

Minutes Board of Trustees

May 9, 2024 | 9:00 – 10:30 a.m. Eastern

Hybrid Meeting

NERC DC Office
1401 H Street NW, Suite 410
Washington, D.C. 20005

Call to Order

Mr. Kenneth W. DeFontes, Jr., Chair, called to order the duly noticed open meeting of the Board of Trustees (the Board) of the North American Electric Reliability Corporation (NERC or the Corporation) on May 9, 2024, at 9:00 a.m. Eastern, and a quorum was declared present.

Present at the meeting were:

Board Members

Kenneth W. DeFontes, Jr., Chair
Suzanne Keenan, Vice Chair and Chair Elect
Jane Allen
Robert G. Clarke
George S. Hawkins
Larry Irving
Susan Kelly
Robin E. Manning
Jim Piro
James B. Robb, President and Chief Executive Officer
Kristine Schmidt
Colleen Sidford

NERC Staff

Tina Buzzard, Assistant Corporate Secretary
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
Kelly Hanson, Senior Vice President and Chief Operating Officer
Soo Jin Kim, Vice President, Engineering and Standards
Mark G. Lauby, Senior Vice President and Chief Engineer
Lauren Perotti, Assistant General Counsel
Sônia Rocha, Senior Vice President, General Counsel, and Corporate Secretary
Camilo Serna, Senior Vice President, Strategy and External Engagement

NERC Antitrust Compliance Guidelines

Ms. Buzzard directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the advance agenda package and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Rocha.

Introduction and Chair's Remarks

Mr. DeFontes welcomed the attendees to the meeting, including Federal Energy Regulatory Commission (FERC) Commissioner Mark Christie, FERC Commissioner Allison Clements, Ms. Patricia Hoffman of the Department of Energy, and Mr. Derek Olmstead, CAMPUT Representative to NERC. He noted that he, Trustees Allen and Sidford, Mr. Robb, and other NERC leadership had a successful meeting with Canadian regulators in Calgary the previous weekend.

Consent Agenda

Upon motion duly made and seconded, the Board approved the consent agenda as follows:

Minutes

The draft minutes for the February 22, 2024 and February 15, 2024 meetings were approved as presented to the Board at this meeting.

Committee Membership

Reliability Issues Steering Committee Membership

RESOLVED, that the Board hereby appoints Morenike Miles, Dominion Energy, as Vice Chair of the Reliability Issues Steering Committee for a two-year term ending January 31, 2026.

Reliability and Security Technical Committee Membership

RESOLVED, that the Board hereby appoints Todd Lucas, Southern Company, to the Reliability and Security Technical Committee, to complete a term as representative for Sector 1: Investor-owned Utility ending January 31, 2025.

Regular Agenda

Remarks by Mark Christie, Commissioner, FERC

Mr. Robb introduced Commissioner Christie of FERC, attending virtually. Commissioner Christie remarked on the importance of telling the truth when it comes to the reliability challenges facing the grid; in particular, the need to balance increasing loads with a decreasing supply of dispatchable resources. Commissioner Christie encouraged NERC to continue communicating its reliability message.

Remarks by Allison Clements, Commissioner, FERC

Mr. Robb introduced Commissioner Clements of FERC. Commissioner Clements remarked on the need to continue to evolve the system to address the reliability challenges at hand, and she discussed efforts at the Commission to address these challenges. Commissioner Clements remarked on how modest investments in grid enhancing technology can extract more capacity from existing transmission infrastructure, while efforts underway at the Commission are intended to improve how future transmission investments are made. She also remarked on the Commission's recent reform of interconnection procedures.

Remarks by Patricia Hoffman, Principal Deputy Assistant Secretary, Office of Electricity, DOE

Mr. DeFontes introduced Ms. Hoffman of the Department of Energy. In her remarks on DOE activities, Ms. Hoffman highlighted DOE's program for investing in transmission and recent developments in that program. She concluded by remarking on the importance of keeping up with the pace of change on the system.

Remarks by Derek Olmstead, President and CEO Alberta MSA, CAMPUT Representative

Mr. DeFontes introduced Mr. Olmstead, CAMPUT Representative to NERC. Mr. Olmstead remarked on the recent meeting of NERC trustees and management with Canadian energy regulators, with plans to continue engagement at future CAMPUT meetings.

President's Report

Mr. Robb provided the president's report. He remarked on NERC's efforts to ensure it has the capabilities and resources in place to evolve at the same rapid pace facing the grid, including optimizing its current resources, outsourcing as possible, and hiring as needed. Mr. Robb discussed recent developments and realignments on the executive team. He reported that Manny Cancel and Stan Hoptroff announced plans to retire in 2025, and that NERC has retained an executive search firm to manage the search for their successors. Mr. Robb announced that Camilo Serna joined NERC May 1 as Senior Vice President, Strategy and External Engagement. He also reported that Kelly Hanson's title is now Senior Vice President and Chief Operating Officer to better reflect her role, Sonia Rocha's role has changed to allow her to concentrate more wholly on traditional general counsel roles such as corporate governance and business assurance initiatives, and Howard Gugel will now oversee Enforcement duties as Vice President, Regulatory Oversight, reporting directly to the CEO.

Mr. Robb then introduced Mr. Jim Albright, President and CEO of Texas RE and co-chair of the ERO Executive Group. Mr. Albright remarked on how the dynamics of the transforming grid were playing out on the Texas grid the previous day, underscoring the importance of the ERO's work in assuring reliability. He reported that the Regional Entities are in the process of preparing their 2025 business plans and budgets and continuing work on alignment initiatives. Mr. Albright also reported on efforts to optimize the Align system.

Report on the May 7 and May 9, 2024 Closed Meetings

Mr. DeFontes reported that on May 7, 2024 and May 9, 2024 (as is its custom), the Board met in closed session with NERC management to review NERC management activities. On May 7, the Board discussed matters reviewed during the closed session with the MRC, including the ERO Enterprise Long-Term Strategy and themes and action items, reviewed matters for this meeting, and received updates on the communications 2024 work plan priorities. The Board also discussed the results of the annual Board evaluation survey. On May 9, the Board met in executive sessions with the General Counsel and the CEO, and with the General Counsel separately, to discuss confidential matters. The Board also adjourned into executive session without management to review management activities.

Mr. DeFontes reported that the Board has carefully considered the evaluation survey feedback. He noted the Board will be looking for opportunities to conduct more discussions in open sessions and to address concerns regarding stakeholder engagement, and additional time will be allowed for comment on the next draft of the ERO Long-Term Strategy. He also remarked on NERC's succession planning efforts.

Board Committee Reports

Corporate Governance and Human Resources

Mr. Hawkins, Committee Chair, reported on recent Committee meetings. At the May 7, 2024 closed meeting, the Committee reviewed the Board Committee and Board of Trustees annual evaluation results and discussed themes and action items for consideration. The Committee will further review the evaluation results and submit any recommendations for Committee mandate revisions for consideration at the August 2024 meeting. He also reported the Committee met in executive session with the CEO and the Vice President, People and Culture to discuss HR

matters, including succession planning and talent management, and without staff to discuss other confidential matters.

At the May 8, 2024 open meeting, the Committee received a high-level summary of the Board's annual evaluation results summarizing the Member Representatives Committee and Board feedback in the areas of Board engagement, oversight, skills and structure, management, and overall feedback. The Committee also received a people and culture update, which included some of the material presented at the previous days' closed meeting in acknowledgment of the evaluation feedback to conduct more discussions in open session.

Regulatory Oversight

Mr. Manning, Committee Chair, reported on recent Committee meetings. At the May 7, 2024 executive session, the Committee reviewed the Committee self-evaluation results, which indicated positive feedback for the previous restructuring of the Committee. The Committee also received an update on the development of Reliability Standards to address Inverter-Based Resources. Mr. Manning reported the Committee then adjourned into executive session to discuss confidential matters. At the May 8, 2024 open meeting, the Committee received updates on inverter-based resources matters, the recent ERO Enterprise Compliance Monitoring and Enforcement Program ("CMEP") workshop, and the CMEP and Organization Registration and Certification Program indicators.

Finance and Audit

Ms. Sidford, Committee Chair, reported on recent meetings of the Committee. At the May 7, 2024 closed meeting, the Committee reviewed the Committee annual evaluation results, received updates on a collection matter and internal audit activities, reviewed the 2023 financial statement audit results, and met in executive session with NERC's external auditor. The Committee was pleased to report that no negative findings resulted from the audit. The Committee also approved NERC's Reserve Investment Strategy. The Committee then adjourned into executive session with internal audit and in executive session with members-only to discuss confidential matters.

Ms. Sidford reported that, at its May 8, 2024 open meeting, the Committee received an update on the 2025 business plan and budget process. The Committee also reviewed and recommended for Board acceptance the 2023 audited financial statements. Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board, upon recommendation of the Finance and Audit Committee ("FAC"), hereby accepts the 2023 Audited Financial Statements, as presented to the Board at this meeting.

Ms. Sidford further reported that the Committee reviewed and recommended for Board acceptance the first quarter 2024 unaudited summary of results. Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board, upon recommendation of the Finance and Audit Committee ("FAC"), hereby accepts the First Quarter 2024 NERC, Combined ERO Enterprise, and Regional Entity Unaudited Statement of Activities, as presented to the Board at this meeting.

Enterprise-wide Risk

Mr. Piro, Committee Chair, reported on the Committee's closed meeting on May 7, 2024. At its meeting, the Committee reviewed the 2023 Committee self-evaluation results. The Committee received an update from enterprise risk management, including a preview of the 2024 NERC Risk Registry and Emerging Risks and a detailed review of two top risks: ensuring effective governmental outreach on reliability matters and IT Cybersecurity/data protection. The Committee also received updates on the corporate compliance work plan and internal audit matters. The Committee concluded in executive session to discuss confidential matters.

Technology and Security

Ms. Allen, Committee Chair, reported on the May 8, 2024 open meeting of the Committee. At this meeting, the Committee received updates on E-ISAC operations and the ERO Enterprise Business Technology Strategy. The Committee will meet on May 9, 2024 in closed session to discuss the 2023 Committee annual evaluation results and receive updates on cyber security posture and opportunities to enhance the current meeting experience.

Nominating

Mr. Irving, Committee Chair, reported that the Committee determined that Mr. DeFontes, Ms. Sidford, and Ms. Allen are eligible and interested in standing for re-election. He reported that the Committee will conduct a search in 2024 for a new trustee to replace Mr. Clarke, who is ineligible for reelection.

Standards Quarterly Report and Actions

Project 2016-02 Modifications to CIP Standards

Ms. Kim presented the proposed revisions to the CIP Reliability Standards and definitions of terms included in the *Glossary of Terms used in NERC Reliability Standards* developed through Project 2016-02 Modifications to CIP Standards. She noted that the proposed standards would enable the secure use of virtualized technologies for BES Cyber Systems, make other clarifications and minor revisions, and impart a degree of “future proofing” to respond to the fast pace of change in technology. Upon motion duly made and seconded, the Board approved the following resolutions:

Proposed Reliability Standard CIP-002-7

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-002-7, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-002-5.1a, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-003-10

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-003-10, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-003-9, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-004-8

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-004-8, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-004-7, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-005-8

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-005-8, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-005-7, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-006-7

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-006-7, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-006-6, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-007-7

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-007-7, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-007-6, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-008-7

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-008-7, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-008-6, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-009-7

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-009-7, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-009-6, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-010-5

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-010-5, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-010-4, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-011-4

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-011-4, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-011-3, as presented to the Board at this meeting.

Proposed Reliability Standard CIP-013-3

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-013-3, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of Reliability Standard CIP-013-2, as presented to the Board at this meeting.

Definitions for inclusion in the Glossary of Terms used in NERC Reliability Standards

RESOLVED, that the Board hereby adopts the definitions of BES Cyber Asset (BCA), BES Cyber System (BCS), BES Cyber System Information (BCSI), CIP Senior Manager, Cyber Assets, Cyber Security Incident, Cyber System, Electronic Access Control or Monitoring System (EACMS), Electronic Access Point (EAP), External Routable Connectivity (ERC), Electronic Security Perimeter (ESP), Interactive Remote Access (IRA), Intermediate System, Management Interface, Physical Access Control System (PACS), Physical Security Perimeter (PSP), Protected Cyber Asset (PCA), Removable Media, Reportable Cyber Security Incident, Shared Cyber Infrastructure (SCI), Transient Cyber Asset (TCA), and Virtual Cyber Asset (VCA), as presented to the Board at this meeting.

Implementation Plan for Project 2016-02

RESOLVED, that the Board hereby approves the associated implementation plan for the above-listed standards and definitions, as presented to the Board at this meeting.

Authorization and Further Action

FURTHER RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolutions.

Regional Reliability Standards FAC-501-WECC-4 Transmission Maintenance

Ms. Kim presented proposed regional Reliability Standard FAC-501-WECC-4 Transmission Maintenance. She explained that the proposed regional standard would improve upon the currently effective standard by improving and expediting the process for making changes to the list of WECC transmission paths that are subject to more stringent maintenance requirements. Other changes would clarify and improve the readability of the regional standard. Upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby adopts the proposed regional Reliability Standard FAC-501-WECC-4, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed Major WECC Transfer Paths in the Bulk Electric System (Table)– Path List Revision Process, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed regional Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the associated implementation plan for the proposed regional Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the proposed retirement of regional Reliability Standard FAC-501-WECC-2, as presented to the Board at this meeting.

FURTHER RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolutions.

Project 2023-03 Internal Network Security Monitoring (INSM)

Ms. Kim presented proposed Reliability Standard CIP-015-1–Cyber Security–Internal Network Security Monitoring, noting that NERC developed the proposed standard to address the FERC directives from Order No. 887 issued January 2023. Ms. Kim stated the proposed standard would enhance reliability by requiring all high impact BES Cyber Systems and medium impact BES Cyber Systems with External Routable Connectivity to have internal network security monitoring in place to ensure the detection of anomalous network activity. This monitoring would indicate when an attack is in progress, increase the probability of early detection, and allow for quicker mitigation and recovery from attack. Upon motion duly made and seconded, the Board approved the following resolutions:

RESOLVED, that the Board hereby adopts the proposed Reliability Standard CIP-015-1, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the Violation Risk Factors and Violation Severity Levels for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that the Board hereby approves the associated implementation plan for the proposed Reliability Standard, as presented to the Board at this meeting.

FURTHER RESOLVED, that NERC management is hereby authorized to make the appropriate filings with ERO governmental authorities and take such further actions and make such further filings as are necessary and appropriate to effectuate the intent of the foregoing resolutions.

Other Matters and Reports

Input Letter and Member Representatives Committee Meeting

Mr. DeFontes led a discussion of the previous days' Member Representatives Committee meeting. Trustees remarked on the quality of presentations the previous day and thanked stakeholders and NERC staff for their contributions.

Other Matters and Adjournment

There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,



Sônia Rocha
Corporate Secretary