

MEMORANDUM

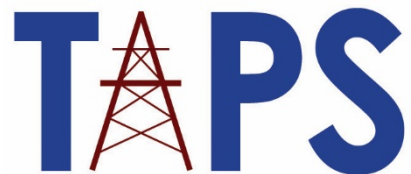
TO: Ken DeFontes, Chair
NERC Board of Trustees

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

DATE: July 28, 2021

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 Ken DeFontes July 7, 2021 letter requesting policy input in advance of the August 2021 NERC Board of Trustees meetings.



MEMORANDUM

TO: Ken DeFontes, Chair
NERC Board of Trustees

FROM: William J. Gallagher
John Haarlow
Terry Huval
John Twitty

DATE: July 28, 2021

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 July 7, 2021 letter to MRC Chair Paul Choudhury requesting MRC member sectors to provide input on implementation of ERO policies, procedures and programs for 2021/2022 Winter readiness. Specifically, the Board asks: (1) are there other activities that the ERO can pursue for the upcoming winter and (2) are there further steps that can be taken by industry? We look forward to discussing the policy input and other agenda items during the virtual meetings of the Board of Trustees (Board), Board committees, and the MRC, on August 11-12, 2021.

Summary of Comments

- **The SM-TDUs generally support ERO efforts to better ensure winter readiness.**
 - **The efforts the ERO plans on pursuing to evaluate industry preparedness for the 2021/2022 winter appear to be adequate, although SM-TDUs believe the proposed CMEP practice guide is unnecessary and premature given that the Cold Weather Reliability Standards have not yet gone into effect.**
 - **The ERO's proposed evaluations of winter readiness should not prematurely incorporate pending standards or inquiries.**
 - **The ERO should consider the impact that existing and pending state actions can have on winter readiness. Coordination with the natural gas industry should also play a role in the ERO's winter readiness evaluation.**

The SM-TDUs appreciate and generally support the ERO's important efforts to evaluate and encourage industry preparedness to ensure reliability as we approach the 2021/22 winter. As highlighted above, however, the SM-TDUs believe that the ERO's proposed evaluations of industry preparedness should be based on existing criteria and should not prematurely incorporate pending standards or outstanding inquiries, particularly the Cold Weather Reliability Standards and the results of the joint NERC-FERC inquiry into the February 2021 arctic weather event, which, as the Board's policy input letter appropriately acknowledges, both remain pending.

Below the SM-TDUs respond to the Board's specific questions. We also highlight some additional issues for consideration regarding the five industry preparedness evaluation efforts listed in the policy input letter.

1. What other activities, if any, should the ERO Enterprise pursue in preparation for the upcoming winter?

The evaluation efforts listed in the policy input letter are likely to provide valuable and important information regarding the industry's preparedness for extreme winter weather, and, with one exception noted below, the SM-TDUs do not have any specific additional activities to suggest at this time. As a general matter, the SM-TDUs believe that it would be premature for the ERO to pursue additional activities beyond those enumerated in the letter, particularly given the pendency of the FERC-NERC inquiry into the February arctic weather event. That inquiry is likely to produce recommendations that NERC may need to implement or otherwise address, and the SM-TDUs believe it could be inefficient – or even counterproductive – to undertake additional cold weather preparedness activities without the benefit of the analysis and recommendations likely to be included in the inquiry report.

Notwithstanding this general concern about undertaking additional preparedness measures at this time, one further activity the ERO could consider pursuing is further collaboration or coordination with the natural gas industry. While the ERO and industry await the joint inquiry report, we encourage the ERO to determine what winterization efforts are occurring within the natural gas industry that could potentially impact electric reliability for the 2021/22 winter. There may be additional opportunities to talk with the gas industry that could inform the ERO's efforts to evaluate electric industry preparedness.

2. What additional steps should be taken by industry to address preparations for upcoming winter extreme events?

Registered entities in some parts of the country are taking additional steps in accordance with local and state regulation. In line with the answer to the Board's first question the SM-TDUs believe it is premature to recommend additional steps industry should take given that many local and state jurisdictions either have recently made or are in the process of making winter preparedness changes. Importantly, the focus and impact of these various state and local initiatives will appropriately vary by region. Southern states, such as Texas, are implementing new reliability measures based on winter 2021 impacts. Northern states, on the other hand, are maintaining long-held parameters for winter preparedness. We encourage NERC to monitor state and regional winter preparedness efforts and identify reliability measures/standards that states are adopting to avoid duplicative or conflicting standards at the national level.

Below are some additional specific comments on the five ERO efforts to evaluate industry preparedness.

Winter Weather Preparedness Outreach and Industry Engagement

The SM-TDUs strongly support and appreciate that NERC is planning webinars and workshops that will focus on cold weather preparedness. Consistent with our answer to the Board's

second question, we would recommend that these webinars be regionally based, but not necessarily based specifically on NERC regions. For example, a workshop for WECC's Southern utilities is likely to differ significantly from those for WECC utilities in the North. Similarly, SERC Midwestern utilities face different winter circumstances from Florida SERC utilities.

Registered Entity On-site/Virtual Engagement and Compliance Monitoring and Enforcement Program Practice Guide

SM-TDUs certainly have no objection to NERC CMEP staff using engagements with registered entities to better understand how registered entities are preparing for winter weather. Preparedness and practices will vary by region, and familiarizing CMEP staff with these regional efforts will be valuable.

SM-TDUs are concerned, however, with the proposal to develop a CMEP practice guide regarding cold weather preparedness. The purpose of Practice Guides is to provide CMEP staff direction for consistent implementation of standards. The Cold Weather Reliability Standards have not yet been approved, nor has the FERC-NERC joint inquiry report been completed. Consequently, there is no standard on which consistent implementation or CMEP staff direction can be developed. The on-site and virtual engagements by CMEP staff should be sufficient to review industry winter preparedness. The SM-TDUs believe development of a practice guide at this time is unnecessary and could be inefficient use of resources given that the Cold Weather Reliability Standards remain pending. SM-TDUs would be concerned that CMEP staff might treat such a practice guide as implementation guidance for the yet-to-be-approved Cold Weather Reliability Standards, with the potential that staff may promote practices that are not required under an approved standard. The SM-TDUs also are concerned that a practice guide at this juncture might even be perceived as a Standard Authorization Request to modify a standard that has not even been approved.

SM-TDUs believe the on-site and virtual engagements with registered entities should provide NERC with enough information to inform registered entities, CMEP staff and the ERO enterprise more broadly on registered entities' winterization practices, and SM-TDUs recommend against the development of the proposed CMEP Practice Guide.

Level 2 NERC Alert

Public power will be responding directly to the draft NERC Alert. Some points that we will ask NERC to consider are:

- The generator owner questions are directed at one registration type, yet the questions appear to be specifically directed at natural gas or other fossil fuel generators.
- The questions often do not account for regional differences with respect to winter weather risks and preparedness. Consequently, the "if, then" flow of the questions can be out of sync for far-north versus far-south utilities.

2021/2022 Winter Reliability Assessment

The 2021/2022 Winter Reliability Assessment will likely have the benefit of the FERC-NERC joint inquiry report and insights developed through the initial ERO staff engagements with registered entities. These resources should provide valuable information for the ERO to gauge potential risks to the BPS during the 2021/2022 winter. The additional focus on preparation, energy management planning and operation expectations should provide the ERO and industry sufficient information to analyze and identify any potential reliability gaps that still need to be addressed.

The SM-TDUs look forward to the MRC meeting discussion on Board questions and NERC's winter readiness efforts.