

MEMORANDUM

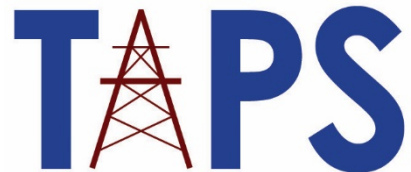
TO: Roy Thilly, Chair
NERC Board of Trustees

FROM: Jack Cashin, Director, Policy Analysis and Reliability Standards, American Public Power Association
John Di Stasio, President, Large Public Power Council
John Twitty, Executive Director, Transmission Access Policy Study Group

DATE: January 25, 2018

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 Roy Thilly's January 4, 2018 letter requesting policy input in advance of the February 7-8, 2018 NERC Board of Trustees meetings.



MEMORANDUM

TO: Roy Thilly, Chair
NERC Board of Trustees

FROM: Carol Chinn
Vicken Kasarjian
William J. Gallagher
David Osburn

DATE: January 24, 2018

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 letter dated January 4, 2018 to Mr. John Twitty, Chair of the MRC, requesting policy input on how greater efficiencies can be achieved with stakeholder engagement while preserving and improving on the effectiveness of that engagement. The letter recognizes that policy input on stakeholder engagement is a starting point of the ERO's larger goals in the ERO Enterprise Long-Term Strategy and ERO Enterprise Strategic Plan focusing on total ERO Enterprise costs, including the significant costs incurred directly by stakeholders. Consequently, stakeholder engagement and overall ERO efficiency and effectiveness will be highlighted during the upcoming meetings of the NERC Board of Trustees (BOT), Board committees, and the MRC on February 7-8, 2018 in Fort Lauderdale.

Summary of Comments

➤ **Increasing Efficiency and Effectiveness of ERO and Stakeholder Engagement**

- SM-TDUs believe that stakeholder engagement efficiency can be improved through increased executive involvement and direct information flow to and from subject matter experts (SMEs) and the ERO.

Introduction

The SM-TDUs appreciate the Board highlighting that a priority goal of the ERO is focusing on streamlining the ERO's long-term strategy and strategic plan to achieve cost-effectiveness and efficiency. Addressing the stakeholder piece of the long-term strategy and strategic goals is laudable, but it needs to be understood that addressing any such piece must fit with the overall ERO priorities to be effective. As an initial point, SM-TDUs want to stress that meeting the ERO's priorities will require appropriate balancing of efficiency and effectiveness. Efficiency cannot be achieved solely by cutting costs. Therefore, with respect to stakeholder engagement, consolidation of existing committees and working groups may lower costs but does not specifically mean increased stakeholder engagement efficiency. Similarly, fewer meetings may not necessarily lead to greater efficiency.

SM-TDUs believe two guiding principles should be used when the ERO evaluates stakeholder engagement efficiency: first, executive engagement from both the ERO and from stakeholders should be utilized to address ERO priority issues; and second, information moves from stakeholder SMEs to the ERO Board and executives (or in the inverse direction) should not, and need not, be filtered.

There are three primary areas that SM-TDUs recommend the Board address to improve stakeholder engagement efficiency: 1) efficiency of meetings, 2) executive-level communication & sponsorship, 3) and NERC Staff engagement.

1) Efficiency of Meetings

Generally, the number of committees, sub-committees, and working groups is sufficient. SM-TDUs believe the work of the existing groups is extremely valuable and NERC benefits greatly from industry SMEs dedicating their time to these efforts. While public power views these groups as providing great value, we recommend that NERC consider consolidating groups based on overlap of subject matter. For example, there may be overlap between working groups or task forces where it would make sense to combine. This could result in a more efficient use of industry representation.

Public power agrees with the Board assertion in the letter that stakeholder engagement efficiency is strongly related to the ERO's long-term strategy and strategic plan. Last year stakeholders, including the SM-TDUs, appreciated the consolidation of the organization priorities that was done to improve the strategies and plans, and in turn, the priorities of the ERO. SM-TDUs believe there is a direct correlation between the breadth of ERO priorities and the number of stakeholder groups. Consequently, we would reassert to the Board as we start another planning year that tightening and directing ERO priorities will go a long way to increasing the overall efficiency of stakeholder engagement.

Public power acknowledges that some effort has been made in recent years to ensure that the selection of meeting sites recognizes the geographic diversity of the ERO. However, some entities, particularly those that reside in the West, believe that they are required to travel significantly further on average than other stakeholders to actively participate in the various ERO-sponsored meetings. We encourage the ERO to make a concerted effort to hold meetings across North America, to even-out the added time commitments and costs associated with stakeholders who willingly volunteer to be part of the ERO process. We understand meetings at NERC's headquarters and other east coast locations cut down on travel costs for NERC staff. However, stakeholders believe that the time and cost for their travel warrant equal consideration. With respect to NERC staff being unable to travel, there are still opportunities for staff to do WebEx presentations, given a presentation is often a reason for the NERC staff member's attendance.

2) Executive-Level Communication and Sponsorship

Within the existing committees, subcommittees, working groups, and task forces, the stakeholders, as subject matter experts, provide robust industry participation critical to the section 215 structure that empowered NERC to become the ERO. In some instances, NERC has recruited executive-level representation from the stakeholder community. The RISC Committee and the MEC (E-ISAC), and most recently the Standards Efficiency Review effort serve as examples. SM-

TDUs believe the ERO should further pursue this same form of recruitment to the standing committees and engage industry executives wherever possible. Therefore, we would encourage NERC senior management and the Board to reach out to stakeholder company executives to solicit their representation within the ERO committees, sub-committees, working groups and task forces.

Recognizing that industry executives will be hard-pressed to commit to the rigorous schedules of committees, SM-TDUs recommend that executive sponsorship be explored. The ERO outreach would be to engage the appropriate level executive. However, the executive's participation would be such that he or she could proxy another member of their organization, or of the committee, to act in their stead. Therefore, the executive would be able to balance their time commitment while still being engaged in important committee decision-making.

SM-TDUs believe having company executives and ERO executives engaged in the important committee, sub-committee, working group, and task forces will improve stakeholder engagement efficiency. This is not to say that an industry executive needs to be part of each group, but, at a minimum, that the groups that are dealing with priority ERO issues have an industry executive involved either directly or through a proxy relationship.

Public power recommends that the Board seek to implement the principle of non-filtered information flow noted above. In any organization, the content and tone of a communication can get "lost in translation" as it is passed from one person to the next. To address this concern, SM-TDUs strongly believe that information flowing from SMEs to the Board and from the Board to subject matter experts should be direct and unfiltered. This is not to suggest that information should be incomplete or less than professional, but rather to suggest that the information be communicated in a way that its direct quality not be diminished. SM-TDUs have experienced instances where initial communications to NERC staff have been changed to a point where the information is different when communicated to the Board or included in a report. Information flow in the ERO should not be filtered or abridged at any level. Filtering information can lead to miscommunication and misunderstanding, which reduces stakeholder engagement efficiency and could increase risks to reliability, while Board attention to preserving the direct flow of information between the Board and subject matter experts would increase efficiency.

SM-TDUs believe the Board should open discussion to consideration of having the committees, sub-committees, working groups, and task forces report to the MRC. Currently, this is done implicitly, but making this an explicit relationship could increase stakeholder engagement efficiency. Public power believes that making this clarification would address the two principles above. First, many of the MRC are either executives or are proxies for their company's executive management, providing the NERC Board with needed senior direction. Second, having the committees, sub-committees, working groups and task forces accountable to the MRC would bolster the need for executive engagement. Third, MRC engagement would provide for a more direct exchange of information, avoiding the concerns about indirect communication discussed above. We encourage the Board to consider formalizing the MRC's relationship to stakeholder committees and make it a part of the Fort Lauderdale meeting discussion.

3) NERC Staff Engagement

NERC staff has a critical role in the success of the committees, subcommittees, working groups, and task forces. Stakeholder involvement and input relies on NERC staff, which influences the direction, communication, etc. of the stakeholder groups. Accordingly, NERC Staff must meet two needs for effective representation; first, having the industry knowledge and expertise in technical reliability matters, and second, handling committee administration and facilitation. SM-TDUs recognize that is difficult for staff to balance these skills, but believe it is necessary for efficient stakeholder engagement.

Thank you for the opportunity to provide this policy input. We look forward to the discussion at the meetings.