

MEMORANDUM

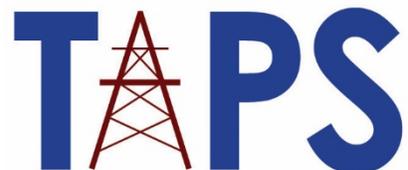
TO: Roy Thilly, Chair
NERC Board of Trustees

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 30, 2018

SUBJECT: Response (second) 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 15, 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 30, 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 the second request for policy input based on your October 15, 2018 letter to Mr. Jason Marshall, Chair of the MRC, which invited MRC member sectors to provide input on proposed 2019 ERO Dashboard Metrics and ERO Performance Objectives. Herein, the SM-TDUs provide comments on these supplemental issues. We look forward to discussing these items, along with the initial policy input items and the rest of the agenda package, at 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

➤ **2019 ERO Dashboard Metrics**

- The metrics and goals should be more closely aligned.

➤ **ERO Performance Objectives**

- ERO performance objectives should be focused on the ERO rather than on industry operational performance alone.
- Risk-informed standards should not be goals but rather result from using the full range of ERO tools that can best be used to inform the standards process about reliability risks.

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 second letter.

2019 ERO Dashboard Metrics and ERO Performance Objectives

Board questions from letter to the MRC:

1. Does the separation between an ERO “Dashboard” for system performance tracking and “Performance Objectives” for ERO activities seem appropriate?
2. Do the ERO Dashboard Metrics capture the correct set of BES reliability and security trends?
3. Are the ERO Performance Objectives a reasonable representation of the highest priority activities for NERC and the ERO Enterprise to address in 2019?

SM-TDUs support the dashboard metrics and believe, for the most part, that each captures Bulk Electric System (BES) operational reliability changes. However, public power thought that the metrics would align with the proposed goals rather than a single focus on industry operating reliability changes. While SM-TDUs recognize that there need not be a one-for-one connection between each metric and goal, there should be some alignment between the ERO metrics and performance goals.

We would also observe that the proposed 2019 Industry Dashboard Metrics largely track *industry* operational performance measures more-so than ERO performance. Only non-compliance violation trends provide a dashboard item that measures something other than industry reliability measures, and is more related to ERO performance. If the intent of the metrics is only to track industry reliability indicators, then, potentially, the non-compliance metric should be eliminated. However, if the intent is to track a wide range of ERO performance metrics, then there should be greater balance in the metrics. This could be achieved by adding further non-compliance, planning improvement, and standard development-related metrics.

If the “compliance violation trends” metric is retained, SM-TDUs would recommend different wording for the metric. The two meter indicators show annual performance which would not be at trend. Moreover, it is arguable that the rolling three-year meter is also not indicative of a trend. The August Board meeting discussion highlighted that increases (and decreases) do not always denote a trend. Therefore, SM-TDUs would recommend substituting, “change” for “trend.” Trends are prevailing results rather than recent changes. NERC metrics are in their beginning stages, so designating their change as trends, seems premature.

Understandably, the metrics do not significantly address security. Security is a new area of performance tracking and establishing credible metrics will take time. The only security metric currently tracked is metric six regarding unauthorized physical or electronic access. SM-TDUs believe this metric is sufficient for the time being, but also agree that the ERO should be seeking to replace it with other, more meaningful measures. Intuitively, many would assume unauthorized electronic access is increasing. This is not due to utilities being lax, but due to better analysis and detection and increased unauthorized access attempts. Therefore, if the measure is increasing, it may not have significant meaning. SM-TDUs do not offer this as a criticism but would offer that the maturation and growth of the E-ISAC should offer up more meaningful metrics going forward.

SM-TDUs believe that the six goals listed are appropriate representations of the highest priority items for the ERO in 2019. However, some of the details listed under the goals raise questions. Many of the goals list standards as a solution or set industry up with responsibilities that have little or no reliability gain associated with the required industry resource commitment. SM-TDUs believe that often there are other tools that the ERO can and should be using, prior to standard development. Importantly, risk-informed reliability standards would need the basis developed by such tools to be risk-informed. SM-TDUs are concerned with the jump to standards found in the proposed goals.

For example, regarding the detail associated with goals, under Goal 1 SM-TDUs strongly support the move to risk-informed standards as a priority, seeing the Standards Efficiency Review and moving to review of the CIP standards, as a fitting priority in the ERO's 2019 goals. However, the SER phase II is not listed as a 2018 goal which concerns public power. Additionally, SM-TDUs believe the CIP goal should be to establish a process and timeline for CIP review, rather than just "initiate" review. Also, the Goal 1 priority list includes items that are not yet projects with SARs. SM-TDUs believe it is premature to list pre-SAR items as priorities for the ERO in the coming year.

Risk-based standards do not require that every identified risk necessitates a standard (Goal 1, #4 & Goal 3, #1). For example, tools such as alerts and other guidance have been issued when inverters garnered attention and identified risks. Therefore, the risk is known and being monitored. Consequently, there is not an established need for a standard. This is especially true in the case where a standard could be considered not to be fuel-agnostic and seek to manage vendor products through registered entities. SM-TDUs believe that dealing with such risks and associated issues requires a more measured approach and a clear, definitive need for a standard, before moving to a standard as an ERO goal.

One of the 2018 ERO goals was to improve results of the ERO effectiveness survey for the least favorable results. SM-TDUs are surprised that this is not included as a goal for 2019. We believe the ERO survey completed in August would inform such a goal. We recommend that the results of the ERO 2018 survey be provided and that the 2018 goal be repeated in 2019.

SM-TDUs strongly support Goal 5 and its associated key objectives. The listed objective headings of information sharing, analysis, and engagement are tasks that industry E-ISAC members are eager to see accomplished to increase the overall security interests of North American utilities.

The ERO Enterprise Efficiency and Effectiveness effort in Goal 6 remains a key priority for SM-TDUs who strongly support the effort becoming a goal and priority for NERC. Public power reasserts that efficiency and effectiveness are not achieved solely through cost-cutting. For example, the objectives under ERO coordination initiatives have the potential to provide increased efficiency and effectiveness regardless of the cost impact.

SM-TDUs look forward to further discussion of the metrics and performance goals at the upcoming meetings.