards Development Process. Currently, there seems to be a disconnect in the standards development process. Products developed by the subcommittees reporting up to the Reliability and Security Technical Committee (RSTC) are not garnering large support from industry as a whole, particularly in the generator segment. The industry subject

matter/technical experts performing the work on the RSTC sub committees do not seem to be producing products that reflect the position of industry as a whole. This results in the development of SARs and other products that are not supported by large portions of industry, and is evidenced by the abundance of recent negative comments and negative ballot results.

The NAGF recommends that NERC work with the NAGF on a coordinated education effort for its members as well as the generator community as a whole. It seems a better understanding of the workings of the sub-committees of the RSTC could address and alleviate this disconnect.

The NAGF recognizes that the many sub committees, working groups and task forces beneath the RSTC are open to participation by all of industry, without being elected. However, based on the apparent disconnect mentioned above, the NAGF recommends that NERC develop additional communication and/or training for industry to better understand how, at a minimum, they can be informed of the current activities of those sub committees, working groups and task forces. Ensuring robust representation at the RSTC from IBR/renewable generation side will make it more effective and transparent for SARs and the other products (guidelines and whitepapers) endorsed by the larger RSTC prior to posting for full industry review, comment and balloting.

- c. NERC outreach efforts with stakeholders should occur at multiple levels within industry organizations. High-level discussions with industry/trade association executives are just one aspect of the outreach efforts that need to be undertaken by NERC. High-level support from industry executives is an important step, however buy in from lower-level employees tasked with responsibility for implementing compliance activities is essential to success. Targeted outreach to specific trade organizations and GO/GOPs that own IBRs in regards to development of IBR standards (ex. EMT modeling, PRC-004 revisions, etc.) will elicit better participation and feedback and assist in eliminating the current disconnect.

Cooperative Sector Policy Input to the NERC Board of Trustees

The Cooperative Sector appreciates the opportunity to provide open input to the NERC Board of Trustees (BOT) as industry and ERO manages the safe and reliable operations of the Bulk Electric System (BES).

- As shared in our May 2023 Policy Input, Cooperatives, to set priorities for our legislative and regulatory advocacy, have identified five main factors impacting reliability and our industry's ability to provide the Essential Reliability Services (ERS): rising demand driven by electrification; a failure to fully replace retiring power plants; challenges in permitting new infrastructure; supply chain bottlenecks; and a lack of natural gas when power plants need it in grid emergencies. These identified concerns provide focus areas for Cooperative participants in ERO stakeholder activities. Cooperatives understand that the ERO does not have the authority to solve many of the issues identified above, but it should lead the charge in highlighting these reliability issues with policy makers and legislators. In addition, it is important for the ERO to build allies and alliances in working to resolve the continued grid reliability impacts. One example is the challenges related to Gas-Electric coordination; especially around potential reliability challenges caused by weather events.
- It is disappointing that the Environmental Protection Agency (EPA) has not engaged the ERO as the premier grid reliability organization for North America in discussions on generation retirements. The ERO should file comments with the EPA reminding them that they are the Federal government's appointed electric reliability expert and failing to engage with the ERO is failing to give serious consideration of the reliability impacts of the environmental rules. Cooperatives encourage the ERO to focus its efforts on providing data and conducting assessments to show the negative reliability impacts of the EPA forcing retirement of generation and the inability to get a generation interconnection request through any RTO in a reasonable time frame. There is continued concern that with rising demand due to the focus on beneficial electrification and the retirements without adequate replacement generation is detrimental to grid reliability. New generation must be built faster. The present mechanisms to facilitate the construction of needed generation, whether market driven solutions or present permitting processes are not realistic to address the expected energy demand. The shortcomings include excessive interconnection queues, needed infrastructure improvements and supply chain for critical grid components.
- The Cooperative Sector advocates that the ERO utilize industry committees/forums where expertise in performing interconnection-wide planning studies exist such that appropriate risk mitigation solutions can be identified quickly and efficiently as well as aid the ERO in reaching consensus in a timely manner. As provided in previous Policy Input, there is a need for improved collaboration and participation with technical partners such as the NATF, NAGF, EPRI, CEATI, and the national labs to ensure that there is not a duplication or significant overlap in the activities and analysis being conducted by these groups. Cooperatives have identified possible areas of inefficiencies where increased collaboration with these technical partners

should provide overall benefits to the execution of ERO Enterprise programs as well as help to balance the resource requirements.

Finally, Cooperatives are appreciative of the continued collaboration between the MRC and the NERC Board of Trustees to identify and promote opportunities for interactive engagement. Our MRC representatives found the format of the May 2023 Board of Trustees Meeting an opportunity to have in depth dialogue for aligning on and identifying the activities that will help the ERO facilitate managing of emerging risks to grid reliability. We believe it was one of the most productive Board meetings because the smaller group meeting allowed more personal interaction with the Board and ERO staff. Cooperatives support continuing to use this format for future meetings.

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
August 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, BOT) meetings.

In a letter to MRC Jennifer Flandermeyer dated July 12, 2023, Board Chair Kenneth DeFontes requested MRC input on “any areas that [the MRC] feels important to bring to the Board’s attention” and “any item on the preliminary agendas.” Sector 6 makes the following comments in response:

North America’s vast existing electric system has been stressed to meet evolving demand needs from the nation’s industries and consumers, while at the same time we are embarking with urgency on an unprecedented transformation of the generation resource mix. The economy is electrifying, intermittent resources are being deployed at a rapid pace, and traditional thermal units are retiring. Much of this is driven by public policy, and we are appreciative of NERC President and CEO Jim Robb highlighting the reliability concerns implicated by those choices and the transition. Sector 6 companies agree that collectively we need to “manage the pace of the transition,” and this concern is a clear call to action for NERC and industry. Sector 6 companies are vested in and dedicated to developing a strong, reasonable and durable approach to this unprecedented challenge. We suggest this starts with a fundamentally different approach to the way NERC works with industry to oversee and regulate system reliability. It starts with defining what a healthy and resilient grid of the future looks like – while attempting to meet public policy goals – so that we can map the path from the present to achieve that vision.

Our concern is that the current approach to ensuring reliability is too narrowly focused for the enormity of the task, and thus we should step back and look at the array of requirements more broadly. While the merchant generators recognize that the individual elements of our incredibly complicated electric grid work together in a coordinated and cohesive manner, NERC’s recent emphasis has been to focus on individual elements. As the subsequent examples illustrate, this

narrowly focused approach may not yield improved reliability or in certain cases may result in less reliable outcomes. Moreover, industry continues to warn NERC that it does not have the manpower to adequately support the volume, scope, and breadth of NERC's work plans. The time is ripe to consider a more holistic, top-down, performance-based approach to reliability regulation to ensure the transition occurs apace and reliably.

NERC's recent modification to BAL-003 illustrates how the current narrow approach is insufficient. BAL-003-3 imposes the ostensibly reasonable requirement for Generator Owners ("GO") to provide frequency response. In so doing, NERC does not articulate how this requirement contributes to a more reliable outcome. By comparison, ERCOT determines the quantity of Fast Frequency Response ("FFR") reserve service it needs to procure and compensates devices, including batteries, to provide this service. Thus, this market-based approach enables ERCOT to quantify the need and procure the right amount of FFR reserve service to achieve a reliable outcome. In contrast, the new requirement proposed in BAL-003-3 for generators to provide uncompensated frequency response does not incorporate any consideration of how that requirement will promote reliability. Additionally, representatives from ISO New England in the July Resource Subcommittee meeting stated that they did not want generators that are providing regulation service to also provide frequency response. A performance-based approach could require the Balancing Authorities ("BA") or Transmission Operators ("TOP") to ensure they have enough devices to provide a sufficient quantity of frequency response reserves.

NERC's approach to the extreme cold weather standard, EOP-012, provides another example of the status quo yielding a suboptimal outcome. NERC took the approach to impose the requirement directly on the GOs and Generator Operators ("GOP"), and the drafting team added a "commercial" exemption because they were concerned a costly, uncompensated requirement would lead to premature retirements. The drafting team also included a less stringent weatherization requirement in the final standard because industry shared similar concerns during the initial balloting. Consequently, the drafting team continues to struggle with defining a "commercial" exemption, and some jurisdictions are implementing or considering more stringent weatherization standards. Texas has imposed a weatherization requirement more stringent than

the NERC standard, and PJM is discussing with stakeholders the implementation of a more rigorous weatherization standard and how GOs would be compensated for the cost of compliance. Here again, a performance-based approach that requires the BAs and TOPs to ensure they have enough weather-resilient generation to meet their planning criteria would have avoided these issues.

Additionally, EOP-012 only addresses weatherization, which is insufficient if fuel is not available. Many gas-fired simple cycle generators do not typically operate or would not have access to fuel during extreme cold weather. Historically this has been acceptable because gas was not the predominant fuel used for electricity generation under these conditions and the gas industry could support the historically modest demand during these periods. However, as coal and nuclear plants retire, intermittent generators that have less certainty of performance are being added, and electrification is increasing electricity demand, the BAs are relying on more gas-fired generation during extreme cold weather, yet EOP-012 does not (and cannot) address the fuel concerns by imposing a direct obligation on all resources. Consequently, EOP-012 imposes costly upgrades on certain generators that will not likely operate at or below the extreme cold weather standard, thus achieving no measurable reliability benefit. A performance-based approach that requires the BAs and TOPs to have enough weather-resilient *and fuel secure* generation to meet their planning criteria would have avoided this concern.

Similarly, NERC's approach to addressing inverter based resource ("IBR") performance may foreclose other viable alternatives. The current approach focuses on defining prescriptive system disturbance ride-through requirements at the inverter level. However, the IBR manufacturers have considered the information required to perform IBR-specific modelling proprietary. We acknowledge NERC has made significant progress in this area, but it continues to pose concerns. The recent NERC IBR Performance Issues Alert focused on solar PV resources is a good example of how IBR owners have struggled to obtain such proprietary information from inverter manufacturers, and NERC had to extend the deadline by a month due to the unenthusiastic cooperation of the manufacturers.

In Texas where two disturbance events have recently occurred, ERCOT is taking a “proactive” approach to reduce the severity of a grid-wide disturbance, which would reduce the probability that dozens or hundreds of IBRs could trip offline simultaneously. They are proposing to add six synchronous condensers, a proven and mature technology, to “strengthen” the grid. A performance-based approach focused on transmission planning and grid performance may either create financial incentives for IBR manufacturers to provide the necessary attributes or require TOs to strengthen their grids with additional transmission elements. Regardless, either approach yields a more reliable outcome.

Whether one leans towards Elon Musk’s projections of future electricity demand tripling by 2045 or McKinsey’s more conservative doubling by 2050, it is undeniable that we are at a pivotal point. Public policy will continue to demand that we decarbonize generation while other sectors of the economy are electrifying. This is a historic and unprecedented challenge for the industry. While there is nothing inherently wrong in NERC’s current approach, we are concerned that our old paradigms will not be sufficient to support this economy-wide transition reliably. The magnitude and breadth of the transition requires a vision of a healthy and resilient future grid coupled with a thorough examination and understanding of what existing processes and procedures will and will not support this vision. We do not think policymakers will temper their expectations, or should they, without industry first examining how we can better support the transition. We urge the Board to consider fundamental reforms that result in a more viable approach to supporting a reliable transition, and we stand ready and eager to work with NERC leadership to achieve that goal.

Sincerely,

/s/

Sector 6 Merchant Electricity Generator Representatives:

Mark Spencer
LS Power

Sean Cavote
PSEG

To: NERC Board of Trustees
From: Sector 7 – Electricity Marketer MRC Representatives
Date: August 2, 2023
Re: August NERC Board Meeting Policy Input

Thank you for the opportunity to provide open input to the NERC Board of Trustees. The Electricity Marketer MRC representatives greatly appreciate the open exchange between the NERC Board of Trustees and the MRC.

May Meeting Format

The Electricity Marketer MRC representatives found the format of the May 2023 NERC Board of Trustees and MRC meetings valuable and productive. The format encouraged engaged conversations and provided the opportunity to discuss necessary topics to improve progress on the overall shared goal of a reliable Bulk Electric System. The Electricity Marketer MRC representatives' recommendation is to continue to leverage this format in the future.

Enhanced Collaboration

The Electricity Marketer MRC representatives recognize that the challenges currently facing the industry require the need for enhanced collaboration. This collaboration must expand beyond our industry and include industries for which our industry is dependent upon, as well as legislators, policy makers, and regulators. NERC must collaborate, establish alliances, and build partnerships to be successful in our shared goal of maintaining a reliable, resilient, and secure Bulk Electric System. NERC should work to enhance these efforts to achieve the necessary objectives and mission. This was specifically highlighted during the May 2023 meeting in discussions around Gas-Electric coordination.



Sector 8 Policy Input for the NERC Board of Trustees & Member Representatives Committee

August 16-17, 2023 Meetings

ELCON, on behalf of Large End-Use Consumers, submits the following policy input for the consideration of NERC's Board of Trustees (BOT) and the Member Representatives Committee (MRC). It responds to BOT Chair Ken Defontes, Jr.'s July 12, 2023 letter to Jennifer Flandermeyer, Chair of the MRC.

SUMMARY

Large Consumers (Sector 8) appreciates the opportunity to provide input on the proposed topics for the August Board Meetings agenda as well as any other issues of importance for the Board to consider. While Sector 8 does not have any specific comment with regard to the proposed agenda topics, we ask that NERC continue to be mindful of the costs to consumers of NERC's activities and standards. As such, Sector 8 responds as follows:

- 1. NERC must continue to be results-oriented, incorporate economic principles, and motivate industry to self-regulate its reliability performance to the extent practicable.**
- 2. NERC should utilize a cost-benefit analysis to justify any new or modifications to existing policies, procedures, or programs, Specifically, where standards are appropriate, they should ensure benefits outweigh costs and evaluate whether more cost-effective alternatives exist.**
- 3. NERC should attempt to reduce the time, costs, and resources necessary to complete the Congressionally mandated Interregional Transfer Capability Study by seeking expertise outside of NERC.**
- 4. NERC must not lose sight of other pressing reliability issues in performing the Interregional Transfer Capability Study.**

Practical and Economic Approach to Reliability

The U.S. is experiencing unprecedented threats to reliability due to rapid retirement of baseload, dispatchable generation, extreme weather conditions, and increased physical and cyber security intrusions. NERC has continued to raise awareness of current and impending reliability concerns and should continue to prioritize grid security. However, NERC must remain focused on reality-based and cost-effective solutions rather than imposing costly "one-size fits all" solutions. Large Consumers are equally frustrated by continuous weather-related

outages and curtailments despite numerous NERC assessments and recommendations for weatherization best practices. Large consumers support NERC's ongoing activities to raise alarms before Congress, the Federal Energy Regulatory Commission (FERC), industry, and the general public to concerns around reliability threats and shortfalls. However, NERC must refrain from hasty and expansive mandates without consideration of the variance in costs and benefits of resilience practices across regions. NERC would benefit from adopting an end-user perspective, rather than presuming that a global, arbitrary level of reliability for all firm load is reasonable or that weatherization practices apply uniformly.

In particular, NERC should examine the implications of homogenous standards that do not reflect differences in consumer preferences that often restrict supplier and consumer procurement flexibility and imposes weatherization standards across regions regardless of local climate. The imposition of mandatory standards without consideration of reality-based impacts or cost results in ineffective practices and unnecessary expense to consumers. While it is true that areas of moderate temperature and few extreme weather events have been caught unprepared for unprecedented heat, cold, and storms, NERC can continue to assess and raise awareness of best mitigation practices while refraining from imposing widespread, mandatory standards without consideration for costs and effectiveness.

Evaluation of Cost and Alternatives

For Large Consumers, costs will continue to be the most important metric when discussing proposed policies or standards. This will require greater cost-benefit scrutiny of standards development and review, better use of guidance in lieu of standards when appropriate, and expand the use of risk-based principles to threat prioritization as well as differentiating compliance obligations and enforcement practices (e.g., penalties). Standards development and review decisions should incorporate economic principles (e.g., cost-benefit, extent of incentive alignment) into the decision framework to pursue new or modified standards as well as the stringency and form of standards. The latter will enable further differentiation of standards by issue risk and entity type. Even if benefits outweigh costs, the evaluation process should examine whether more cost-effective alternatives exist.

The surest method to assess the value of a proposed standard is to provide as much quantitative information on the costs and benefits as possible, including the potential costs of inaction. Although more difficult to calculate, qualitative analyses should be provided as well to prevent or mitigate any unintended consequences. Information on community impacts, whether social or environmental, provides additional perspectives beyond costs.

Resources for the Interregional Transfer Capability Study

The Interregional Transfer Capability Study mandated by Congress under the debt bill will require additional money and resources beyond what NERC had allocated for its activities this year. Although the Finance and Audit Committee has approved NERC's request to use \$700,000 from the Assessment Stabilization Reserve to fund the study, NERC currently estimates that it would need approximately \$1.55 million of additional funds in 2023 for additional personnel and contract and consultant resources, including associated meetings, travel, and technology costs. NERC estimates that additional costs will be occurred in 2024 to complete the study.

Large Consumers suggest that NERC look outside of its own resources and collaborate with industry subject matter experts to improve processes, tools, and simulation models to minimize the unanticipated strain on NERC resources. Several entities outside of NERC including FERC, Congress, and the U.S Department of Energy (DOE) have already begun assessing current interregional transfer capabilities and the benefits of expanding these capabilities. In December 2022, FERC held a workshop on this specific issue and heard from multiple industry leaders who have already begun analyzing interregional transfer. FERC Docket No. RM23-3-000 includes numerous presentations, comments, and analyses examining this concept. DOE's Grid Deployment Office has offered extensive guidance on modeling current conditions and measuring impacts of interregional transfer capabilities. NERC should leverage the work already performed by industry experts to alleviate the cost and staffing impacts of conducting this comprehensive study.

NERC Must Not Lose Sight of Its Core Mission

The Interregional Transfer Capability Study will inevitably require significant resources, as discussed above. However, Large Consumers share the concerns of other Member Representative segments that the study cannot distract from NERC's core mission of ensuring reliability. The dire warnings of capacity shortfalls, more frequent and unprecedented weather events, and increased physical and cyber incidents must not be ignored. Large Consumers are concerned that NERC's plans to (1) defer the hiring of budgeted open positions in the Bulk Power System Awareness, Engineering and Security, Reliability Assessment and Technical Committee, and Reliability Standards departments until 2024; and (2) repurpose budgeted funds for contracts and consultants for other projects could lead to deficiencies in addressing pressing reliability concerns.

Although NERC has done an admirable job of raising current reliability concerns, now is the time for action if we are to mitigate reliability threats. Already, discussions around the interregional study have overshadowed and postponed other pressing reliability conversations. NERC simply cannot put its core mission on hold in order to divert time, money, and resources to performing the Congressionally-mandated study.

Thank you for your consideration.

MEMORANDUM

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

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

DATE: August 2, 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 Ms. Jennifer Flandermeyer on July 12, 2023.

The NERC Board of Trustees, in response to MRC member suggestions, provided an opportunity for open input to the Board.

The Small End-Use Sector (9) responds by restating a prior response that may be better addressed by the Board under this open input:

Sector 9 appreciates the training provided in July on the distinctions between Sectors and Segments within NERC and stakeholder roles. As the Board reexamines the Registered Ballot Body process, Sector 9 believes that its members or at least the Sector's MRC members should automatically be registered as ballot participants under Segment 8 (Small Electricity Users) and be included in any discussions regarding results-based reliability standards designs and development as well as review of the Registered Ballot Body process. Although there may not be a one for one match between all Sectors and Segments, there appears to be a match between Sector 9 and Segment 8. In addition, the qualification of members voting within Segment 8 (Small Electricity Users) of the Registered Ballot Body should be further examined. It appears that the majority of the votes cast by Segment 8 for the past several years are by individuals or organizations that do not meet segment qualification guidelines for Segment 8. This could have an impact on ballot results, and thus is something the Board should examine.

Sector 9 believes that it could better assist in identifying the value of standards and support outreach to other stakeholders through a dedicated NERC funding mechanism for Sector 9 representatives that could be used to assist the representatives in effectively participating at the MRC and NERC committees by engaging experts similar to what utility consumer advocates do before their respective state utility commissions. The success of the MRC and NERC depends on the meaningful participation of all stakeholders so that their views can be heard and considered. Sector 9 represents the

small end-use electricity customer that eventually pays for the mission of NERC and has a significant interest in bulk power reliability since it impacts their daily life.

FERC has already recognized the importance of separate funding for consumer advocates before PJM. In a February 29, 2016, Order, FERC approved a mechanism for funding the organization Consumer Advocates of the PJM States, Inc. (CAPS). In that Order, FERC notes that:

PJM states that the consumer advocates are the only entities charged by state statutes with officially representing the interests of consumers. PJM also asserts that the stakeholder process benefits from state consumer advocates being able to inform stakeholders on matters affecting the interests of consumers and advocate on behalf of consumers consistent with their state mandates. PJM states that the CAPS Funding Schedule enhances the participation by these state-designated organizations especially given resource constraints that individual state consumer advocates may otherwise face in traveling to stakeholder meetings on matters relevant to their statutory mission.¹

As the NERC Bylaws explain, Sector 9 includes “organizations (including state consumer advocates) that represent the interests of such entities [person or entity that meets the standard for a small end-use electricity customer.] Thus, Sector 9 is the consumer advocate sector for the MRC. A similar funding mechanism to assist Sector 9 representatives would ultimately benefit the MRC and NERC because it would provide effective participation by small-end use electricity customers and thus allow them to better identify the value of the standards developed by the industry to be supported by the industry.

¹ FERC Order Accepting Tariff Revisions, February 29, 2016, Docket No. ER16-561-000, 154 FERC ¶ 61,147.

MEMORANDUM

TO: Ken DeFontes, Chair
NERC Board of Trustees

FROM: Brian Evans-Mongeon
Terry Huval
Roy Jones
John Twitty

DATE: August 2, 2023

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

The Sector 2 and 5 members of the North American Electric Reliability Corporation (NERC) Member Representatives Committee (MRC), representing State/Municipal and Transmission Dependent Utilities (SM-TDUs), appreciate the opportunity to respond to your July 12, 2023, letter to MRC Chair Jennifer Flandermeyer in which the Board of Trustees (Board) requests MRC input “on any areas that it feels important to bring to the Board’s attention or on which to request additional discussion.” The letter also requests input on “any items on the preliminary agendas for the quarterly Board, Board Committees, and MRC meetings.”

The SM-TDUs’ response to the Board’s broad request for input on matters they feel are important to bring to the Board’s attention are below. We look forward to discussing these issues and other agenda items during the meetings of the Board and the MRC on August 16-17, 2023.

Summary of Comments

- The SM-TDUs are pleased the NERC Standing Committee Coordinating Group (SCGG) was tasked with working on upgrading the Standard Authorization Request (SAR) form and encourage NERC to give stakeholders the opportunity to provide comment on the revised form to optimize the value of the changes that are ultimately approved by the Board of Trustees.
- The SM-TDUs are pleased NERC will create tools to identify and map terms and issues related to current and upcoming projects. A mapping tool, working in conjunction with industry support, can help support better SAR development, encourage the development of supporting technical gap analyses, and facilitate the Standards Committee’s execution of its responsibility to coordinate and prioritize standards development projects.
- The SM-TDUs agree that NERC’s Rules of Procedure do not govern the procedures of Applicable Governmental Authorities, and that the omission of a statement regarding appeals does not limit the ability of Applicable Governmental Authorities to hear challenges to Board actions. Our expectation is that Rule 322 will be triggered only in the rarest of circumstances.
- The SM-TDUs would strongly encourage NERC to reconsider its opposition to seeking federal funding when Congress directs the electric reliability organization (ERO) to conduct studies, such as the interregional planning transfer study. We recognize that acceptance of federal funding can be administratively cumbersome, but given that that this will likely not be the last study Congress directs NERC to perform, we are concerned with the precedent that could be set by NERC not seeking funding for what amounts to an unfunded mandate from Congress and instead using its reserves to partially fund such study.

- The SM-TDUs strongly encourage NERC to assess the resource adequacy effects and operational impacts of the Environmental Protection Agency’s (EPA) proposed rules to regulate carbon dioxide emissions from new, existing, modified, and reconstructed power plants and to communicate the impact to EPA in a timely manner so it can incorporate the information into its development of the final rules.

SM-TDUs’ Response

Reforms to the SAR Form

In our November 2022 Policy Input, we noted that while the Rules of Procedure changes were important, greater efficiency gains would likely come from “front-end” changes to how standards are developed. In particular, the SM-TDUs suggested improving the quality of SARs, clarifying the issues, and addressing fundamental disagreements regarding the appropriate approach to the issues. We appreciated that the Standards Process Stakeholder Engagement Group (SPSEG) recommendations ultimately adopted by the Board embraced the idea of improving the SAR and are pleased that the SCCG was tasked with working on upgrading the SAR form.

We believe that the SCCG effort will be very useful, but additional input from industry could enhance the value of the final SCCG product. Unfortunately, we have heard that the form will not be subject to a full-industry critique or comment period before the updated form is finalized. The SM-TDUs believe that the ERO would greatly benefit from at least one round of stakeholder review in the form of written comments. Once industry comment is provided, those results could be shared with the SCCG as it finalizes the updated form that would be considered by the Board of Trustees.

We cannot overstate the importance of reforming the SAR form, as evidenced by some of the challenges that recent standards projects have had in securing the requisite votes for industry approval. Many in the industry have suggested that some of these projects could have had a better outcome if the information included in the original SAR was more robust. Consideration of industry expertise to support the SCCG’s efforts would optimize the value of the changes that are ultimately approved by the Board of Trustees.

Managing a Multitude of Standards Development Projects

Today, we observe that more than 30 individual reliability standards have been identified in existing projects or upcoming SARs that are in process in various technical committees. Of these, approximately two-thirds relate to the Operations & Planning (O&P) group of standards. In several cases, such as modeling and planning, event reporting, and protection systems, multiple projects are addressing closely related issues, and are thus using similar or identical terminology. However, due to the nature of the individual standards and projects, different definitions of the terms are being used. In addition to the SAR issues noted above, the SM-TDUs believe that some of the recent voting results can be attributed to this sort of inconsistency. The only way for O&P compliance managers and subject-matter experts—who are attempting to deal with 20 projects and SARs—to try to get these inconsistencies resolved is to comment and vote to reject the draft standards.

We welcome NERC staff’s recent statement that they are creating tools to identify and map terms and issues related to current and upcoming projects. The SM-TDUs are encouraged by this proposal and look forward to providing meaningful engagement in the development of the tool. A mapping tool, working in conjunction with industry support, can help support better SAR development, encourage the development of supporting technical gap analyses, and facilitate the Standards Committee’s execution of its responsibility to coordinate and prioritize standards development projects.

The SM-TDUs are also encouraged by the ongoing efforts to identify efficiencies through the MRC’s oversight of the Standards Committee, which will lead to the needed review for each SAR and proper prioritizations of projects once the drafting is authorized by the Standards Committee. This will allow us

to reach a manageable number of active projects so that our subject matter experts can be utilized properly without our resources being spread too thin.

Rule 322

The SM-TDUs appreciate NERC’s recognition, in response to MRC policy input submitted in November 2022, that Rule 322 is to be used only in “extraordinary” circumstances. And we appreciate NERC’s adoption of several changes to Rule 322 suggested by the Large Public Power Council (LPPC) in its March 6, 2023, comments, which the Transmission Access Policy Study Group (TAPS) supported.

NERC has not, however, included language in Rule 322 regarding appeal of a Board decision to Applicable Governmental Authorities. In its July 2023 Consideration of Comments, NERC “notes that affected entities may have other remedies available to it under the laws or regulations of an applicable governmental authority, such as challenging a standard after it is filed for approval with the regulator. Any requirements for such proceedings would be subject to applicable laws or regulations and would be outside the scope of the NERC Rules of Procedure.” The SM-TDUs agree that NERC’s Rules of Procedure do not govern the procedures of Applicable Governmental Authorities, and that the omission of a statement regarding appeals does not limit the ability of Applicable Governmental Authorities to hear challenges to Board actions. Our expectation is that Rule 322 will be triggered only in the rarest of circumstances.

Funding for Interregional Planning Transfer Study

The Fiscal Responsibility Act (P.L. 118-5) directed NERC to study total current transfer capabilities and provide recommendations to strengthen reliability and meet and maintain transfer capability between neighboring transmission regions. The law did not authorize appropriations for NERC to conduct the interregional transfer capability study, which is significantly more resource-intensive than NERC’s ordinary reliability assessments. The SM-TDUs recognize the planned study’s value to policymakers; and we appreciate NERC staff explaining how it intends to shift resources, delay projects, and alter its hiring plans to fund the study in 2023 and 2024, with the goal of not increasing assessments for members in the near term. The SM-TDUs are disappointed, however, that NERC did not seek appropriations from Congress for fiscal year 2024 to fund the study, which is solely being done at the request of Congress.

We recognize that acceptance of federal funding can be administratively cumbersome, and that NERC staff is concerned about results of the study appearing “non-partisan.” However, given that this will likely not be the last study Congress directs NERC to perform, we are concerned with the precedent that could be set by NERC not seeking funding for what amounts to an unfunded mandate from Congress and instead using its reserves to partially fund the study. We suggest that NERC seek congressional funding to restore the reserve amounts used to address this matter. At minimum, in responding to any *future* congressional directives, we would strongly encourage NERC to reconsider its opposition to seeking federal funding.

In addition, it is not clear to us how the deferred hiring of planned staff and decision to instead hire additional staff specific to the NERC study fits in with NERC’s strategic, long-term planning for needed staff and the associated costs that will be borne by NERC members—and ultimately by ratepayers. We would appreciate additional discussion of this issue at the upcoming meetings.

Assessment of Reliability Impacts of EPA’s Proposed Carbon Dioxide Rules for Power Plants

EPA released on May 11, 2023, its proposed rules¹ to regulate carbon dioxide emissions from new, existing, modified, and reconstructed power plants. The proposed rules would regulate new gas-fired combustion turbines, existing coal plants, and certain large and baseload existing gas plants, which if adopted, would have an impact on the reliability of the grid due to the expected retirement of coal and natural fired power plants. It would be consistent with NERC's role as the ERO, and with its past practice, for NERC to assess the resource adequacy effects and operational impacts of EPA's proposed carbon dioxide regulations and communicate the impact to EPA in a timely manner so it can incorporate the information into its development of the final rules.

In 2014, NERC conducted an analysis of the potential reliability impacts to the bulk power system from EPA's proposed Clean Power Plan. We believe that a similar analysis of the impact of EPA's proposed carbon dioxide rules would be appropriate. Baseload generation has been retiring at an accelerated rate due to market conditions, policies, and regulations. Replacement generation has not been built fast enough to replace the lost capacity from these retirements, creating significant operational challenges for NERC and industry to maintain grid reliability in many regions of the country (both in and outside of organized electricity markets). NERC should study whether the new proposed rules are likely to further accelerate power plant retirements, further straining the reliability of the grid.

¹ New Source Performance Standards for Greenhouse Gas Emissions from New and Reconstructed Fossil Fuel-Fired Electric Generating Units; Emissions Guidelines for Greenhouse Gas Emissions from Existing Fossil Fuel-Fired Electric Generating Units; and Repeal of the Affordable Clean Energy Rule, EPA-HQ-OAR-2023-0072, 88 FR 33240 (May 23, 2023), available at <https://www.epa.gov/stationary-sources-air-pollution/greenhouse-gas-standards-and-guidelines-fossil-fuel-fired-power>.