

MEMORANDUM

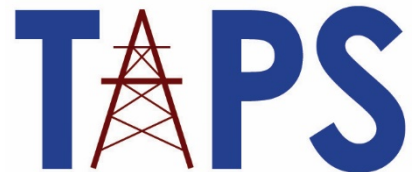
TO: Roy Thilly, Chair
NERC Board of Trustees

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: October 23, 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 October 3, 2018 letter requesting policy input in advance of the November 6-7, 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: October 23, 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 October 3, 2018 to Mr. Jason Marshall, Chair of the MRC that invited MRC member sectors to provide input on three items detailed in the letter: the Reliability Issues Steering Committee (RISC) Report on Resilience, the program alignment initiative and NERC metrics. The SM-TDUs herein provide these comments on those issues. We look forward to discussing these items, along with the balance of the agenda package scheduled for distribution before the upcoming meetings of the Board of Trustees (BOT), Board committees, and the MRC on November 6-7, 2018 in Atlanta, Georgia.

Summary of Comments

➤ **RISC Resilience Report**

- The RISC Resilience Report (Report) appropriately outlines NERC's relationship with resilience, specifically that reliability already includes elements of resilience. The Report would benefit from explicit mention of NERC's Section 215 statutory authority with respect to resilience.

➤ **Program Alignment Initiative**

- The Program Alignment Initiative is working well and SM-TDUs strongly support engagement with the Compliance and Certification Committee (CCC). Public power also believes that there are several associated efforts that, while not specifically part of the alignment effort, should be recognized to bolster program alignment. In addition, greater transparency and promotion of the alignment effort would benefit stakeholders.

➤ **Metrics**

- SM-TDUs look forward to the additional materials that will be coming out prior to the Atlanta meetings and will provide further input at that time.

SM-TDUs Policy Input

The SM-TDUs appreciate the Board's continued commitment to seek policy input from the MRC in advance of the quarterly Board and MRC meetings. The following are the views of the SM-TDUs regarding the issues and associated questions raised in the Board's letter.

Reliability Issues Steering Committee Resilience Report

Board questions from letter to the MRC:

1. Does the report sufficiently capture NERC's responsibilities, current and planned activities, and priorities related to resilience?
2. Are there any specific additional activities that NERC should consider pursuing related to resilience?

SM-TDUs support the Report which is consistent with Public Power's view that reliability already includes elements of resilience. Importantly, resilience is not a subset of reliability, but embedded in the various NERC standards and efforts that ensure the reliable operation of the bulk-power system (BPS). Resilience has been a part of reliability and the RISC Report table (page 9-10) does a good job identifying these current responsibility components.

SM-TDUs have concerns that broadening NERC's scope with respect to resilience goes beyond NERC's Section 215 authority. The RISC's efforts to align that scope with the adequate level of reliability (ALR) definition properly sought to recognize the limited scope of the ERO's Section 215 authority. In discussing adequacy, the RISC points out (footnote 13) that Section 215 does not specifically authorize NERC to develop standards related to adequacy and safety. SM-TDUs believe that stating that fact in the report rather than lowering it to a footnote would be valuable to report readers.

The Report outlines several NERC activities that seek to produce resilience supportive outcomes. SM-TDUs recommend that NERC add two other actions that would support resilience. First, NERC, in conjunction with industry stakeholders, should expand reliability assessment activities to support the development of a model or metrics to measure the security of the BPS. In addition, NERC, with the standing committees, should develop additional reliability guidance around achievement of both resilience and energy security, focusing on flexible design approaches and timely recovery processes for different threats.

While SM-TDUs do not think additional expansion of NERC's role is needed, the models and/or metrics could help better characterize the "resilience" benefits of existing reliability standards and/or guidance. In turn, use of such metrics should best ensure the standards development's future effectiveness and efficiency.

The Report serves as a capstone on outlining existing NERC resilience work and providing direction on how to best monitor resilience given the scope of the ERO's authority. As such, the RISC should be thanked for their hard work and Board should render their resilience project closed.

ERO Enterprise Program Alignment Efforts

Board questions from letter:

1. How is the ERO Enterprise Program Alignment Process working in practice for stakeholders?
2. Are there specific aspects of the ERO Enterprise Program Alignment Process that are not effective in capturing and resolving particular alignment issues in CMEP?
3. Are there any additional activities the ERO Enterprise should consider in connection with achieving its alignment goals?

SM-TDUs believe the ERO Enterprise Program Alignment Process works well for stakeholders and that the program is in its initial stages providing room for growth. Stakeholders appreciate NERC's willingness to work with the CCC to gain clarity over stakeholder concerns with the program. This collaborative effort helps to facilitate a more efficient and effective compliance process for NERC and registered entities.

SM-TDUs understand that the initial alignment effort focuses on multiple-region registered entities. While the bulk of state/municipal and transmission dependent utilities operate in one NERC region, SM-TDU companies have an aligned interest with all stakeholders that the ERO enterprise operate efficiently. Such efficiency results from all the regions using best practices derived from the alignment effort. Therefore, alignment improvements can come from the alignment matrix, as well as other efforts. SM-TDUs see great opportunity for NERC to gain efficiencies by considering all alignment-related efforts.

Having the CCC subcommittee work in a liaison capacity with stakeholders to ensure appropriate processing of stakeholder input into the alignment matrix is valuable to the alignment effort. SM-TDUs do not believe the volume of alignment matrix input is the lone measure of the program's success. The alignment program's success or failure includes several other activities in addition to the alignment matrix. For example, the CCC subgroup also works with ERO staff on the Compliance Monitoring and Enforcement Program (CMEP) information technology (IT) tool and its development. The CCC and NERC staff have been delivering an appropriate level of messaging on the alignment effort in regional workshops and presentations. Additionally, stakeholders are excited to utilize the alignment efficiencies they believe will result from the "dashboard" created as part of the IT tool effort. While these activities are considered IT tool efforts, they send, and contribute to an appropriate overall message. Stakeholders believe that the IT tool also plays an important role in improving ERO alignment by providing a common tool for all stakeholders to use.

The CCC stakeholder engagement is a valuable component of the alignment program and should be expanded. Currently, the CCC subcommittee provides advice when asked by NERC staff about a particular issue. SM-TDUs believe that increasing the CCC engagement on a greater number of issues is a significant opportunity that NERC should tap.

SM-TDUs believe that the alignment effort and associated activities deserve greater visibility and transparency. Current activities are difficult to find on the website and while the companies that are specifically engaged with the CCC may appear to be informed, a significant number of other stakeholders are not well-informed about alignment efforts. A single place on the NERC website for identified alignment efforts would provide greater visibility and access for all stakeholders. In addition, alignment could be more effective if stakeholders understand NERC's alignment responses. For example, one-time attestations were raised as an issue in the alignment matrix and considered resolved. Stakeholders did not believe there was a clean, focused answer to the original question. Consequently, the issue seemed unresolved and there was not a place within the process to raise questions about the purported resolution. SM-TDUs believe that such reporting or communication structure should be added to the program.

Proposed 2019 ERO Dashboard Metrics and NERC Corporate Metrics

SM-TDUs have no specific comments on the proposed 2019 ERO Dashboard metrics and NERC Corporate metrics at this time. We understand that further materials will be posted prior to the Atlanta meeting. SM-TDUs will comment on the issue at the upcoming Atlanta meeting.

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