

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Supply Chain Risk Management) **Docket No. RM24-4-000**
Reliability Standards Revisions)
)

**JOINT COMMENTS OF THE NORTH AMERICAN ELECTRIC RELIABILITY
CORPORATION AND THE REGIONAL ENTITIES IN RESPONSE TO NOTICE OF
PROPOSED RULEMAKING**

The North American Electric Reliability Corporation (“NERC”) and the six Regional Entities,¹ collectively the “Electric Reliability Organization (“ERO”) Enterprise,” submit comments on the Federal Energy Regulatory Commission (“FERC” or “Commission”) Notice of Proposed Rulemaking (“NOPR”) proposing to direct Critical Infrastructure Protection (“CIP”) Reliability Standards development addressing supply chain risk management.² In addition, the Commission seeks comment on other factors to consider in supply chain risk management.

The ERO Enterprise supports the Commission’s continued focus on strengthening the supply chain risk management of Responsible Entities³ to enhance reliability and security. As such, the ERO Enterprise supports the proposed standards development to address the risks outlined in the NOPR as it is consistent with the Standard Authorization Request (“SAR”) NERC submitted to the NERC Standards Committee.⁴ While the ERO Enterprise supports further development as necessary, the ERO Enterprise requests the Commission consider the entirety of

¹ The six Regional Entities include the following: Midwest Reliability Organization, Northeast Power Coordinating Council, Inc., ReliabilityFirst Corporation, SERC Reliability Corporation, Texas Reliability Entity, Inc., and Western Electricity Coordinating Council.

² *Supply Chain Risk Management Reliability Standards Revisions*, Notice of Proposed Rulemaking, 188 FERC ¶ 61,174 (2024) [hereinafter NOPR].

³ As used in the CIP Reliability Standards, a Responsible Entity refers to the registered entity responsible for the implementation of and compliance with a particular requirement.

⁴ NERC Standards Committee Meeting, Agenda Item 7, September 18, 2024, https://www.nerc.com/comm/SC/Agenda%20Highlights%20and%20Minutes/Agenda-September_SC_2024.pdf. The NERC Standards Committee has not taken action on the SAR.

NERC’s standards development efforts and pending filings at the Commission when directing any deadline for completion of these proposed revisions. In addition, the ERO Enterprise looks forward to stakeholder comments on the NOPR regarding how the proposed Reliability Standards revisions could effectively mitigate the risks. Within these comments, the ERO Enterprise provides input on specific aspects of the Commission’s proposal and respectfully requests that the Commission consider these comments in future issuances in this proceeding.

I. COMMENTS

As noted above, the Commission’s NOPR proposes to direct NERC to develop requirements within the CIP Reliability Standards for supply chain risk management (CIP-013-2, CIP-005-7, and CIP-010-4). Specifically, the Commission proposes standards revisions to: 1) address identification of, assessment of, and response to supply chain risks within Responsible Entities’ supply chain risk management plans; and 2) add Protected Cyber Assets (“PCAs”)⁵ as applicable assets within supply chain requirements and protect PCAs at the same level as those assets within the Electronic Security Perimeter.⁶ The NOPR proposes NERC file new or modified Reliability Standards responding to the proposed directives within 12 months of the effective date of a final order.⁷ The ERO Enterprise appreciates the Commission’s consideration of the following comments.

⁵ Unless otherwise indicated, all capitalized terms used in this petition shall have the meaning set forth in the Glossary of Terms used in NERC Reliability Standards (“NERC Glossary”), https://www.nerc.com/pa/Stand/Glossary%20of%20Terms/Glossary_of_Terms.pdf.

⁶ NOPR at PP 31 and 52.

⁷ *Id.* at PP 40 and 52.

A. The ERO Enterprise appreciates the Commission’s recognition of its work on the Standard Authorization Request and other supply chain risk management efforts.

In the NOPR, the Commission recognized the work NERC and the Regional Entities performed to advance supply chain risk management.⁸ The ERO Enterprise appreciates this recognition in the NOPR of the following actions:

- Completing a study of supply chain risks including those associated with low impact assets not currently subject to Reliability Standard CIP-013;⁹
- Modifying Reliability Standard CIP-003 to include supply chain controls for vendor remote access, which the Commission approved in March of 2023;¹⁰
- Completing a review and analysis of the risk posed by low impact BES Cyber Assets and reporting on whether to modify criteria for determining whether a BES Cyber System be categorized as low impact, at the direction of the NERC Board of Trustees;¹¹ and
- Initiating a standards development project to modify Reliability Standard CIP-003 to improve vendor remote access protections based on the Low Impact Criteria Review Report.¹²

⁸ *Id.* at PP 15-18.

⁹ NERC, *Supply Chain Risk Assessment: Analysis of Data Collected under the NERC Rules of Procedure Section 1600 Data Request* (Dec. 9, 2019), <https://www.nerc.com/pa/comp/SupplyChainRiskMitigationProgramDL/Supply%20Chain%20Risk%20Assessment%20Report.pdf>.

¹⁰ *N. Am. Elec. Reliability Corp.*, 182 FERC ¶ 61,155 (2023).

¹¹ *See* NERC, *Minutes: Board of Trustees*, 7 (Feb. 4, 2021), <https://www.nerc.com/gov/bot/Agenda%20highlights%20and%20Minutes%202013/Minutes%20BOT%20Open%20-%20Feb%204%202021.pdf>.

¹² NERC, *Low Impact Criteria Review Report: NERC Low Impact Criteria Review Team White Paper* (Oct. 2022), https://www.nerc.com/pa/Stand/Project%202023%2004%20Modifications%20to%20CIP%20003%20DL/NERC_LI_CRT_White_Paper_clean.pdf.

The ERO Enterprise particularly appreciates the Commission’s acknowledgement in the NOPR of the ERO Enterprise effort to revise Reliability Standard CIP-013-2 to address supply chain risk.¹³ As noted in the NOPR, NERC staff submitted a SAR to the Standards Committee to initiate a standards development project in September 2023.¹⁴ When NERC initially submitted the SAR, there were industry stakeholder questions as to whether the risks could be addressed outside of Reliability Standards requirements.¹⁵ Accordingly, the Standards Committee approved a motion to delay action on the SAR pending consultation with the NERC Reliability and Security Technical Committee (“RSTC”) to determine if there is another approach to addressing the issue raised in the SAR.¹⁶ In response, the RSTC Supply Chain Working Group developed options for consideration.¹⁷ While those options were discussed by the Standards Committee during its September 18, 2024 meeting, there was no further action on the SAR due to the FERC Open meeting agenda noticing this NOPR.¹⁸

In addition to those efforts recognized by the Commission, the ERO Enterprise notes that it has performed other activities focused on supply chain risk management over the past several years:¹⁹

¹³ NOPR at P 17.

¹⁴ *Id.*

¹⁵ NERC Standards Committee Meeting Minutes, September 20, 2023, <https://www.nerc.com/comm/SC/Agenda%20Highlights%20and%20Minutes/SC%20September%20Minutes%20-%20Approved%20Noveber%2015,%202023.pdf>.

¹⁶ *Id.*

¹⁷ RSTC Supply Chain Working Group letter to Chair of NERC Standards Committee, May 7, 2024, https://www.nerc.com/pa/Stand/Documents/RSTC_Letter_to_SC_CIP-013_SAR_05072024.pdf.

¹⁸ NERC Standards Committee Meeting Minutes, September 18, 2024, https://www.nerc.com/comm/SC/Agenda%20Highlights%20and%20Minutes/September_Meeting_Minutes_2024.pdf.

¹⁹ In a recent order denying a complaint, the Commission noted that, “the Commission, NERC and other federal agencies have taken action to address supply chain risks and have ongoing activities to further bolster protection against supply chain risks.” *Order Denying Complaint*, 189 FERC ¶ 61,002 (2024) at P 34.

- Issuing several nonpublic Level 2 Alerts;²⁰
- Working with FERC staff on supply chain vendor identification to assist entities in noninvasive identification of the network interface controller;²¹
- Developing the Supply Chain Risk Mitigation Program;²²
- Sharing supply chain threat information through the Electricity Information Sharing and Analysis Center (“E-ISAC”).²³

All these efforts demonstrate the ERO Enterprise’s focus on monitoring and mitigating supply chain risk, and the ERO Enterprise appreciates the Commission’s recognition of this focus.

B. The ERO Enterprise supports addressing the risks outlined in the NOPR and considers the proposed revisions appropriate.

The ERO Enterprise determined the proposed Reliability Standards revisions in the NOPR align with the NERC SAR and accordingly support the proposed directives to address identification of, assessment of, and response to risks. Furthermore, the ERO Enterprise supports the proposed addition of PCAs as applicable systems for supply chain risk management requirements. By helping prevent threats or compromises, including PCAs in supply chain risk

²⁰ Some examples include the following topics: (1) a 2017 nonpublic Level 2 Alert regarding supply chain risk, specifically stakeholders’ use of Kaspersky anti-virus software; (2) a 2019 nonpublic Level 2 Alert to raise awareness among NERC registered entities of persistent supply chain risks related to certain Chinese manufacturers of telecommunication equipment; and (3) a 2020 nonpublic Level 2 Alert requiring registered entities to report on equipment used that was banned by an Executive Order issued concerning security of the BPS.

²¹ NERC and FERC, *Joint Staff White Paper on Supply Chain Vendor Identification – Noninvasive Network Interface Controller* (July 31, 2020), https://www.nerc.com/pa/comp/CAOneStopShop/Joint%20Staff%20White%20Paper%20on%20Supply%20Chain_07312020.pdf.

²² Supply Chain Risk Mitigation Program webpage, <https://www.nerc.com/pa/comp/Pages/Supply-Chain-Risk-Mitigation-Program.aspx>.

²³ Electricity Information Sharing and Analysis Center webpage, <https://www.nerc.com/pa/CI/ESISAC/Pages/default.aspx>. While most information sharing is through the portal for E-ISAC members, the E-ISAC also provides relevant information to non-members through end-of-year reports (*see* <https://www.nerc.com/pa/CI/ESISAC/Documents/2023%20E-ISAC%20End-of-Year%20Report.pdf>). In addition, the E-ISAC collaborated with FERC staff to issue recommendations after the SolarWinds event, <https://www.nerc.com/pa/CI/ESISAC/Documents/SolarWinds%20and%20Related%20Supply%20Chain%20Compromise%20White%20Paper.pdf>.

management would complement the proposed internal network security monitoring requirements, which work to detect threats and compromises.²⁴

When addressing PCAs, the NOPR frequently cites the NERC Supply Chain Risks Report²⁵ issued in 2019, noting NERC identified the risks that PCAs posed but at that time did not recommend revising Reliability Standards to include PCAs in the supply chain requirements.²⁶ The ERO Enterprise clarifies that within the five years since that report was issued, there has been a changing landscape in supply chain risk and consideration of addressing those risks through standards revisions for PCAs is appropriate. Moreover, the ERO Enterprise notes that NERC wrote that report in the context of other needed revisions to Reliability Standards to address supply chain risk management. As a result, the recommendation not to include PCAs in revisions reflected that other, higher risks needed to be addressed first through standards development. Accordingly, the ERO Enterprise supports addressing PCAs in supply chain Reliability Standards requirements at this time.

In addition to the proposed directives to revise Reliability Standards, the NOPR seeks comment on other considerations regarding the proposed approach. For instance, the NOPR requests input on: (1) the factors to consider in determining the timeframe between initial assessment and installation and whether timeframe would vary based on those factors;²⁷ (2) the factors to consider in entities' reassessment of risks, including frequency of those assessments and any triggers for reassessment;²⁸ what other steps to take on validations and burdens of those

²⁴ *Critical Infrastructure Protection Reliability Standard CIP-015-1 – Cyber Security – Internal Network Security Monitoring*, Notice of Proposed Rulemaking, 188 FERC ¶ 61,175 (2024).

²⁵ *NERC Cyber Security Supply Chain Risks: Staff Report and Recommended Actions*, Docket No. RM17-13-000 (May 28, 2019), <https://elibrary.ferc.gov/eLibrary/filedownload?fileid=0200967E-66E2-5005-8110-C31FAFC91712>.

²⁶ NOPR at PP 45-50.

²⁷ *Id.* at P 32.

²⁸ *Id.* at P 34.

steps;²⁹ and whether and how a standard documentation process could be developed to track risks and mitigations.³⁰ The ERO Enterprise anticipates that comments received in response to these prompts will largely inform any future work on periodicity or triggers for reassessments of risk during standards development. The ERO Enterprise will review whether the comments on factors address or consider existing guidance on supply chain assessment practices.³¹

Finally, the ERO Enterprise looks forward to reviewing comments received in response to this NOPR to further consider the proposed approach and how to implement it. As it has been doing over the past several years, the ERO Enterprise offers its assistance in identifying supply chain risks and implementing mitigation of those risks. While the ERO Enterprise supports the proposed revisions in the NOPR, the ERO Enterprise anticipates any further details on the approach will be addressed through the NERC standards development process.

C. While the ERO Enterprise agrees the defined risks are necessary to address expediently, the ERO Enterprise requests the Commission consider the proposed timelines in the context of NERC’s other standards development efforts.

NERC has several standards development projects, including those with directed deadlines, underway and needs the ability to prioritize accordingly. In the NOPR, the Commission acknowledges that NERC is devoting resources to standards development projects with “Commission-imposed timelines.”³² However, the ERO Enterprise requests the Commission consider all the standards development work occurring when determining a deadline for the

²⁹ *Id.* at P 37.

³⁰ *Id.* at P 39.

³¹ *See, e.g., North American Transmission Forum CIP-013 Implementation Guidance: Using Independent Assessments of Vendors* (Oct. 23, 2023), [https://www.nerc.com/pa/comp/guidance/EROEndorsedImplementationGuidance/CIP-013%20Using%20Independent%20Assessments%20of%20Vendors%20\(NATF\)%201.pdf](https://www.nerc.com/pa/comp/guidance/EROEndorsedImplementationGuidance/CIP-013%20Using%20Independent%20Assessments%20of%20Vendors%20(NATF)%201.pdf); *North American Transmission Forum CIP-013 Implementation Guidance: Supply Chain Risk Management Plans* (Oct. 23, 2023), [https://www.nerc.com/pa/comp/guidance/EROEndorsedImplementationGuidance/CIP-013%20Supply%20Chain%20Risk%20Management%20Plans%20\(NATF\)%201.pdf](https://www.nerc.com/pa/comp/guidance/EROEndorsedImplementationGuidance/CIP-013%20Supply%20Chain%20Risk%20Management%20Plans%20(NATF)%201.pdf); several approved security guidelines developed by the RSTC Supply Chain Working Group, <https://www.nerc.com/comm/Pages/Reliability-and-Security-Guidelines.aspx>.

³² NOPR at P 40.

proposed revisions. In addition, the Commission should consider the interrelationship of some of the Reliability Standards. For instance, the currently pending CIP standards in Docket No. RM24-8-000 impact what version of the standards will be revised (i.e., standards development teams need certainty on proposed CIP-005-8, CIP-010-5, and CIP-013-3 in order to further revise the standards). Therefore, the Commission should consider the totality of standards development, both current projects and those pending Commission approval, in directing a deadline.

More generally, NERC standards projects have been increasing in quantity, coinciding with an increasing pace of technological changes in the industry. Many of these projects are identified as high priority with strict timelines, as they may be associated with FERC Order directives or NERC corporate goals. NERC and industry have been driving prioritization efforts to assure available resources are focused on the most critical issues. This prioritization effort, within the standards development process, identifies those projects that need resources (time, drafting team members) as well as how NERC may acceptably lower the resource demands on projects that have not been designated as “high priority.” As of November 18, 2024,³³ there were 82 outstanding FERC directives being resolved through the Standards Development process.³⁴ Based on the seven projects in the High Priority queue for 2025, as of November 18, 2024, NERC anticipates that it will take a more than 10,000 total hours for drafting teams to complete these seven projects by end

³³ A current list of Standards Development Projects may be found on NERC’s webpage at <https://www.nerc.com/pa/Stand/Pages/Standards-Under-Development.aspx>.

³⁴ Draft 2025-2027 Reliability Standards Development Plan (“RSDP”) at p. 2. The 2025-2027 RSDP was endorsed by the NERC Standards Committee at its October 16, 2024 meeting. NERC, Standards Committee Meeting October 16, 2024, agenda Item 10a (Reliability Standards Development Plan 2025-2027) https://www.nerc.com/comm/SC/Agenda%20Highlights%20and%20Minutes/SC_Meeting_Agenda_Package-October_16_2024.pdf [hereinafter 2025-2027 RSDP]. The draft RSDP has been updated to reflect completed directives and an additional high priority project that will continue into 2025. The updated draft RSDP, available at https://www.nerc.com/pa/Stand/Standards%20Development%20Plan%20Library/2025-2027%20RSDP_Board.pdf, will be considered for approval by NERC Board of Trustees at the December 2024 meeting. Following approval by the NERC Board of Trustees the 2025-2027 RSDP would be filed with FERC.

of 2025.³⁵ In addition, there are 12 additional medium and low priority projects in development as of November 18, 2024 that are anticipated to continue into 2025.³⁶

Accordingly, the ERO Enterprise requests the Commission consider the timing of this final order in the larger context of standards development. For instance, the Commission could consider 12 months from the effective date of a final order issued in Docket No. RM24-8-000 to provide the standards drafting team certainty on the version of CIP Reliability Standards to revise. Finally, the ERO Enterprise requests the Commission consider no less time than proposed in the NOPR.

³⁵ 2025-2027 RSDP at 6.

³⁶ *Id.* at 6-7.

II. CONCLUSION

The ERO Enterprise appreciates the opportunity to comment on this matter. As discussed above, the ERO Enterprise recognizes the risks identified by the Commission and that revised Reliability Standards is an appropriate method to address them. The ERO Enterprise looks forward to comments received on the proposed approach. When determining a deadline, the ERO Enterprise urges the Commission to consider the totality of standards development efforts to determine the appropriate timeframe for developing any revisions to help ensure appropriate allocation of resources. As such, the ERO Enterprise respectfully requests the Commission consider these comments and looks forward to reviewing other comments received in response to this NOPR to determine next steps.

Respectfully submitted,

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