

MEMORANDUM

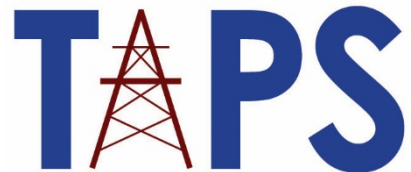
TO: Roy Thilly, Chair
NERC Board of Trustees

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 6, 2019

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, 2019 letter requesting policy input in advance of the August 2019 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 6, 2019

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 July 11, 2019 letter to Mr. Greg Ford, Chair of the MRC.

We appreciate the invitation for MRC member sectors to provide input on an important policy and governance matter that is intended to improve the efficiency and effectiveness of NERC and the stakeholder process: the proposal to replace the NERC Critical Infrastructure Protection Committee (CIPC), Operating Committee (OC) and Planning Committee (PC) with the Reliability Security Council (RSC). Herein, the SM-TDUs provide policy input on the proposal.

We also provide additional input to thank NERC for launching the CIP Standards Efficiency Review project.

We look forward to discussing the proposal, along with other agenda package items at the upcoming meetings of the Board of Trustees (BOT), Board committees, and the MRC on August 14-15, 2019 in Quebec City.

Summary of Comments on Proposal to Restructure NERC Technical Committees

- **Both Option 1 and Option 2 provide the needed central oversight for the three standing committees. Importantly, Option 1 provides oversight by refocusing the OC, PC, and CIPC, while retaining the benefits those committees bring to NERC and the industry. If it is not acceptable as a long-term solution, Option 1 should be adopted as the mechanism for achieving an effective and efficient transition.**
- **Should Option 2 be selected, then the following need to be employed:**
 - **The Sectors should have three (3) representatives on the RSC, or in the alternative, a minimum of two (2) representatives.**
 - **The Sector representatives and leadership should be elected by stakeholder groups, with BOT oversight.**

- **The transition needs to be well thought out and structured, and then an appropriate timetable determined.**
- **Executive experience should not be a qualifying-criteria for RSC membership.**

SM-TDU Comments on the NERC Board of Trustee’s Request for Policy Input

The SM-TDUs support NERC’s objective to improve effectiveness and efficiency and encourage NERC not to lose the value that the three stakeholder committees have brought to NERC for decades. Otherwise, the commitments made by individual stakeholders and their organizations to these committees would be lost. Consistent with that encouragement, SM-TDUs believe Option 1 would be a better approach to retaining the many benefits of the existing structure, while also ensuring committee coordination is focused on reliability and security priorities.

Option 1

The focus of Option 1 is to oversee the important work of the existing OC, PC, and CIPC committees, including the best aspects of both options by providing a central oversight committee. By directing priorities, the oversight committee will reorient the work of the existing three technical committees, without dissolving the existing OC, PC and CIPC committees. While we understand that the intent of the SET proposal is for the task forces and subcommittees to continue their efforts under the RSC, once it is established, the elimination of the three committees puts at risk the investment by current members and their sponsoring organizations, as well as the institutional knowledge and processes that have long contributed to the success of NERC’s mission.

While the SM-TDUs believe that the true efficiency promise lies with Option 1, we recognize that Option 2 appears to be the preferred approach. Thus, if Option 1 is not acceptable as a long-term solution, then, at a minimum, Option 1 should serve as the foundation for the transitional plan for Option 2 (as improved by implementing our suggestions below). Option 1 would allow for the needed oversight as the three committees can prioritize work as they are phased out in an orderly fashion.

Option 2 –Reliability Security Council -with Modifications

If the Electric Reliability Organization (ERO) is committed to selecting Option 2, then the SM-TDUs believe that it needs to be modified to be successful. The following explains the recommended modifications to ensure success for the RSC oversight entity.

- **Role of the Reliability Issues Steering Committee**

The success of Option 2 depends on the Reliability Issues Steering Committee (RISC) and assumes the RISC is a mature committee that has reached peak effectiveness. In the context of the proposal, that assumption needs to recognize that, although RISC was established to do triage, it does not perform that task as originally envisioned. Moreover, the RISC needs an established, repeatable process for setting priorities so that stakeholder members of the RISC can have an

effective role in focusing on key priorities, with NERC staff support. The SM-TDUs recognize that the RISC members, along with NERC staff, are working on resolving these matters.

- **RSC Members Should be Elected by Stakeholder Peers**

The SM-TDU Sectors believe that to function effectively as a stakeholder committee, RSC members that are sector representatives should be elected rather than nominated as suggested in the Option 2 proposal. Sectors are best suited to self-select the Subject Matter Experts (SMEs) to represent them on the RSC; SMEs that are well-suited to understand and contribute to an oversight committee. There is no evidence that the existing system has led to uneven geographic representation or SME imbalance. On the contrary, diversity has been achieved through election. Additionally, the proposal does not adequately justify the nomination committee selecting the sector representatives as well as the significant number of at-large members. While the NERC BOT will still have final say on RSC membership, the election model would provide the needed transparency if the BOT does not accept an elected representative.

- **The Composition of the RSC Should be Modified to Better Ensure Effective Sector Representation**

As currently proposed, the RSC would have 11 sector representatives and 20 at large members, plus the RSC Chair and Vice Chair. Consistent with support for electing RSC members with adequate stakeholder expertise, the SM-TDUs strongly prefer that each of the 11 sectors elect three (3) representatives to the RSC to secure the technical expertise from each of the three substantive areas (OC, PC, and CIPC). At a minimum, to be effective, the RSC should have two (2) elected representatives from each sector. Allowing for only 1 representative per sector (11 sectors representative out of 33 proposed members – see page 12 of the SET proposal) is not sufficient to assure the broad representation and diversity of stakeholder views. The remaining 9 spots would be at-large positions, providing the nominating committee an opportunity to fill in any gaps in regional diversity or expertise. To the extent a sector cannot fill its two spots, that spot can default to the applicable term for an at-large position.

- **RSC Leadership Should be Elected by the RSC**

RSC leadership, similar to sector representatives, should be elected, rather than selected, through a nominating committee process. The Chair and Vice Chair of the RSC should be elected by the full RSC, subject to confirmation by the BOT. Adopting this approach, along with the other proposed changes to the composition and selection process for RSC members, will better ensure a balanced nominating committee for selecting the at-large members of the RSC. Allowing RSC members to elect the Chair and Vice Chair would also reduce the size of the RSC by two, enhancing its efficiency.

- **RSC Membership Should Not be Limited to Executives**

The qualifications for RSC membership should be modified. While executives with technical expertise may seem a good fit, the SM-TDUs believe requiring executive experience could lead to a less effective RSC. Requiring executive experience for at-large members (as provided on page 21 of the proposal) would be inappropriate, potentially excluding candidates with valuable technical knowledge and experience. A requirement of managerial/leadership experience

coupled with the necessary technical knowledge would enable the members to provide the effective policy oversight that the RSC is intended to provide. Basing committee membership on titles rather than experience could serve to deny able contributors that would otherwise benefit the ERO. This could be especially true for small entities, where titles often do not tell the true story of leadership or experience.

- **Transition Timetable**

The SM-TDUs believe that the successful movement to an oversight committee, such as the RSC, is dependent on an adequate transition plan and timetable. As mentioned earlier, if not selected as a longer-term approach, Option 1 should be used as the foundation for a transition plan to Option 2. In any case, the process for planning and structuring the transition needs to be elongated to ensure that the existing work of the OC, PC, and CIPC effectively continues. The proposed March 2020 implementation date is unreasonable. This is especially true given the need to more fully develop the implementation plan and charter.

Additional Input Item – SER Phase 2

We appreciate NERC's efforts to launch and support the CIP Standards Efficiency Review (SER). The SER has been an important effort and we commend NERC for completing Phase I. We look forward to engaging with NERC and the industry to advance the CIP SER.

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