

MEMORANDUM

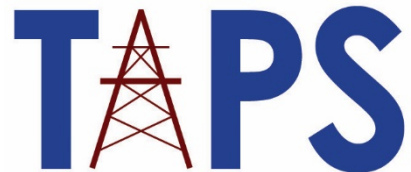
TO: Roy Thilly, Chair
NERC Board of Trustees

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: August 1, 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 July 11, 2018 letter requesting policy input in advance of the August 2018 NERC Board of Trustees meetings.



MEMORANDUM

TO: Roy Thilly, Chair
NERC Board of Trustees

FROM: Carol Chinn
William J. Gallagher
Roy Jones
John Twitty

DATE: August 1, 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 July 11, 2018 to Mr. Jason Marshall, Chair of the MRC that invited MRC member sectors to provide input on preliminary agenda topics, or on other matters that the sectors wish to bring to the Board's attention. The SM-TDUs provide these comments on the ongoing efforts associated with NERC's 2019 budget and its efficiency and effectiveness efforts. We look forward to discussing these items, along with the balance of the agenda package scheduled for distribution on August 2, at the upcoming meetings of the Board of Trustees (BOT), Board committees, and the MRC on August 15-16, 2018 in Calgary.

Summary of Comments

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

- Clarity regarding the Board's intentions concerning future policy input would be beneficial.
- SM-TDUs believe that stakeholder's should receive greater responsive engagement and transparency with respect to NERC's 2019 budget and its efficiency and effectiveness efforts. Such engagement and transparency would facilitate full, unfiltered input on those efforts.
- The Standards Efficiency Review should continue and review of the CIP standards should begin without delay.
- Specific discussion of NERC's statutory authority with respect to resilience would be beneficial.
- Quarterly Board updates on the transition to multiple Reliability Coordinators in the West is encouraged.

SM-TDUs Policy Input

The SM-TDUs appreciate the Board's continued commitment to seek policy input from the MRC as demonstrated by the development of the framework for identifying and evaluating opportunities to improve ERO Enterprise effectiveness and efficiency, including the effectiveness and efficiency of stakeholder engagement and the ERO budget. Additionally, SM-TDUs appreciate Jim Robb's June 26, 2018 letter to industry leaders that defined his priorities and identified key risks. Such a communication is valuable, and we would encourage repeating the effort going forward, possibly on an annual basis.

While SM-TDUs believe it is their responsibility to bring issues to the BOT and are happy to do so we are concerned, however, that, for the second consecutive Board meeting there were no specific issues on which the Board saw fit to solicit comments from industry stakeholders. We believe that some further explanation for this omission would be beneficial.

The following are some of the concerns that SM-TDUs raise for the Board's consideration.

NERC 2019 Budget

For stakeholders to execute their roles in the ERO Enterprise, responsive engagement and transparency are essential. While SM-TDUs can understand why stakeholders may be excluded from discussions involving compliance and enforcement matters, we believe that, as ERO funding entities, our input on budget issues should be given considerable weight. To date, we have not seen much evidence that our NERC 2019 budget input has been taken into account.

Stakeholders are eager to learn how issues such as the Canadian usage of the E-ISAC will be resolved. And while issues such as the Situational Awareness for FERC, NERC and the Regions (SAFNR) have been considered on a standalone basis in budget discussions, stakeholders believe it would be beneficial to see how an item such as SAFNR is evaluated in the context of other significant increase items. Such an evaluation would provide transparency about whether funds should be increased/decreased in 2019 compared to other years. SM-TDUs believe such a comparison also would be of value when considering the CMEP Tool.

Efficiency and Effectiveness Effort

Importantly, because public power believes the efficiency and effectiveness effort will set the framework for future budgets, the current lack of response to our 2019 budget comments heightens our concerns regarding the extent to which stakeholders will be truly included in the ERO efficiency and effectiveness effort, as it moves forward. SM-TDUs recognize that the standing committees' effectiveness is only one of three efficiency and effectiveness focus areas. We believe the other two areas of focus: effectiveness of ERO programs and processes and cost reduction that comes without loss of effectiveness, are of equal, if not greater importance. Each of these 3 focus areas must be evaluated in a manner that allows for stakeholder engagement from the start. Therefore, we recommend that the Board engage the MRC subgroup and respective Board members to develop the effectiveness and efficiency priorities and plan.

Standards Efficiency Review

As was noted at the recent Trades meeting, SM-TDUs believe the Standards Efficiency Review (SER) should not end with the current SAR. We believe that the further modifications effort that NERC has referred to as "Phase 2," suggests additional efficiencies are achievable. SM-

TDUs strongly believe, however, that the CIP standards should also now be reviewed for potential retirements without delay.

The SM-TDUs are exceptionally concerned that the standards grading effort continues in parallel with the SER efforts. For example, the SER affected a majority of the standards included in the grading effort. The SM-TDUs believe conducting these initiatives in parallel was not efficient or effective for the organization.

Resilience

We understand the RISC is continuing to study resilience, and we look forward to reviewing its progress at the Board meeting in Calgary. The NERC Statement on resilience poses some questions on NERC's statutory authority, which we agree warrant discussion. SM-TDUs believe that stakeholders, the BOT, NERC, and the Regions should have a joint understanding of resilience and its implications for reliability.

The West and Reliability Coordinator Certification

The Reliability Coordinator (RC) situation in the West is important, especially for entities in the Western Interconnection, and many SM-TDU companies are paying close attention to this and the pending certification process and coordination between WECC and NERC. We appreciate NERC's attention to this issue and its recognition that the transition from a single RC to multiple RCs in the Western Interconnection requires collaboration and coordination among a variety of entities. SM-TDU utilities in the Western Interconnection recognize the importance of a strong RC and are working with NERC and WECC to ensure the reliability of the Bulk Power System (BPS) and are evaluating the RC service providers in the Western Interconnection to determine the best option for reliability and their customers. The reliability issues for NERC and stakeholders during this transition include the management of seams, communication protocols during planned and unplanned outages, and consistency of RC models across the interconnection. Additionally, ensuring that the RC is NERC-certified and meets the requirements of an RC is important for reliability of the BPS. SM-TDUs believe this issue should be regularly updated until there is full transition in the West.

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