

June 5, 2024

Ms. Jennifer Flandermeyer, Chair  
NERC Member Representatives Committee

Dear Jennifer:

I would like to thank the Member Representatives Committee (MRC) for their input during our May 2024 meetings in Washington, DC. I thought we had a very healthy and robust conversation around our approach to engagement with the MRC and appreciate the MRC's perspectives and feedback. We are committed to our engagement with stakeholders while at the same time preserving our independence as the ERO. As part of this letter, I would like to highlight a few actions that NERC and the NERC Board of Trustees (Board) will take based on the feedback we received.

At the May meetings, we acknowledged the intent to request MRC input on the *ERO Enterprise Long-Term Strategy* through the input letter ahead of the August 2024 meetings in Vancouver, BC, Canada. As requested by the MRC, we have advanced the timeline of this input letter to allow more time for MRC input on this important effort. To that end, I invite the MRC to provide input on this matter as requested below. In addition, input is always welcome on any items on the preliminary agendas for the quarterly Board, Board Committees, Technical Session, and MRC meetings, as well as any other matters the MRC wishes to bring to the Board's attention. The preliminary agenda topics for the August 2024 meetings will be reviewed at the July 17, 2024, MRC Informational Session.

### **ERO Enterprise Long-Term Strategy**

The *ERO Enterprise Long-Term Strategy* (Strategy) is an overarching strategy outlining key focus areas to inform NERC and Regional Entity (collectively, the ERO Enterprise) business planning processes as they work to achieve their shared vision and mission. The Strategy was last refreshed and approved by the Board on December 12, 2019. As Jim Robb noted in the closed MRC meeting in May, the electric industry landscape has evolved significantly in the last five years and continues to experience rapid change, creating a ripe opportunity to update the Strategy.

During the May 7, 2024, closed MRC meeting, Jim provided a preview of the four focus areas identified in the draft Strategy which was informed by over 100 leaders across the ERO Enterprise. The four focus areas are *Energy, Security, Engagement, and Agility and Sustainability* and are described in detail in the draft Strategy. We had a great discussion on each of the focus areas and appreciate the feedback from the MRC. In addition to sending this letter sooner and providing more time for input, we have incorporated many suggestions into the draft Strategy. These include an acknowledgement of the challenges in balancing reliability and security, environmental sustainability, and access and affordability, adjusting the description

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of 'Agility and Sustainability' to relate to effectiveness and efficiency, incorporating the need to understand evolving technologies, and adding the need to ensure standards development processes create alignment across the ERO Enterprise.

The Strategy is intended to be enduring and inform the ERO Enterprise throughout multiple business planning cycles. As such, it is necessarily thematic and high level, and NERC's intent is to use its triennial planning process and annual budgeting process to inform more specific work plan priorities. ERO Enterprise leadership revisits the Strategy periodically and ensures Board and industry input on any material revisions. We are targeting Regional Entity Board endorsement of the Strategy in August and September and NERC Board approval in December. For NERC, the updated Strategy will inform and guide its three-year plan and budget starting with 2026. **The Board requests MRC feedback on the following related to the draft Strategy (Attachment A):**

- 1. Does the Strategy appropriately capture the long-term focus areas and supporting activities for the ERO Enterprise? If not, what key focus areas or supporting high level activities should be added or removed?**

#### **May 2024 Board and MRC Meeting Follow-up**

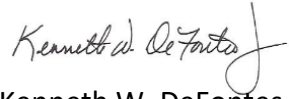
In addition to advancing the timeline of this input letter for input on the *ERO Enterprise Long-Term Strategy*, below are additional actions we will take based on feedback received from the MRC, which I believe complement the MRC Effectiveness Recommendations adopted by the MRC on February 14, 2024. We will provide updates on these action items in future meetings.

- **Board Meeting Structure, Cadence and In-person Interaction** – We recognize that with our recent change to Board and MRC in-person meeting cadence, there is a significant gap between August and February and that not all found the approach to executing the fourth quarter's Board and MRC business to be nourishing. While there likely will not be a solution that will satisfy everyone, we will:
  - Explore ways to increase the level and type of engagement with the MRC by reviewing the meeting structure, cadence, and length with a special emphasis on other opportunities for engagement during the fourth quarter.
  - Review meeting agendas and schedules to identify opportunities to provide additional time for informal interactions during our in-person board and committee meetings.
  - Commit to continue to increase the level of discussion among Trustees during open meetings and generally continue to work to increase transparency related to closed meetings to support the Board's commitment to transparency, debate, and dialogue, where appropriate.
- **Compliance Monitoring and Enforcement Program (CMEP) and Standards Processes** – We remain committed to finding ways to build agility into our regulatory oversight mandate. While we made some strides in the standards process last year, we appreciate that the downstream CMEP process and the upstream Standards Authorization Request (SAR) development process are also important factors that impact our ability to get appropriate requirements articulated and developed in a timely manner. To that end, we will:

- Continue to explore mechanisms and process enhancements that could increase flexibility in how the CMEP process is implemented, especially in the early stages of new standards. NERC and Regional Entity staff have been exploring possibilities with FERC staff and we are cautiously optimistic that we will be able to make some meaningful changes that reinforce the importance of compliance while reducing administrative burdens associated with our CMEP processes.
- Consider whether standing up a group to look at the SAR development and approval process would be timely and productive.
- **Trades Interactions** – While the Trade Associations do not have a formal governance role in NERC’s operations, we do recognize the important role they play in supporting the MRC sectors and coordinating MRC sector input to the Board. To that end, we will:
  - Commit to continue the robust level of engagement and rhythm we have already established with the Trade Organization CEO and senior executive meetings; we find these very helpful in ensuring alignment between our priorities and the views of the C-Suite.
  - Evaluate opportunities to make the quarterly Trade Association meetings more robust, including opportunities for in-person engagement. We will work to expand the number of Trustees who attend these meetings personally to create such opportunities while preserving a hybrid structure for those who prefer not to travel to Washington, DC.
  - Continue to encourage NERC staff to engage with the trades’ working groups to improve and expand our interactions with other relevant trade associations.
- **Outreach and Engagement** – Our success depends on collaboration across all stakeholders (traditional as well as new) and is especially important with the MRC given the unique role it plays in the NERC governance model. By enhancing collaboration, the ERO Enterprise will be better positioned to ensure the reliability, resilience, and security of the bulk power system. Camilo Serna, NERC’s new SVP of Strategy and External Engagement, will be reaching out to each MRC member (voting and non-voting) and the broader stakeholder community to gather additional feedback on ways the engagement between NERC, the Board and the stakeholder community can be strengthened.

Written comments in response to the input requested above and any other matters that you wish to bring to the Board’s attention are due by **July 24, 2024**, to Kristin Iwanekchko, MRC Secretary ([Kristin.Iwanekchko@nerc.net](mailto:Kristin.Iwanekchko@nerc.net)). Please include a summary of your comments in your response (i.e., a bulleted list of key points) for NERC to compile into a single summary document to be provided to the Board for reference, together with the full set of comments. The formal agenda packages and presentations for the Board, Board Committee, Technical Session, and MRC meetings will be available on August 1, 2024. The Board looks forward to your input and discussion during the August 2024 meetings.

Thank You,



Kenneth W. DeFontes, Jr., Chair  
NERC Board of Trustees

cc: NERC Board of Trustees  
Member Representatives Committee

# DRAFT ERO Enterprise Long-Term Strategy

June 2024

## Introduction

Electricity is a vital component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric for the benefit of nearly 400 million North Americans. The ERO Enterprise, which consists of the North American Electric Reliability Corporation (NERC) and the six Regional Entities,<sup>1</sup> works with users, owners, and operators of the bulk power system (BPS), government partners, and other stakeholders and industry participants, to pursue its **mission of assuring the effective and efficient reduction of risks to the reliability and security of the BPS.**

NERC and the Regional Entities play different, but important and complementary, roles in delivering ERO Enterprise programs. NERC provides industry-wide perspective and oversight, and the Regional Entities have unique features and activities that serve the needs of their regional constituents, while ensuring that industry follows NERC and Regional Reliability Standards. The ERO Enterprise is explicitly committed to its collective success in achieving its **vision of a highly reliable and secure North American BPS.**

The electric industry is experiencing a rapid change in how systems are designed, planned, operated, and secured. The future reliability and security ecosystem includes new risks, new complexities, new terminology, new technologies, new requirements, new players, and jurisdictional challenges. With these changes coming faster and more frequently than ever before, it is becoming increasingly challenging for policy makers to effectively balance reliability and security, environmental sustainability, and access and affordability. As the industry landscape changes, the ERO Enterprise is in a unique position to support industry and inform policy makers through this extraordinary time of transformation.

With its collective mission and vision, the regional model is critical to the ERO Enterprise's success. The ERO Enterprise works to leverage its expertise and ensure it functions as a single synchronous machine maximizing the value of separate, but complementary, roles. The ERO Enterprise works to achieve this by engaging in a collaborative process through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among chartered ERO Enterprise collaboration groups. The leadership of the ERO Enterprise has embraced the four foundational value drivers in the graphic to the right and the commitment to succeed by:



- Working together as one team and honoring each of its roles.
- Actively supporting ERO Enterprise activities, while eliminating unnecessary duplication of work.
- Collaborating in developing clear and consistent guidance across the ERO Enterprise.

<sup>1</sup> The Regional Entities include the Midwest Reliability Organization (MRO), Northeast Power Coordinating Council (NPCC), ReliabilityFirst (RF), SERC Reliability Corporation (SERC), Texas Reliability Entity (Texas RE), and Western Electricity Coordinating Council (WECC).

- Sharing information, knowledge, and resources across the ERO Enterprise.
- Developing and sharing harmonized messages across ERO Enterprise communications.
- Supporting innovation, initiatives, and the sharing of best-practices across the ERO Enterprise.

### **ERO Enterprise Focus Areas**

The ERO Enterprise has identified four focus areas for achieving success in its vision and mission:

- **Energy:** Effectively leverage a broad range of data and approaches to assist industry in addressing existing BPS risks and identifying and preparing for emerging and unknown risks to the grid.
- **Security:** Maintain cyber and physical security programs (E-ISAC, Standards, Compliance Monitoring and Enforcement Program (CMEP), technical committee work, outreach and engagement) that are risk-based, efficient, coordinated, and effectively advance the security posture of industry.
- **Engagement:** Ensure that the increasingly diverse spectrum of stakeholders find value in engagements with the ERO Enterprise, seek ERO Enterprise expertise to inform their decision-making, and have confidence in the integrity and independence of Enterprise programs.
- **Agility and Sustainability:** Perform as an effective and efficient team acting in coordination and ensuring its programs and efforts hold value for stakeholders as they manage changing reliability and security risk within the evolving industry landscape.

More detail on how the ERO Enterprise will support each of the focus areas is provided below:

**Energy: Effectively leverage a broad range of data and approaches to assist industry in addressing existing bulk power system risks and identifying and preparing for emerging and unknown risks to the grid. The ERO Enterprise will support this focus area as follows:**

- Actively engage with industry stakeholders as they manage rapid change and evolving threats to create a sense of urgency to proactively implement risk mitigations.
- Develop the necessary process(es) to improve the ERO Enterprise's ability to understand new and emerging technologies and identify new and emerging risks, including supporting and leveraging the broader ecosystem's ability to identify new and emerging risks.
- Maintain sufficient resource levels with requisite skillsets, and acquire and implement new organizational structures, processes, and systems needed to sustain regulatory obligations and address the challenges of the transforming grid.
- Create an environment where industry participants focus on reliability, security, and resiliency as opposed to compliance risk.

**Security: Maintain cyber and physical security programs (E-ISAC, Standards, CMEP, technical committee work, outreach and engagement) that are risk-based, efficient, coordinated, and effectively advance the security posture of the industry. The ERO Enterprise will support this focus area as follows:**

- Maintain a detailed understanding of the threat landscape and situational awareness and facilitate information sharing across the ERO Enterprise and with key stakeholders.
- Ensure registered entities and other key stakeholders clearly understand the security threat landscape, key risks, and mitigation techniques.
- Through the E-ISAC, monitor and distribute threat intelligence, conduct security briefings as required, and execute the requisite data analysis programs to guide and better inform the Regional Entities, registered entities, and other key external stakeholders.
- Develop a coordinated and integrated security program that reduces security risks and better aligns the related activities conducted by the E-ISAC, IT, Standards, CMEP, technical committees, and Regional Entity outreach.
- Maintain position as a trusted advisor on security-related issues and improve ability to be sought out and inform future regulation.
- Maintain a mature security posture and attract and retain security talent across the ERO Enterprise.

**Engagement: Ensure that the increasingly diverse spectrum of stakeholders find value in their engagements with the ERO Enterprise, seek ERO Enterprise expertise to inform decision-making, and have confidence in the integrity and independence of ERO Enterprise programs. The ERO Enterprise will support this focus area as follows:**

- Develop high quality relationships with industry stakeholders and policymakers and seek constructive engagement on key reliability and security challenges facing the grid.
- Inform ERO Enterprise strategy and priorities by a deep and expert understanding of the wants and needs of the evolving and diverse stakeholder ecosystem.
- Deliver technically rigorous and intellectually honest insights and analyses in a timely, clear, concise, and compelling manner that inform stakeholders through coordinated and targeted communications.

**Agility and Sustainability: Perform as an effective and efficient team acting in coordination and ensuring its programs and efforts hold value for stakeholders as they manage changing reliability and security risk within the evolving industry landscape. The ERO Enterprise will support this focus area as follows:**

- Ensure standards development processes and prioritization create alignment on risk mitigation across the ERO Enterprise while being responsive to the changing grid.



- Harmonize the CMEP and Reliability Assessment and Performance Analysis (RAPA) program areas and leverage a common framework that focuses on risk-based efficiency, effectiveness, and agility across the ERO Enterprise.
- Harmonize planning, budgeting, and Information Technology systems, focusing on efficiency, effectiveness, and agility across the ERO Enterprise.
- Leverage evolving technology to improve effectiveness and efficiency of processes and minimize reliability and security risk.
- Leverage the ERO Enterprise in attracting, engaging, and retaining a workforce with the appropriate technical and leadership skills needed to execute strategy and address the focus areas. Seek top talent, provide opportunities for growth, share expertise across the ERO Enterprise, and position the ERO Enterprise organizations as “employers of choice.”

## **Conclusion**

As the reliability and security ecosystem changes, the ERO Enterprise is in a unique position to support industry in ensuring North American BPS reliability, resilience, and security. These four focus areas – Energy, Security, Engagement, and Agility and Sustainability – will serve as a common input to NERC and Regional Entity business planning processes and are intended to guide the ERO Enterprise throughout multiple business planning and budgeting cycles. ERO Enterprise leadership will revisit these areas periodically to ensure the long-term strategy’s relevancy and efficacy, particularly in response to any changes to the ERO Enterprise landscape, as well as emerging reliability and security risks captured through the ERO Enterprise’s ongoing monitoring of reliability and the Reliability Issues Steering Committee’s processes and biennial report.



**MEMORANDUM**

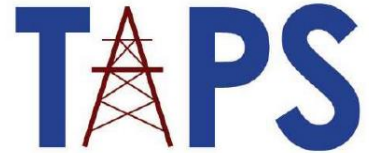
**TO:** Ken DeFontes,  
Chair, NERC Board of Trustees

**FROM:** Latif Nurani, Senior Regulatory Counsel, American Public Power Association  
John DiStasio, President, Large Public Power Council  
Tom Heller, Executive Director, Transmission Access Policy Study Group

**DATE:** July 24, 2024

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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’ June 5, 2024, letter requesting policy input in advance of the August 2024 NERC Board of Trustees meeting. We appreciate, in particular, NERC’s recognition of the role of the trade associations and the importance of strengthening engagement with those associations.



## NERC Board of Trustees Policy Input – Q3 2024

Electricity Canada appreciates this opportunity to provide policy input to the NERC Member Representatives Committee (“MRC”) and Board of Trustees (“Board”). We appreciate the Board allowing additional time for consideration of the content, especially following closely on the business plan and budget engagement process.

### Summary of Key Points:

- Electricity Canada believes the long-term focus areas proposed for the ERO Enterprise are appropriate.
- We appreciate the work underway to deepen engagement between the Board and MRC, and encourage this to continue.
- Electricity Canada is supportive of NERC’s ongoing efforts to explore what meeting structure and cadence best meet the community’s needs.

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### Does the Strategy appropriately capture the long-term focus areas and supporting activities for the ERO Enterprise? If not, what key focus areas or supporting high level activities should be added or removed?

Electricity Canada believes that the strategy appropriately captures long-term focus areas and supporting activities for the ERO Enterprise. We look forward to engaging in details of implementation and prioritization during the development of the 2026-2028 strategic plan.

### Other comments on Board and MRC engagement

Electricity Canada appreciates the follow-up provided on the May 2024 Board and MRC meeting. Culture change is an ongoing endeavour, and we appreciate the work and effort that is being done to support this, alongside both NERC and industry adapting to the ongoing energy transition and associated challenges. We are encouraged by signs that the dialogue is becoming more productive, and we thoroughly support efforts for this to continue. Especially during this strategic planning stage,



where NERC is refreshing its ERO Enterprise Long-Term Strategy and developing the next three-year strategic plan, this relationship will be especially important for informing direction and priorities.

Regarding meeting cadence, Electricity Canada does not have specific preferences or recommendations, but is supportive of NERC's ongoing efforts to explore what evolutions of meeting structure and cadence best meet the community's needs. Whether the number of in-person engagements increases or not, we recommend that the planning process prioritize lower-cost venues to further enable and encourage in-person interaction.

We hope the comments provided in this letter prove insightful and can inform conversations and engagement between the MRC and the Board. Please contact us if you have any questions or concerns.

**Dated:** July 24, 2024

**Contact:**

Francis Bradley  
President & CEO  
Electricity Canada  
Bradley@electricity.ca



## **Input for the NERC Board of Trustees Provided by the Edison Electric Institute July 24, 2024**

In the June 5, 2024, input letter to the NERC Member Representatives Committee (MRC), NERC Board of Trustees (Board) Chair, Kenneth W. DeFontes, Jr., requested policy input regarding the ERO Enterprise Long Term Strategy (Long-Term Strategy) and additional actions NERC is taking to complement the MRC Effectiveness Recommendations, which should promote greater engagement between the Board and industry.<sup>1</sup>

On behalf of our member companies, the Edison Electric Institute's (EEI) Reliability Executive Advisory Committee (REAC) appreciates the opportunity to provide policy input for the Board's consideration in advance of its August 14-15, 2024, meetings. The perspectives herein regarding bulk-power system (BPS) reliability and related policies are informed by EEI's CEO Policy Committee on Reliability, Security, and Business Continuity and REAC.

### **I. SUMMARY**

- EEI members appreciate the advancement of the timeline of the Board's input letter.
- EEI members support the additional actions approved by the Board to enhance collaboration between it, the MRC, the Trades, and industry.
- Collaboration and prioritization are important to ensure our limited resources are focused on the highest priorities.
- The continued focus on enhancing risk-based compliance and enforcement is necessary to ensure timely mitigation of risks.
- Industry's commitment to reliability, security, and resilience should be clearly and consistently reflected in NERC's messaging.
- Bi-directional communication is essential for meaningful, effective collaboration.
- EEI appreciates NERC's initial prioritization efforts. However, a continued evaluation of priorities to address the highest reliability risks is necessary; given the increase in standards activities there is a strain on limited resources, particularly technical expertise and engineering support to ensure the technical feasibility of standards and other proposals.

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<sup>1</sup> Letter from Kenneth W. DeFontes, Jr., Chair, NERC Board of Trustees, to NERC Member Representative Committee (June 5, 2024) (June 5<sup>th</sup> DeFontes Letter).

## **II. COMMENTS**

EEI appreciates the opportunity to provide input and NERC's advancement of the timeline to review and respond to the Board's input letter.

### **A. MRC Feedback**

EEI members appreciate the additional actions approved by the Board to enhance collaboration. We agree that increasing engagement between NERC, its Board, the MRC, the Trades, and industry will enhance the reliability, security, and resiliency of the BPS.

### **B. Draft Long-Term Strategy**

The Long-Term Strategy captures the appropriate focus areas. EEI offers the following additional input for consideration.

#### (1) "Agility and Sustainability" Focus Area

The critical and finite resources required to ensure the continued reliability and resiliency of the BPS during this period of rapid grid transformation are being stretched. To ensure that these finite resources are focused on the highest-priority risks, continued collaboration and prioritization between NERC and industry is necessary. Additionally, the Compliance Monitoring and Enforcement Program (CMEP) must enhance its risk-based approach to support increased agility allowing for successful and efficient problem solving of the various emergent and transformative challenges facing the BPS. This will allow subject-matter experts and resources to focus on the highest-priority reliability and security issues most effectively.

#### (2) "Energy" Focus Area

EEI members are deeply committed and focused on reliability, security, and resilience. This is evident in the extraordinary number of industry subject-matter experts who, through their participation on various NERC committees, volunteer their time and subject-matter expertise. Industry's commitment to these principles should be clearly and consistently reflected in NERC's messaging.

For example, the following statement in the draft Long-Term Strategy may suggest that industry participants are not primarily focused on reliability, security, and resiliency: "Create an environment where industry participants focus on reliability, security, and resiliency as opposed to compliance risk". To accurately characterize industry's demonstrated commitment in these areas and encourage active collaboration, we suggest the following rephrasing: "Continue to support and prioritize an environment that focuses on reliability, security, and resiliency."

(3) “Engagement” Focus Area

EEI members value the NERC committees and processes that allow for stakeholder collaboration and input. Stakeholder collaboration is paramount to ensuring the reliability of the BPS. However, in order for it to be effective and meaningful, collaboration must include feedback and a mutual understanding between industry stakeholders, NERC Staff, and the Board’s thinking on important issues; in other words, bi-directional communication is essential. A collaborative process will lead to better work products and improved reliability.

**C. Prioritization**

EEI appreciates NERC’s initial prioritization efforts which were intended to provide efficient paths to address the allocation of the finite resources to address the highest priority reliability, resiliency, and security concerns based on their potential impact to the BPS. With new projects from FERC’s recent orders, including Order No. 901 and the Extreme Cold Weather Order, NERC should continue to evaluate its standards’ prioritization and collaborate with stakeholders to ensure the limited resources are focused on the highest reliability-related risks. There are currently 13 high-priority projects; continuing to add projects to the high-priority bucket without an on-going reprioritization effort is unsustainable.

Additionally, stakeholders need to have a sufficient opportunity to review and develop comments and positions before casting ballots. Having numerous projects with shortened comment periods over the course of consecutive days imperils the ability of stakeholders to adequately review the proposed modifications, which could have a negative impact on the implementation and effectiveness of new standards.

These standards are a key component of the reliability, security, and resilience of the BPS. EEI and its members are committed to their success and need to ensure subject matter and technical experts’ time is used effectively and focused appropriately on the development of these new requirements.

Thank you for the opportunity to provide input.

**TO:** Kenneth W. DeFontes, Jr., Chair  
NERC Board of Trustees

**FROM:** Edison G. Elizeh  
Federal Utility/Federal PMA Portion Sector 4

**DATE:** July 16, 2024

**SUBJECT:** Response to Request for Policy Input to NERC Board of Trustees

The portion of Sector 4 representing the Federal Utilities and Federal Power Marketing Administrations (Federal PMAs) appreciate the opportunity to respond to your June 5, 2024, letter to Ms. Jennifer Flandermeyer, Chair NERC Member Representative Committee (MRC) requesting open input on promoting greater industry engagement, alignment, and accountability.

The Federal PMAs appreciate the opportunity to provide comments to the NERC Board of Trustees (Board) for their August 2024 meeting.

The Federal PMAs have no further input on the Board and MRC's agenda. The items listed in the draft agenda adequately represent the issues the Board and MRC need to discuss and approve.

The Federal PMAs are in alignment with the current Board actions outlined in the letter, and the ERO Strategy appropriately captures the long-term focus areas. The Board should further enhance its supporting activities. It also should ensure that the ERO Strategy is clear, concise, and has a solid business purpose and objectives.

As the electricity industry is experiencing rapid change our ways of planning, designing, and operating a secure and reliable system are changing, as well. Besides the technical requirements and need to maintain a solid reliable and secure grid, affordability continues to be a huge challenge. Strategic goals and objectives would require considerations of cost cutting and cost management. The recent budget increases are adding additional pressure on the registered entities. The Board should recognize that, in addition to supporting NERC budgetary requirements, the utilities need to add additional resources and systems to meet all the NERC requirements.

The following are few additional suggestions that the Federal PMAs would like to offer:

- NERC should reach out to the Executive Team of Sector 4 – US to build further alignment and collaboration. Discussions on the ERO long term strategy, associated budget



projections, and projected workload could be a good start. The Board should recognize that the Sector 4 – US members do not have, nor do they belong to any trade organizations. Most, if not all, remaining Sectors do have trade associations that advances their needs & objectives in addition to their own Sector representation.

- NERC should continue to concentrate its efforts on projects that provide value across the ERO footprint. While we recognize the importance of extreme cold weather risks, wildfires, and other manmade or natural disasters, these efforts are disproportionate for regions where mature processes are already in place. Federal PMAs encourages NERC to work closely with the Regional Entities (REs), not only to identify how regional risks can be managed and leveraged based on their maturity, but also to minimize duplication of efforts. This action could also result in cost savings.
- The ERO Enterprise as part of its strategy should take a much more active role developing a communication plan with appropriate educational material to discuss regarding the emerging risks to the power system and to identify potential shortfalls that could result by retiring and displacing certain key generation assets.

The Federal PMAs appreciate the opportunity to provide input for the Board’s consideration and look forward to discussing our comments with the Board.



# ISO/RTO Council’s Policy Input to Board of Trustees

July 24, 2024

The ISO/RTO Council<sup>1</sup> (IRC) offers the following input to the Member Representatives Committee (MRC) in response to Mr. Kenneth W. DeFontes, Jr.’s, letter dated June 5, 2024.

## **IRC Summary Comments**

The IRC supports the “ERO-Enterprise Long Term Strategy “as it will strengthen NERC’s ability to accomplish its Mission and enhance its capabilities in addressing the emerging challenges to grid reliability and security. We offer the following comments and recommendations on the four focus areas detailed in this response which we believe will further strengthen and contribute to the proposed Strategy.

## **Energy and Security**

- Improve NERC’s analytical capabilities to better quantify emerging risks, including increasing knowledge of the gas industry.
- Advance work to keep the pace with areas of reliability concern including supplementing or enhancing traditional approaches to resource adequacy planning criteria, essential reliability services, and cyber technology.
- Develop a coordinated and integrated security program that reduces security risks and better aligns the related activities conducted by the E-ISAC, Information Technology (IT), Reliability Standards, the Compliance Monitoring and Enforcement Program (CMEP), the Reliability and Security Technical Committee (RSTC), technical committees, and Regional Entity outreach.

## **Agility and Sustainability**

- Improve NERC’s ability to ensure standards development processes and prioritization create alignment for risk mitigation across the ERO Enterprise while also being responsive to the changing grid. Recommendations for consideration include: resource management that includes improving analytical capabilities to assist NERC in understanding and managing emerging risks, Reliability Standard pilot programs, and improved RSTC engagement.

## **Engagement**

- The IRC supports NERC’s plan to increase industry engagement as participation is vital to achieving NERC’s objective of ensuring entities are positioned to “manage changing reliability and security risks within an evolving industry landscape”.
- Ensure engagement of the ISO/RTO segment, including Registered Ballot Body (RBB) updates to address the underrepresentation of independent, wide-area reliability entities who have been challenged to ensure such perspectives are represented in the Standard Development Process.

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<sup>1</sup> The IRC is comprised of the Alberta Electric System Operator (AESO), the California Independent System Operator Corporation (California ISO), Electric Reliability Council of Texas, Inc. (ERCOT), the Independent Electricity System Operator (IESO) of Ontario, ISO New England, Inc. (ISO-NE), Midcontinent Independent System Operator, Inc., (MISO), New York Independent System Operator, Inc. (NYISO), PJM Interconnection, L.L.C. (PJM), and Southwest Power Pool, Inc. (SPP).



### Additional discussion points

- NERC’s discussion of efficiency in its Mission is appropriate and should not be revised to include any additional discussion of costs. However, within the ERO’s own operations, it is important for the ERO to plan in a financially prudent manner and implement cost efficiencies when practicable.
- NERC needs to bring greater clarity to its annual strategic planning process to facilitate stakeholder engagement and understanding of how its annual business plan supports the long-term strategy.

### ***IRC Responses to Specific MRC Policy Input Question***

**Does the Strategy appropriately capture the long-term focus areas and supporting activities for the ERO Enterprise? If not, what key focus areas or supporting high level activities should be added or removed?**

The IRC supports the “ERO-Enterprise Long Term Strategy” and offers the following on the four focus areas NERC identified in its vision and mission: **Energy, Security, Engagement, and Agility and Sustainability**. The IRC also supports NERC’s commitment to increase stakeholder engagement and offers comments for how NERC can improve communications and manage industry expertise availability.

1. **Energy and Security Focus Areas**. **Improve NERC’s analytical capabilities to better quantify emerging risks to Energy and Security**, and thereby better inform stakeholders and policy makers of emerging reliability and security risks, and provide the basis for the creation of new and/or improved tools, including standards to address these risks.

The IRC respectfully submits that, in service of the ERO’s role for conducting continent wide reliability assessments, issuing alerts and managing standard development, NERC should explicitly reference the need to improve its analytical capabilities to help establish a common understanding of the risks posed by these emerging issues and potential solutions. The IRC believes these to be the most pressing:

- Increase knowledge of the gas industry. We encourage NERC to consider adding natural gas expertise to its in-house technical staff to address the likelihood of changes arising from an increased penetration of renewables and retirements of traditional thermal resources such as coal and oil.
- Resource Adequacy Planning Criteria. As a result of the changing resource mix, approaches to setting resource adequacy criteria should be re-evaluated due to the resulting potential for energy shortfalls. For example, the traditional 1-day-in-10 year’s resource adequacy metric or loss of load expectation (LOLE) may no longer apply. For the five NERC Regions with more than one Balancing Authority, the IRC recommends NERC develop a uniform approach to measuring resource and energy adequacy to meet the current and anticipated changing resource mix.
- Evaluation of Energy risks and related Tie benefits. Ensure consistent situational awareness and assessments across Regions in determining the ability for Regions to rely on each other in maintaining reliability. The IRC recommends the potential for NERC to leverage the 2024 Interregional Transfer Capability Study in meeting this recommendation.

- Essential Reliability Services. This request is *specific* to Interconnections that are made up of multiple Balancing Authorities (BA). The IRC is asking NERC to take a collective approach in determining risks associated with essential reliability services, such as, inertial response, frequency support, ramping and reactive capability – especially with the new resource mix and high penetration of inverter-based resources. No single BA is able to assess and address essential services on its own and the IRC seeks NERC’s support in this effort on the Interconnection level.
- The IRC requests flexibility with the CIP Standards to allow quicker action and applicability with today’s technical/technology changes. For example, the current set of CIP Standards precludes the IRC from cloud-based cyber security software and therefore, we are unable to employ technology extensively applied with cyber security software in safeguarding critical assets. We look forward to developments from NERC Projects, such as 2023-09 Risk Management for Third-party Cloud Services.

**2. Agility and Sustainability Focus Area. Improve NERC’s Agility and Sustainability to ensure standards development processes and prioritization create alignment on risk mitigation across the ERO Enterprise while being responsive to the changing grid.**

While NERC has made changes to improve the agility of the standards development process, the IRC believes that additional improvements are necessary. The desire to complete new standards in a timely fashion must not override the availability of industry experts to participate in and contribute to the process. The current level of high-priority standard projects involving the same subject matter expertise is making it challenging for industry to meaningfully participate in these projects, particularly when there is the need to schedule overlapping standard drafting team meetings. Maximizing opportunities for industry participation is vital to achieving NERC’s objective of ensuring entities are positioned to “manage changing reliability and security risks within an evolving industry landscape.”

The IRC encourages NERC to invest additional resources to improve analytical capabilities will help NERC support a common understanding of emerging risks (as stated above) and build a record for supporting new/revised standards.

- Develop a pilot program to identify Standard needs while working through new technology needs (i.e. Cloud-based cyber security).
- Continue to improve engagement with the RSTC to identify, assess and propose solutions to address these risks.
- Develop a process or formally charge NERC’s standing committees to prioritize and sequentially schedule standards projects to ensure industry resources are available to contribute effectively.

**3. Engagement Focus Area. The IRC supports NERC’s proposal to increase engagement with stakeholders. The IRC asks that **NERC increase its outreach to the ISO/RTO Segment, particularly as part of the standard development process similar to the proposed effort to increase interactions with Trade Associations.****

ISOs/RTOs perform several of the most critical and broad-reaching reliability functions, and our segment provides a unique, grid-wide perspective on reliability/security issues impacting a significant portion of the North America power grid. Many times ISO/RTO concerns about new standards have gone unaddressed in the development process and is exacerbated by the current balloting process. The IRC recommends changes to the Registered Ballot Body to allow sufficient representation of independent, wide-area reliability entities who are most impacted by the Standard Development Process (SDP). We also request a similar review of SDP actions associated with NERC's Standard Committee.

4. **Security Focus Area.** The IRC supports NERC's establishments of the Security Focus Area. With respect to NERC's high-level support activity to "develop a coordinated and integrated security program [to] reduce security risks", the IRC suggests that NERC include the RSTC as one of the entities it seeks to better align activities. The RSTC is a significant stakeholder body for prioritizing standards work, and it would be good for discussion of security issues to be well supported in this forum and informed by the work being undertaken by E-ISAC and others. Our recommended suggestions for the Strategy document include:
  - Develop a coordinated and integrated security program that reduces security risks and better aligns the related activities conducted by the E-ISAC, IT, Standards, CMEP, RSTC, technical committees, and Regional Entity outreach.
  - While we recognize and support RSTC efforts to address critical (Operations & Planning) reliability issues, critical security issues are not receiving a commensurate amount of RSTC's time and attention. Consider what can be done to allow the RSTC to increase the amount of time dedicated to security issues while maintaining efficiency.
5. **Mission.** NERC's website states its mission is: "to assure the effective and efficient reduction of risks to the reliability and security of the grid." **NERC's discussion of efficiency in its Mission is appropriate and should not be revised to include any additional discussion of costs.** The ERO's mission appropriately complements the role of policy makers, regulators and other stakeholders.

Although ISO RTOs are always attentive to balancing the costs of providing services with the benefits such services provide, NERC's mission must always place reliability at the forefront with justified and technically sound rationale. This is especially pertinent for NERC as addressing cost considerations is more appropriately within the purview of FERC and the appropriate Canadian regulators in their review of Standards, and FERC and States/Provinces in their review of petitions for rate recovery and ISO/RTOs in designing markets.

6. **Annual Process.** The IRC asks that NERC bring greater clarity to its annual strategic planning process to facilitate stakeholder engagement around how its annual business plan supports the long-term strategy. With respect to its "Engagement" Focus area, NERC states that it will "ensure that the increasingly diverse spectrum of stakeholders find value in their engagements with the ERO Enterprise, seek ERO Enterprise expertise to inform decision-making, and have confidence in the integrity and

independence of ERO Enterprise programs.” NERC describes the supporting activities to promote this Focus Area as:

- Develop high quality relationships with industry stakeholders and policymakers and seek constructive engagement on key reliability and security challenges facing the grid.
- Inform ERO Enterprise strategy and priorities with a deep and expert understanding of the rapidly evolving and diverse nature of the electric power and gas systems, and the stakeholders that operate, invest in, and use these systems.
- Engage the RSTC and the Reliability Issues Steering Committee (RISC) in prioritizing standard projects and in what order they need to be completed. Because of the numerous risks and projects that can and will continue to be identified, industry resources and availability must be a top consideration in order to effectuate this strategy. It is not enough to identify what is important, but also how stakeholders’ resources are best allocated to address these areas. If everything is a priority, then nothing is a priority.

It would be helpful for NERC to facilitate engagement with MRC Members and the RSTC (and stakeholders more generally) with management on key elements of the ERO’s strategic plan (trends, risks, and how supporting activities/projects support and promote the ERO’s Focus Areas). In this regard, it would be particularly valuable for NERC to describe how it’s business plan and initiatives support and advance these focus areas. Such an approach would, for example, provide greater context around the important work NERC is doing in areas outside of standard setting, enforcement and traditional reliability assessments – e.g., the work NERC is doing to inform policymakers on the gas-electric interface issues.

### **Conclusion**

In conclusion and as stated in the IRC’s summary comments, the IRC supports the “ERO-Enterprise Long Term Strategy” and provided comments and recommendations for consideration that we believe will improve the proposed “Strategy”. The IRC is willing to engage with NERC in support of our recommendations and work towards efficient solutions. As always, we appreciate the opportunity to provide our policy input to the MRC for NERC’s upcoming Board of Trustees meeting.



## **NAGF Comments to MRC on NERC 2024 DRAFT ERO Enterprise Long-Term Strategy**

### **Discussion**

Develop NAGF comments to MRC on NERC 2024 DRAFT ERO Enterprise Long-Term Strategy. Comments to be submitted by NAGF MRC members by 7/24/24.

The Board requests MRC feedback on:

**1. Does the Strategy appropriately capture the long-term focus areas and supporting activities for the ERO Enterprise? If not, what key focus areas or supporting high level activities should be added or removed?**

### **NAGF Comments:**

The NAGF believes NERC needs greater participation of generators. The technical changes impacting system reliability are due to the change in generation technology. The loss of conventional generation is due to the change in economics impacting generators.

### **ERO Enterprise Focus Areas**

The ERO Enterprise has identified four focus areas for achieving success in its vision and mission:

- **Energy:** Effectively leverage a broad range of data and approaches to assist industry in addressing existing BPS risks and identifying and preparing for emerging and unknown risks to the grid.

### **NAGF Comments:**

1. Review NERC Reliability Assessments and develop a list of Recommendations including priority.
2. Conventional resources are retiring and there is no economic incentive to build new ones which is impacting Reliability. NERC needs the ability to discuss economic incentives with generators and to be able to review and comment on market processes that would enhance reliability.
3. Improve discussions with FERC and the industry to drive improvements in Gas-Electric Harmonization and to evaluate cost-benefit requirements of Order 901.



- **Security:** Maintain cyber and physical security programs (E-ISAC, Standards, Compliance Monitoring and Enforcement Program (CMEP), technical committee work, outreach and engagement) that are risk-based, efficient, coordinated, and effectively advance the security posture of industry.

**NAGF Comments:**

1. No Comment.

- **Engagement:** Ensure that the increasingly diverse spectrum of stakeholders find value in engagements with the ERO Enterprise, seek ERO Enterprise expertise to inform their decision-making, and have confidence in the integrity and independence of Enterprise programs.

**NAGF Comments:**

1. Start NAGF – NERC collaboration earlier in the process before concerns become a SAR.
2. Consider NAGF-NERC-Industry Webex's to discuss emerging issues and possible solutions prior to concern turning into a regulation.
3. Follow regulatory process to include more generator participation, discussion and feedback.
4. RSTC meetings need to have more discussion along with more generator involvement.
5. RSTC overloaded thus eliminating discussions and review of emerging concerns and proposed solutions.

- **Agility and Sustainability:** Perform as an effective and efficient team acting in coordination and ensuring its programs and efforts hold value for stakeholders as they manage changing reliability and security risk within the evolving industry landscape.

**NAGF Comments:**

1. NERC committees along with NERC staff need more people with understanding and experience of generator issues including Technical Capabilities, Technical Constraints and Economics including the process and economic impacts of participating in an ISO/RTO.

## Cooperative Sector Input to the NERC Board of Trustees

The Cooperative Sector appreciates the opportunity to provide input to the NERC Board of Trustees (BOT) regarding the ERO Enterprise Long-Term Strategy which includes long-term focus areas and supporting activities for the ERO Enterprise.

### Summary of Input

The Cooperative Sector supports the ERO strategy efforts as described in its ERO Enterprise Long-Term Strategy as many of the ERO focus areas align with the Cooperatives core strategic issues initiatives. In addition, Cooperatives provided insight on select May 2024 Board and MRC Meeting Follow-up Items. These include the NERC Board Meeting Structure, Cadence and In-person Interaction, Compliance Monitoring and Enforcement Program (CMEP) and Standards Processes, and Outreach and Engagement.

### Responses to the specific questions asked by the NERC Board

1. **Does the Strategy appropriately capture the long-term focus areas and supporting activities for the ERO Enterprise? If not, what key focus areas or supporting high level activities should be added or removed?**
  - Cooperatives believe that the ERO Enterprise Long-Term Strategy captures the long-term focus areas and supporting activities for the ERO Enterprise.
  - The ERO Focus Areas of **Energy** and **Agility and Sustainability** are closely aligned with the Cooperatives **Reliability and Affordability** core strategic issues initiatives that are described below.
    - **Changing energy landscape** requires technology, transmission, and time beyond what is available today. It must be inclusive of all energy sources to maintain the reliable and affordable flow of power that is the cornerstone of the American economy.
    - **Importance of fuel diversity** as electric co-ops rely on a diverse energy mix to ensure a reliable, affordable, and responsible electricity supply that meets the needs of their consumer members.
    - **“Disorderly” retirement of existing generation** is directly impacting reliability.
    - **Permitting challenges:** The current permitting process required to build, site, and maintain electric generation and transmission infrastructure is outdated and creates a significant impediment to meeting tomorrow’s energy needs.
    - **Supply chain** delays are contributing to an unprecedented shortage of the basic machinery and grid components essential to ensuring continued reliability of the electric system.
    - **Availability of natural gas:** As the U.S. is increasingly reliant on natural gas for baseload power and as a backstop for intermittent generation sources, the availability of natural gas has been challenged by several recent extreme weather events.

- Cooperatives support the ERO as a thought-leader in influencing Energy Policy in North America as the need to provide insight in the Long-Term Energy Assurance is necessary for the reliable operations of the Bulk Electric System. The ERO’s engagement with agencies other than FERC (e.g., EPA and DOE) and the natural gas industry is encouraged to enhance energy sources/generation assets policy in North America.

## 2. Cooperative insight on select May 2024 Board and MRC Meeting Follow-up Items

- **Board Meeting Structure, Cadence, and In-person Interaction** - Cooperatives support adding more opportunities for stakeholder, Board, and ERO in-person interactions. The present cadence of only three (3) annual interactions is not sufficient in managing the fast-paced changes and emerging risks to the BES. In addition, it is contrary to open and transparent dialogue between interested parties that there is an extended period from August MRC/Board meetings to the February MRC/Board meetings without in-person interaction.
- **Compliance Monitoring and Enforcement Program (CMEP) and Standards Processes**
  - ALIGN/CMEP – NERC senior management reached out to the Cooperative Sector for input on key issues and possible improvements to the Compliance Monitoring and Enforcement Program (CMEP). During the initial discussion with the G&T Managers Grid Management Committee, several members mentioned how cumbersome and time consuming the ALIGN tool is during the compliance monitoring process. The ALIGN tool was developed as the core CMEP business process of NERC and the Regional Entities on a single, secure platform for the CMEP. The Cooperative Sector provided input to NERC to assist the ERO in making the ALIGN tool a success and improve everyone’s efficiencies with the use of the tool. The Cooperative Sector offered to form a team to assist NERC to better understand the input provided by industry to support NERC when making changes to ALIGN that will improve the usability of the tool for all users. The input was divided into various themes: Secure Evidence Locker (SEL), Align – For Audits, Align – For Self-Reports/Self Certifications, and Align - Data/Document Submittals and Spot Check Process.
  - Efficiencies/awareness of the improved the Standards development process
    - Cooperatives support the efforts to prioritize the standards projects. Publishing this information to industry in a transparent manner on the NERC standards projects website has aided to assist industry and the ERO to further align on initiatives moving forward. In addition, these efficiencies can be measured by the number of standards projects approved by the NERC BOT or FERC, time required for development, and the prioritization of the projects. To enhance awareness, conduct periodic training via webinar on the results of this analysis.
    - The implementation of the Standards Process Stakeholder Engagement Group (SPSEG) recommendation to “NERC Should Revise Section 16.0 to include Board Directives in the Scope of Circumstances for which the Standards Committee may Grant a Standards Process Waiver” have allowed drafting teams additional deference when posting draft standards for comment and ballot which is commensurate to revisions

being made to the standard. In turn, this has promoted additional industry agility and responsiveness to FERC directives.

- It is evident that the Standards Committee (SC) has extensive knowledge of the improvements to the Standards processes. However, awareness and informational items must also be promoted within other NERC standing committees, industry forums, and industry peer groups. Cooperatives suggest training for stakeholders, not just for those that are engaged in the SPM process, but for those providing the technical justification for SARs and subsequent standards.
- Cooperatives are aware of efforts to define vetting and how it is being managed to determine whether a SAR can go through the informal comment/approval process. Cooperatives support the recent actions taken by the SC and RSTC at the joint meeting in June to form a task force to address vetting. These efforts will include the review and possible development of a streamlined process for a SAR that is generated by the RSTC and subsequently posted for additional comment when accepted by the SC.
- **Outreach and Engagement**
  - Cooperatives encourage NERC to enhance its engagement efforts by strengthening its communications to allow stakeholders and policy makers the ability to make data driven decisions through the assessments, reports, white papers, and other publications that are managed and developed by the ERO.
  - Cooperatives support the continuation of NERC hosted small group advisory sessions (SGAS) with registered entities, NERC Standards Developers, and Regional Entities to discuss and prepare for and implementation critical standards. These types of SGAS should be considered for educating new players/registered entity personnel as the Rules of Procedure changes associated with the registration of Category 2 Generation Owners and Operators are implemented. Any efforts to educate stakeholders must be transparent with information publicly available.

Submitted on behalf of the Cooperative Sector by:

Patti Metro

Senior Director, Grid Operations & Reliability

Business & Technology Strategies | National Rural Electric Cooperative Association

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## **Policy Input of the Merchant Electricity Generator Sector (Sector 6)**

**To the North American Electric Reliability Corporation (NERC) Board of Trustees**

**August 11, 2024**

### **Summary:**

- While Sector 6 is supportive of NERC’s additional outreach efforts, the Members Representative Committee (MRC) should remain the primary conduit for providing the Board advice on “matters pertinent to the purpose and operations of [NERC].” Consequently, outreach must be as inclusive and transparent as possible to ensure that intra-sector positions are coordinated and the MRC representatives remain the effective channel for their respective sectors.
- While we agree the Electric Reliability Organization (ERO) Enterprise Long-term Strategy is directionally correct, we are concerned that there is insufficient emphasis in the document on the ERO and industry’s ability to anticipate, report, and act proactively on a measured timeline to address future risks.

**1. Does the Strategy appropriately capture the long-term focus areas and supporting activities for the ERO Enterprise? If not, what key focus areas or supporting high level activities should be added or removed?**

Nearly a decade ago the Essential Reliability Services<sup>1</sup> (ERS) Task Force published a report calling for action. The task force’s 2015 report states “...changes in the generation resource mix and technologies are altering the operational characteristics of the grid and will challenge system planners and operators to maintain reliability, thereby raising issues that need to be further examined.”<sup>2</sup> The task force proposed a series of “measures,” leading indicators of Bulk Power System (BPS) resilience, that were to be used to measure the impact of the transition on reliability and to provide objective criteria to act proactively to address emerging issues. Today the “ERO Reliability Assessment Process Document,” the process guide used for the development of NERC’s annual Long-Term Reliability Assessment (LTRA), requires the ERO to assess the “sufficiency of Essential Reliability Services.”<sup>3</sup> ERS does not appear to be a staple of recent LTRA assessments.

In 2011 the Federal Energy Regulatory Commission (FERC) and NERC issued a joint report on the Outages and Curtailments During the Southwest Cold Weather Event of February 1-5, 2011.<sup>4</sup> This report enumerated recommendations covering weatherization and gas-electric coordination among other concerns. Unfortunately, the tragic events of February 2021 resulted in a substantial loss of life and property that perhaps could have been mitigated if the recommendations of the 2011 report were implemented. Moreover, some of the recent, hastily

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<sup>1</sup> ERSs are services – i.e., frequency and voltage support, traditionally provided by synchronous generators that are necessary to provide for the stable and reliable operation of the grid.

<sup>2</sup> NERC’s “Essential Reliability Services Task Force Measures Framework Report,” November 2015, accessed at <https://www.nerc.com/comm/Other/essntlrbltysrvstskfrcDL/ERSTF%20Framework%20Report%20-%20Final.pdf>

<sup>3</sup> NERC’s “ERO Reliability Assessment Process Document,” April 2018, accessed at <https://www.nerc.com/comm/PC/Reliability%20Assessment%20Subcommittee%20RAS%202013/ERO%20Reliability%20Assessment%20Process%20Document.pdf>

<sup>4</sup> FERC’s and NERC’s “Report on Outages and Curtailments During the Southwest Cold Weather Event of February 1-5, 2011,” August 2011, accessed at <https://www.ferc.gov/sites/default/files/2020-04/08-16-11-report.pdf>

formed efforts to address weatherization have resulted in impasses between industry and NERC that may have been avoided if more time for deliberation were allowed. Unfortunately, the Strategy document memorializes the need for a “sense of urgency” to tackle these problems that were first raised a decade or more ago.

Sector 6 recognizes that we must first address the reliability risks that are at a critical stage, but we must in parallel examine the path that led us here and replace it with a proactive, constructive approach. We must work together collectively and collaboratively to do better, and a strategy document should not rely on haste to circumvent a contemplative, deliberative process. In that vein, we offer the following specific comments to the Strategy document:

- Proactively anticipate future reliability concerns over a sufficiently long horizon through the use of quantifiable metrics with bright line criteria. A potential road map was offered in the ERS task force report.
- Communicate the results of these leading metrics, which encompass reliability risks beyond resource adequacy, in the annual long-term reliability assessments. This is currently a requirement of the process, and no changes are required.
- Engage stakeholders based on an evaluation of the risks through the lens of these leading indicators.

These changes to the Strategy document would better address the needs of all stakeholders. The ERO may be able to use leading indicators to better align their goals and objectives with industry; quantifiable metrics are less subjective. Additionally, trends showing declining reliability are easier to observe and communicate, and extrapolating these trends to a critical point provides a clear timeline for action. Moreover, analysis by region communicates where



specifically such risks may be elevated and provides for a proportionate, thoughtful response. We submit that this forward looking approach is preferred to the alternative.

- 2. “[I]nput is always welcome on any items on the preliminary agendas for the quarterly Board, Board Committees, Technical Session, and MRC meetings, as well as any other matters the MRC wishes to bring to the Board’s attention.”**

We are very pleased to read about NERC’s and the Board’s outreach initiatives. However, we would caution against focusing on bilateral communications with the trade associations and other entities without the participation of the MRC representatives. While the trade associations may be assumed to represent NERC member interests most of the time, the MRC representatives are elected by the NERC sector members and are empowered to communicate the views of their sector members directly to NERC and the Board. More importantly, separate channels of communication between NERC and the trade associations and NERC and the MRC representatives elevates the risk of misinterpretation or miscommunications. Consequently, we urge NERC and the Board to provide MRC representatives with a reasonable opportunity to be able to participate in NERC and the Board’s communications with trade associations and other entities that may express what may be consider sector viewpoints.

August 11, 2024  
Policy Input of the Merchant  
Electricity Generator Sector

Thank you for the opportunity to provide these comments.

Sincerely,  
Sector 6 Merchant Electricity Generator Representatives:

/s/  
Mark Spencer  
LS Power

/s/  
Srinivas Kappagantula  
Averon Energy

To: NERC Board of Trustees  
From: Sector 7 – Electricity Marketer MRC Representatives  
Date: July 24, 2024  
Re: August NERC Board Meeting Policy Input

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Thank you for the opportunity to provide input to the NERC Board of Trustees on the ERO Enterprise Long-Term Strategy. We greatly appreciate the open exchange between the NERC Board of Trustees and the MRC Representatives.

Does the Strategy appropriately capture the long-term focus areas and supporting activities for the ERO Enterprise? If not, what key focus areas or supporting high level activities should be added or removed?

The Sector 7 MRC Representatives believe the ERO Enterprise Long-Term Strategy (Strategy) captures the long-term focus areas and supporting activities for the ERO Enterprise. The Sector 7 MRC Representatives propose a few additional supporting components for consideration.

First, the ERO Enterprise may want to consider highlighting an increased focus on technology in the achievement of success in the four focus areas. While more tactical in nature, the importance of technology is significant. Technology can assist in solutions and has the potential to dynamically shift the industry.

Second, with respect to the Engagement focus area, the ERO Enterprise may want to consider expansion of the strategy to incorporate aspects for which the industry is dependent, including but not limited to availability of supply chain components, permitting, and the availability and coordination of natural gas.

#### Board Meeting Structure, Candence, and In-Person Interaction

Sector 7 MRC Representatives recommend adding more opportunities for in-person interactions. This is especially noted for the period between August and February where the fourth calendar quarter meeting of the Board of Trustees is done virtually. The ERO Enterprise Long-Term Strategy states: *The electric industry is experiencing a rapid change in how system are designed, planned, operated, and secured.* Given this rapid change, we recommend the consideration of a return to an in-person fourth calendar quarter meeting.

#### Compliance Monitoring and Enforcement Program (CMEP) and Standards Process

Sector 7 MRC Representatives support the continued exploration of mechanisms and process enhancements that could increase flexibility in how the CMEP process is implemented, especially in the early stages of new standards. Developing a process which can reduce administrative burden, enable alignment of goals in a compliance monitoring and enforcement environment, and assist in a proactive

approach in the development and direction of standards development would be supported by Sector 7 MRC Representatives.

Outreach and Engagement

Sector 7 MRC Representatives support NERC's initiatives on outreach and engagement.



# **Sector 8 Policy Input for the NERC Board of Trustees & Member Representatives Committee**

## **August 15, 2024 Board Meeting**

ELCON, on behalf of Large End-Use Consumers, submits the following policy input for the consideration of NERC's Board of Trustees (BOT) and the Member Representatives Committee (MRC). It responds to BOT Chair Ken Defontes, Jr.'s June 5, 2024 letter to Jennifer Flandermeyer, Chair of the MRC.

### **SUMMARY**

Large Consumers (Sector 8) appreciates the efforts by NERC to ensure full and balanced industry representation and engagement as we face an historical transformation in our energy procurement and delivery. This transition will have direct implications on the reliability, resilience, and security of our nation's grid and it is imperative that all affected industry sectors share information and achieve alignment on NERC's decisions and activities. As such, Sector 8 responds as follows:

- 1. Does the Strategy appropriately capture the long-term focus areas and supporting activities for the ERO Enterprise? If not, what key focus areas or supporting high level activities should be added or removed?**
  - The strategic focus areas, as articulated in the Draft ERO Enterprise Long-Term Strategy, reflect necessary and appropriate goals for NERC, the Regional Entities, and their key stakeholders.
  - The Draft ERO Enterprise Long-Term Strategy strikes the appropriate balance of general high-level recommendations while providing opportunities for flexibility and specificity as new challenges emerge.
  - NERC's Long-Term Strategy should include assessment of emerging stakeholder groups in addition to new technologies, threats, and reliability trends.
- 2. May 2024 Board and MRC Meeting Follow-up**
  - Sector 8 is very appreciative of the Board of Trustees' interest in better engagement and coordination with the MRC. We greatly appreciate the initial outreach that SVP of Strategy and Internal Engagement, Camilo Serna, has made with each sector and key stakeholder group.

- Board Meeting Structure, Cadence and In-person Interaction – NERC and the Board of Trustees should continue to improve the feedback loop with regard to MRC priorities while striking the right balance between adequate engagement and meeting fatigue.
- Compliance Monitoring and Enforcement Program and Standards Process – NERC should endeavor to provide education on the standards process to key stakeholders. NERC should also prioritize actions to improve reliability over strict enforcement of standards compliance that pose no immediate risks to the bulk power system.
- Trades Interactions – NERC and the Board of Trustees should close information gaps between the MRC and the Trade Associations by sharing consistent and relevant information. NERC should consider one or more liaisons that routinely attend MRC meetings and Trade Association meetings to ensure consistent communication.
- Outreach and Engagement – While Sector 8 understands that stakeholder engagement can be burdensome and time consuming when addressing important reliability issues, outreach with key industry stakeholders is critical in understanding real-world implications of emerging issues and reliability measures.

### **Draft ERO Enterprise Long-Term Strategy**

The June 2024 Draft ERO Enterprise Long-Term Strategy demonstrates NERC’s understanding of the rapidly changing electric industry and illustrates its commitment to remaining collaborative, agile, and flexible in addressing evolving reliability challenges to the bulk power system. The draft strategy articulates overarching, high-level actions and goals that NERC will need to maintain while also providing flexibility for more specific action without being overly prescriptive as issues arise.

In addition to understanding new and emerging technologies as well as new and emerging risks, NERC should also keep in mind that new stakeholder groups could arise in the changing energy landscape as demonstrated by the recent inclusion of inverter-based generators in registration and reliability standard requirements.

In a period of unprecedented load growth not seen in over a decade, it is important for NERC to understand that a changing stakeholder landscape will also include end-users. While Sector 8 and ELCON represent large-end users on the MRC and in the Trade Association meetings, certain subsectors are arising with unique challenges that may not be adequately represented. For example, while Sector 8 certainly welcomes large end-users such as data centers and AI, their reliability impacts and needs can greatly differ from other traditional large end-users such as manufacturers and commercial enterprises. In addition, end-users can also act as generators in aggregated behind-the-meter distributed energy resources.

As technology changes, energy production evolves, and electricity customers take increasing ownership and control of their energy usage, NERC should continuously identify any emerging stakeholder groups as part of its long-term strategy.

## **Board Meeting Structure, Cadence and In-person Interaction**

Sector 8 greatly appreciates the efforts by NERC and the Board of Trustees to improve engagement with the MRC based on the adopted Effectiveness Recommendations. The May 2024 meeting offered increased opportunities for open discussion, informal interactions, as well as measures to improve the feedback loop of MRC recommendations and subsequent Board action. We encourage NERC and the Board of Trustees to continue exploring efforts to solidify collaboration with industry and facilitating increased dialogue.

While we support the improvement of touchpoints for the MRC, NERC must strike a balance between adequate engagement and meeting fatigue. Many MRC members serve on other NERC committees while also being responsible for their day-to-day jobs. The value of in-person meetings is unquestionable; however, NERC should continue to keep virtual attendance options open for those stakeholders with limited resources and availability. The current set-up of two mandatory in-person meetings with hybrid and virtual options for other MRC or NERC business is the correct cadence for MRC meetings. This provides an opportunity for meaningful engagement with the Board of Trustees and other MRC members while not being overly burdensome.

## **Compliance Monitoring and Enforcement Program (CMEP) and Standards Process**

For many NERC stakeholders, including MRC members, the Standards Process is not well understood. As the MRC discusses emerging challenges, not only is the MRC in the dark about the Board of Trustees' response but whether such challenges should result in new or improved reliability standards. Even committees within NERC may not understand the Standards Process entirely and how their work informs the Standards Process. NERC should endeavor to provide education on the Standards Process and how the work of other committees and task forces impact Standard Authorization Requests and subsequent standards drafting and approval.

Sector 8 appreciates NERC's goal of fostering an environment of reliability rather than compliance among the electric industry. We note that the focus on reliability needs rather than compliance applies to both sides of the equation. NERC can facilitate this reliability focus by placing less emphasis on standards that do not have an immediate impact on the bulk power system. Rather than focusing on compliance and enforcement of low impact violations (*ex. record keeping*), industry and NERC must work together to enhance prioritization of avoiding or mitigating high impact events.

Finally, in addition to an environment of reliability rather than compliance, NERC should remain diligent in pursuing reliability standards and practices that have a direct impact on system reliability and not on covering every contingency or low likelihood event. Gold plating reliability standards and industry practices have impacts on customer rates and very little impact on actual reliability of the system. NERC and industry must focus on real and immediate impacts.

## **Trade Interactions**

Sector 8 is fortunate that one of its voting members is also a trade association. ELCON executives represent Sector 8 on the MRC and regularly attend the Trade Association meetings in Washington, D.C. Having the same individuals participate in both meetings assures adequate



information exchange as well as consistent information. Although our MRC Chair, Jennifer Flandermeyer, consistently attends both meetings, her primary role is the coordination, outreach and agenda setting for the MRC. While she does her absolute best to facilitate information exchange for both the MRC and the trades, she should not be required to take on this additional role. NERC should consider having one or two liaisons responsible for consistent information exchange between the MRC and the trade associations. This task can be designated to the MRC Vice Chair or another stakeholder with ties to both groups. Even though a number of NERC staff attend both sets of meetings, stakeholders would be best served by a liaison in the industry to ensure frank and open discussions.

### **Outreach and Engagement**

Sector 8 is very appreciative of the outreach SVP of Strategy and External Engagement, Camilo Sera, has made with stakeholders and we look forward to his continued engagement and leadership. We encourage NERC to continue to prioritize outreach with the stakeholder community as it is vitally important for industry to operate reliably and for NERC to understand real-world implications from standards and practices.

Improvements should be made within the NERC structure on engagement and coordination among committees, task forces, and other stakeholder groups. Too often, we hear different messages depending on which stakeholder group is targeted. NERC should make a concerted effort to cross-pollinate education and messaging so that all groups understand the unique roles of the various stakeholder groups and that each group is armed with the same information. This is not merely a communication issue. If the various stakeholder groups are unaware or misunderstand the role of other committees, issues may be duplicated or fall through the cracks which can lead to process inefficiencies and reliability threats.

For example, the Reliability and Security Technical Committee (RSTC) is responsible for identifying risks and providing industry expertise to mitigate or eliminate reliability risks. The Standards Committee is responsible for developing or reviewing reliability standards that help avoid or mitigate reliability risks identified for stakeholder experts. However, there is a general disconnect between the RSTC's priorities and communications and that of the Standards Committee. Ideally, the RSTC should be directly advising the Standards Committee and yet, this is not always the case. Here a comprehensive review of the NERC committee structure and its coordination among other committees and stakeholder groups may be warranted.

In closing, Sector 8 greatly appreciates the openness and responsiveness of the Board of Trustees and NERC to better facilitate communication and feedback with industry stakeholders. We look forward to continuing the dialogue about how to work together to better our nation's electric reliability.

## MEMORANDUM

**TO:** Kenneth W. DeFontes, Chair NERC Board of Trustees

**FROM:** Michael Moody and Darryl Lawrence – MRC Sector 9 Small End-Use Electricity Customer Representatives

**DATE:** July 24, 2024

**SUBJECT:** Small End-Use Sector (9) Response to Request for Policy Input to the NERC Board of Trustees

The representatives to the North American Electric Reliability Corporation (NERC) Member Representatives Committee (MRC) for the Small End-Use Customer Sector (9) appreciate the opportunity to provide these comments in response to the request in your June 5, 2024, letter to Ms. Jennifer Flandermeyer, Chair of the NERC Member Representative Committee.

The NERC Board of Trustees requested MRC sector policy input regarding the draft NERC ERO Enterprise Long-Term Strategy attached to the letter with the following question:

Does the Strategy appropriately capture the long-term focus areas and supporting activities for the ERO Enterprise? If not, what key focus areas or supporting high level activities should be added or removed?

As the draft ERO Enterprise Long-Term Strategy explains, the Electric Reliability Organization's (ERO) mission is to assure the effective and efficient reduction of risks to the reliability and security of the Bulk Power System (BPS). The Strategy also notes that "it is becoming increasingly challenging for policy makers to effectively balance reliability and security, environmental sustainability, and access and affordability." In order to carry out its mission, the ERO has identified four focus areas: (1) Energy, (2) Security, (3) Engagement, and (4) Agility and Sustainability.

Sector 9 agrees that the ERO Enterprise Long-Term Strategy appropriately captures the long-term focus areas and supporting activities for the ERO Enterprise. Sector 9, however, provides the following recommendations to expand upon the principles in the four focus areas and help the ERO to achieve its mission.

### **Engagement**

The engagement focus area ensures that the increasingly diverse spectrum of stakeholders find value in their engagements with the ERO Enterprise, seek ERO Enterprise expertise to inform decision-making, and have confidence in the integrity and independence of ERO Enterprise programs. NERC has been

increasing its engagement with Sector 9 and the National Association of State Utility Consumer Advocates (NASUCA). However, to “develop high quality relationships” with consumer advocates and to “seek constructive engagement on key reliability and security challenges facing the grid,” the ERO must understand how consumer advocates operate around the country, the informational gap that exists between advocates and industry stakeholders, and the resource constraints of advocates to effectively engage. The MRC recently had the various sectors provide some background about who they represent which we believe was an excellent first step. Unlike every other sector in the MRC, Sector 9 lacks sufficient financial and technical resources to effectively engage with the ERO. Sector 9 is the small end users who ultimately pay the fees that fund the ERO, but their representation is through consumer advocate offices across the nation, in this case Michigan and Pennsylvania offices, that traditionally have small budgets and small offices.

Accordingly, Sector 9 recommends that the ERO consider ways to help the sector provide its unique small consumer-oriented view to the ERO and thereby assist the ERO in carrying out its mission. Some recommendations are as follows:

- (1) Training and education. Section 901 of the NERC Rules of Procedure acknowledges the need to acquire and sustain informed, knowledgeable, and skilled personnel. The training and education group facilitates the learning and development of NERC and ERO Enterprise staff, as well as BPS industry participants. NERC could extend this training to Sector 9 representatives as well as other NASUCA consumer advocate offices in order to better train the sector which in turn would help the sector provide more substantive input to NERC through the MRC.
- (2) Sector 9 funding mechanism as noted in the August 2, 2023, Input Letter.
- (3) Consumer advocate seat on the Board of Trustees as noted in the June 19, 2020, Joint Comments by Public Citizen and the National Association of State Utility Consumer Advocates.

### **Agility and Sustainability**

The agility and sustainability focus area ensures an effective and efficient team acting in coordination and ensuring its program and efforts hold value for stakeholders as they manage changing reliability and security risk with evolving industry landscape. As advocates for small end users, Sector 9 would like to see “cost effectiveness” included in this focus area or made its own focus area. Often there are alternative ways to achieve a reliability goal, thus Sector 9 recommends a cost effectiveness focus to assist in choosing the best alternative.

### **Other Matters**

In the policy input letter, the NERC Board seeks input on the ERO Enterprise Long-Term Strategy as well as input on any other matters the MRC wishes to bring to the Board’s attention. One such other matter is near term resilience and

reliability risks that the Board should consider taking action on through the prioritization processes that it and NERC management control.

1. The North American standard for Automatic Underfrequency Load Shedding (PRC-006-5) provides resilience risk mitigation in its purpose statement:

*To establish design and documentation requirements for automatic underfrequency load shedding (UFLS) programs to arrest declining frequency, assist recovery of frequency following underfrequency events and provide last resort system preservation measures.*

There is currently under development a SAR to deal with the vastly changed circumstances regarding the power system configuration since the NERC UFLS standard was initially created. The introduction of renewable generation embedded on the distribution system is making the traditional approach used (automatically shedding whole distribution feeders via an automatically controlled and preplanned basis) much more challenging. The draft SAR under development is addressing some of these challenges. There is one issue with the existing standards which the Board may want to focus on.

Sector 9 calls to the Board's attention that Requirement 4 of PRC-006-5 currently states that:

*R4: Each Planning Coordinator shall conduct and document a UFLS design assessment at least once every five years that determines through dynamic simulation whether the UFLS program design meets the performance characteristics in Requirement R3 for each island identified in Requirement R2.*

UFLS system functionality cannot be directly evaluated. The verification of UFLS functionality can only be simulated. The simulation studies to verify functionality should in Sector 9's opinion be performed more frequently than once every five years. Performing functional verification more frequently will surface emerging resilience risks in a more timely manner.

Given the well documented rate of change to the power system's configuration that NERC has identified and the accelerated penetration of renewable resources on the North American distribution systems, there needs to be a reexamination of the five year periodicity of the UFLS verification studies.

The public needs to be assured that the system's "brakes" will work. It appears to Sector 9 members that it would be prudent to make this determination more frequently than once every five years. This work at the moment stands behind Order 901 work in priority and the Board, perhaps through the RISC activity planned for this year, should consider elevating this topic for consideration by the industry in the very near term.

## 2. Emerging Reliability Risks – Forced Oscillations Related to Hybrid Renewable Plant Control Systems Configurations.

On July 10, 2024, the North American Synchrophasor Initiative (NASPI) reported on three Western Interconnection wide forced oscillation events that were detected in late 2023. It was determined that inadequate pre-commissioning testing of hybrid (solar + battery storage) project control systems contributed to these oscillations. One of the most successful applications of synchrophasor networks is oscillation analysis, and as the generation resource mix changes, new dynamics such as these oscillations are beginning to appear. Unchecked, undetected oscillations will be detrimental to the reliable operation of the power system.

See Link: [Recent BESS Oscillations: Root Cause Analysis and Wide-Area Impacts - Matthew Rhodes and Daniel Goodrich | North American SynchroPhasor Initiative \(naspi.org\)](#) for a comprehensive set of materials and a webinar recording.

This finding from NASPI did not rise to the level of a formal system disturbance, however it represents a newly identified system reliability risk and renewables integration issue not specifically included in the current FERC Order 901 related priorities. Sector (9) brings this emerging reliability risk to the Board's attention and believes the Board's (perhaps via the RISC) should consider whether this matter needs to be prioritized into the current near term standards development program rather than being left for later.

## MEMORANDUM

**TO:** Ken DeFontes,  
Chair, NERC Board of Trustees

**FROM:** Brian Evans-Mongeon  
Roy Jones  
Scott Tomashefsky  
Tom Heller

**DATE:** July 24, 2024

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The Sector 2 and 5 members of the North American Electric Reliability Corporation (NERC) Members Representatives Committee (MRC), representing State/Municipal and Transmission Dependent Utilities (SM-TDUs), appreciate the opportunity to respond to your June 5, 2024, letter to the members of the MRC in which the NERC Board of Trustees (Board) requests MRC input on the ERO (Electric Reliability Organization) Enterprise Long-Term Strategy (Strategy) and other items related to the Board's work. Your letter specifically asks:

- Does the Strategy appropriately capture the long-term focus areas and supporting activities for the ERO Enterprise? If not, what key focus areas or supporting high level activities should be added or removed?

SM-TDUs appreciate your letter's follow-up on the discussions at the May 2024 Board Meeting and MRC Meeting. We look forward to continuing our collaboration with the Board to support NERC's mission of assuring the effective and efficient reduction of risk to the reliability and security of the bulk-power system.

### *SUMMARY OF COMMENTS*

- NERC's Strategy should explicitly consider affordability for ratepayers who are the ultimate beneficiaries of NERC's work.
- Continued collaboration with stakeholders is essential.
- NERC should rigorously avoid testing the limits of its statutory authority.
- Efforts to enhance the Compliance Monitoring and Enforcement Program (CMEP) by improving flexibility and reducing administrative burdens will facilitate a focus on improving reliability.
- We appreciate NERC's efforts to harmonize federal reporting requirements and support continued efforts.

### *SM-TDU COMMENTS*

**NERC's Strategy should explicitly consider affordability for ratepayers who are the ultimate beneficiaries of NERC's work.**

SM-TDUs appreciate the opportunity to provide early feedback into the ERO Strategy. The values and focus areas that are included in the draft document are, at a high level, appropriate; we are looking forward to continuing discussions to shape how those elements of the strategy are implemented.

We are concerned that the Strategy does not explicitly discuss how NERC's actions impact ratepayers. NERC's mission of effectively and efficiently reducing reliability risk is ultimately in service of ratepayers, so the perspective of those ratepayers should be at the forefront of NERC's strategy. When NERC adopts reliability standards, the costs of implementing the reliability and security measures fall on ratepayers. So too do the costs that registered entities incur to demonstrate compliance with reliability standards. And ratepayers ultimately pay the costs of the ERO's growing budget. While NERC's work undoubtedly creates enormous value for ratepayers by reducing the risk to the bulk power system, it also imposes significant costs. NERC's Strategy should explicitly consider those costs to ratepayers.

SM-TDUs urge NERC to specifically adopt a reference to affordability and cost to ratepayers in its Strategy. The best way to do so would be to add to NERC's mission the phrase "balancing reduction of risk with costs to ratepayers."

**Continued collaboration with stakeholders is essential.**

SM-TDUs commented jointly with other stakeholders in May 2024, urging NERC to strengthen meaningful stakeholder participation across the ERO Enterprise. Such stakeholder participation, including robust engagement with the MRC, is a core part of NERC's identity and one of its unique strengths. We appreciate the productive discussions held during the May 2024 Board and MRC meetings and the follow-up actions described in your June 5, 2024 letter. Such actions will continue the positive trend of improving information exchange between the MRC and the Board, enhancing the value of the policy guidance that the MRC is looked upon to provide.

We also appreciate NERC's recognition of the role of the trade associations and the importance of strengthening engagement with those associations.

We look forward to NERC's proposals on strengthening engagement between the Board, MRC, and industry stakeholders during the fourth quarter. We continue to believe that reinstating a fourth quarter Board meeting open to the public would be a potential solution, especially because industry participants who do not serve on the MRC often attend Board meetings and provide important insights that should not be overlooked or dismissed because of reduced public access to Board members. We also understand the costs and significant staff resources associated with such meetings, so a more cost-effective alternative would be to hold a fourth quarter joint MRC/Board meetings in Washington, DC, similar in structure to the second quarter meetings.

SM-TDUs particularly emphasize the continued value of the stakeholder-driven standards development process. As the pace of standards development increases, SM-TDUs support the goal of more agile standards development. We have been at the forefront of proposing solutions to ensure standard drafting teams use consistent terminology and that standards have unambiguous applicability sections; our suggestions, if implemented, would speed up standards development processes and reduce unnecessary failed ballots.

While we understand the frustration caused by failed ballots, we believe that the vast majority of commenters who vote against standards are doing so in good faith and offering constructive proposals to improve the standards. That high-level of stakeholder participation and contribution is precisely what leads to the development of world-class Reliability Standards, as envisioned by

Congress when establishing Section 215 of the Federal Power Act. Ensuring continued robust stakeholder engagement, without threats of circumventing that process, will promote the core objective of producing consensus-based, technically sound, and fairly enforceable standards that industry is likely to support at FERC, reducing opposition and controversy and speeding the approval process.

**NERC should rigorously avoid testing the limits of its statutory authority.**

As the grid changes, utilities may need to build new transmission or generation resources to remain reliable. Various regulations, policies, and considerations guide resource adequacy decision-making by utilities. Nevertheless, NERC cannot, directly or indirectly, require utilities to build or enlarge facilities.

Section 215 of the Federal Power Act prohibits NERC (and the Commission) from adopting any requirement to “enlarge [bulk-power system] facilities or to construct new transmission capacity or generation capacity.”<sup>1</sup> It also prohibits NERC from setting for “adequacy...of electric facilities or services.”<sup>2</sup> SM-TDUs recognize that the bulk-power system must have adequate supply to maintain reliability. But any standard that is targeted at energy assurance and essential reliability functions must remain well within section 215’s boundaries. NERC standards must not be designed to indirectly achieve what Congress has prohibited. Any standard that would require construction of facilities as the only reasonable way to achieve compliance is contrary to text and purpose of Section 215.

**Efforts to enhance the CMEP by improving flexibility and reducing administrative burdens will facilitate a focus on improving reliability.**

SM-TDUs support NERC’s objective of improving the CMEP process in a way that emphasizes the importance of compliance while reducing administrative burdens.

Improving the CMEP process could yield significant benefits for NERC’s mission. If done effectively, the improvements could increase focus on improving reliability and decrease the resources dedicated to administrative, compliance activities. Furthermore, improvements to the CMEP process could in the long-run have positive upstream impacts on standards development.

SM-TDUs believe that early and meaningful stakeholder participation—through the MRC, the Compliance and Certification Committee (CCC), and the trade associations—will be essential to ensuring that improvements to the CMEP achieve the desired outcomes. Industry participation could be facilitated through the work of the CCC, a committee that is well positioned to solicit industry feedback consistent with procedures articulated in CCC procedure CCCPP-008.

**We appreciate NERC’s efforts to harmonize federal reporting requirements and support continued efforts.**

Earlier this year, Department of Homeland Security (DHS) Cybersecurity and Infrastructure Security Agency (CISA) sought comment on a proposed rule to implement the Cyber Incident

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<sup>1</sup> 16 U.S.C. § 824o(a)(3).

<sup>2</sup> 16 U.S.C. § 824o(i)(2).



Reporting for Critical Infrastructure Act (CIRCA) reporting requirements. CIRCA directed federal agencies to harmonize cybersecurity reporting requirements so that critical infrastructure industries are not subject to duplicative reporting requirements for cyber incidents. Given that NERC's CIP standards—including CIP-003 and CIP-008—already require certain registered entities to report cyber incidents, it is essential that NERC's requirements be harmonized with CISA's proposed requirements.

SM-TDUs appreciate the comments filed by NERC on CISA's proposed rule, in which NERC emphasized the importance of harmonization and expressed its intention to work with government partners to “avoid unnecessary duplication while ensuring robust cyber security reporting requirements.” But given that there are differences between CISA's proposed reporting requirements and NERC's existing reporting requirements, we urge NERC to work diligently to achieve that objective.