

MEMORANDUM

TO: Ken DeFontes, Chair
NERC Board of Trustees

FROM: Brian Evans-Mongeon
Roy Jones
John Twitty (Outgoing)
Scott Tomashefsky (Incoming)
Tom Heller (Incoming)

DATE: February 5, 2024

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

The Sector 2 and 5 members of the North American Electric Reliability Corporation (NERC) Member Representatives Committee (MRC), representing State/Municipal and Transmission Dependent Utilities (SM-TDUs), appreciate the opportunity to respond to your January 17, 2024, letter to MRC Chair Jennifer Flandermeyer in which the Board of Trustees (Board) requests MRC input on “whether there are other opportunities for NERC in promoting greater alignment and engagement” with all participants. The letter also requests input on how NERC can:

- Help facilitate greater engagement from new entrants in the industry;
- Facilitate continued engagement from incumbent players in the industry and ensure contributions are effective as well as a valuable dedication of resources; and
- Promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC.

The SM-TDUs’ responses to the Board’s request for input on these questions are below. We look forward to discussing these issues and other agenda items during the meetings of the Board and the MRC on February 14-15, 2024.

Summary of Comments

- NERC should collaborate with incumbent industry participants on ways to further engage new entrants, including by creating a working group to strategize on improved onboarding and outreach to new entrants. NERC should consider redesigning its website to create a landing page for new entrants that includes relevant background information on NERC’s processes and committees, creating a welcome packet for new participants, and designating a liaison on its staff for new entrants to contact when they have questions or need assistance.
- NERC should strongly consider returning to its traditional schedule of holding in-person quarterly meetings of the Board of Trustees. In-person meetings help promote robust dialogue and networking among participants and NERC staff, which helps build collegiality and trust.
- The SM-TDUs believe robust dialogue was critically missing in the latter part of 2023. Some of the major actions that were taken during the last six-month period would have benefitted from a robust discussion with industry. For example, in the case of the latest discussion involving the Rules of Procedure changes, while some industry members were informed of the evolving positions in December, key stakeholder groups were not informed until late in January. If more of the industry had been made aware of the updated proposal, NERC and the industry could have

engaged in working discussions to reflect upon and consider the new direction instead of having to have a crash-course on the matter.

- We believe that NERC should reaffirm its recognition of the importance of the stakeholder process, including the value added by dissenting and minority viewpoints. The stakeholder process is iterative by design. It requires collaboration and compromise, which ultimately result in a better product.
- NERC should continuously seek to improve the effectiveness and efficiency of the standards development process to ensure it results in standards that improve the reliability and security of the bulk power system (BPS). This can be done by creating a robust accountability structure from beginning to end that prioritizes standards that have the largest impact on reliability and/or security.
- We encourage NERC to communicate early and often with industry about its activities and upcoming plans and to increase its solicitation of feedback from industry to reach consensus on policy matters and find ways to further improve processes. Transparency about goals and activities will foster greater trust between NERC and industry, as will taking into account industry feedback on highly complicated technical issues impacting the reliability and security of the BPS.

SM-TDUs' Response

Question 1 – How can NERC help facilitate greater engagement from new entrants in the industry?

The SM-TDU sectors support NERC's desire to facilitate greater engagement from new entrants in the industry. We recommend that NERC collaborate with incumbent industry participants to find optimal approaches for engaging with new entrants from industry. We believe the SM-TDU sectors are well situated to help in this arena given their given strong connections to local communities and long history of community outreach and consensus building.

We recommend that NERC create a working group to discuss ways to better facilitate new entrant engagement that is similar in size to the working group that was established to address standards process improvements. NERC should hire an outside organization with communications outreach expertise to facilitate this effort. The working group should include participants who have worked with new entrants and can share their experiences and insights. NERC should invite representatives of new entrants to participate in the working group to get their thoughts and perspectives on how to encourage other representatives of new entrants to become more involved. The working group could recommend adding seats for new entrants on existing MRC sectors, as well as adding seats to committees to allow for their more direct participation.

NERC should also consider redesigning its website to include a page that includes relevant background materials and information that new industry entrants might find of value. This would include existing materials, such as the "ERO Enterprise 101 Informational Package," that are regularly updated. NERC might also want to provide a staff point of contact for new entrant representatives that can assist them with onboarding and provide them with information on the various ways they can get more involved at NERC. Additionally, NERC should create a welcome packet to give to new entrants that explains how the NERC committee structure works, how they can get further engaged in NERC activities and provide relevant feedback to NERC staff, and how they sign up for relevant communications. Additionally, NERC could, to the extent feasible, schedule in-person engagements to allow for networking and relationship building between its staff, incumbent industry participants, and new participants.

NERC may also want to consider developing internal protocols and goals to implement and execute its onboarding process for new entrants.

Question 2 – How NERC can facilitate continued engagement from incumbent players in the industry and ensure contributions are effective as well as a valuable dedication of resources?

NERC should strongly consider returning to its traditional schedule of holding in-person quarterly meetings of the Board of Trustees. In-person meetings help promote robust dialogue and networking among participants and NERC staff, which helps build collegiality and trust. This just is not possible with hybrid meetings or conference calls. If quarterly meetings are too difficult, the Board should consider meeting in-person three times a year (on fourth-month intervals). The SM-TDUs believe robust dialogue was critically missing in the latter part of 2023. Specifically, key opportunities for the Board and industry to communicate with each other were lost during a six-month period that included the adoption of Order 901 by the Federal Energy Regulatory Commission, a major reprioritization of NERC activities, and the development of new registration criteria that will impact the Electric Reliability Organization (ERO) Enterprise for years to come. NERC staff reached out to various industry groups and representatives in a good-faith attempt to hear their perspectives, but those efforts unfortunately could not make up for the critically important in-person conversations between the ERO's policymaking arm (i.e., the Board of Trustees) and industry representatives.

We believe that some of the major actions that were taken during the last six-month period would have benefitted from a robust discussion with industry. For example, in the case of the latest discussion involving the Rules of Procedure changes, while some industry members were informed of the evolving positions in December, key stakeholder groups were not informed until late in January. If more of the industry had been made aware of the updated proposal, NERC and the industry could have engaged in working discussions to reflect upon and consider the new direction instead of having to have a crash-course on the matter.

We also believe that NERC should reaffirm its recognition of the importance of the stakeholder process, including the value added by dissenting and minority viewpoints. We understand that stakeholder process is messy and iterative by design. It requires collaboration and compromise, which ultimately result in a better product. We would respectfully request that NERC provide sufficient time for the development of consensus among industry participants and resist the urge to fast-track the process in the interest of expediency. This would help demonstrate NERC's commitment to its obligation to "assur[e] fair stakeholder representation in the selection of its directors and balanced decision-making in any ERO committee or subordinate organizational structure [and require] reasonable notice and opportunity for public comment, due process, openness, and balance of interests in developing reliability standards and otherwise exercising its duties..." Similarly, in areas in which stakeholder consensus is not an absolute requirement, NERC should nevertheless reaffirm its commitment to taking stakeholder concerns seriously, recognizing that in some cases, a realignment of NERC's approach to an issue may be justified.

Lastly, we believe NERC should continuously seek to improve the effectiveness and efficiency of the standards development process to ensure it results in standards that improve the reliability and security of the bulk power system (BPS). This can be done by creating a robust accountability structure from beginning to end that prioritizes standards that have the largest impact on reliability and/or security. This should include not only the Standards Grading Metrics performed today by the Periodic Review Standing Review Team (PRSRT), but also periodic (at least annually) assessments on the outcomes of the standards development process that measures the actual performance of the standards against risks to the reliability and security of the grid. While the BPS Severity Risk Index (SRI) measures events that cause transmission loss, generation loss, and load loss events, determining which standards affect (whether up or down) the SRI is not clear. In addition, while the standards are under development, efficiently managing standards through the balloting process to better address stakeholder concerns is critical, including reducing the time between ballots by facilitating Standards Drafting Team (SDT) activities,

doing informal comment periods to allow the SDTs to quickly gauge stakeholder views on changes before a formal comment period, and engaging with the industry through webinars and informational sessions in advance of new ballots to provide the “why” and context behind the proposal or changes and provide an additional venue for the SDT to learn of significant stakeholder disagreement before posting a standard for ballot.

Question 3 – How NERC can promote improved alignment between the subject matter experts, the MRC, trade associations, industry leadership, and NERC?

We believe NERC has done a good job enhancing its outreach to the MRC, trade associations, and industry leadership. This includes NERC hosting its quarterly trade association meetings, ad hoc meetings with trade association representatives, and holding periodic meetings with industry leadership to discuss shared priorities and concerns. We believe NERC should find ways to enhance its communications with the industry at large. Some ideas for NERC to consider include:

- Accelerating efforts to redesign the NERC website, which is the first point of entry to the ERO Enterprise;
- Hosting more webinars to apprise industry of NERC activities and obtain stakeholder feedback;
- Improving its communications channels, such as its newsletters, alerts, etc.;
- Establishing a general hotline for industry questions that could be staffed by students or entry-level employees; and
- Providing additional opportunities for industry to directly engage with the NERC Board of Trustees, above and beyond regular Board meetings.

Given how busy 2024 will be for the electricity industry and all the upcoming deadlines, communications between NERC and industry are even more important. The number of standards and issues continues to grow, and many of these carry complicated dynamics that NERC needs to track, report out, and manage. We encourage NERC to communicate early and often to industry about its activities and upcoming plans and to increase its solicitation of feedback from industry to reach consensus on policy matters and find ways to further improve processes. Transparency about goals and activities will foster greater trust between NERC and industry, as will taking into account industry feedback on highly complicated technical issues impacting the reliability and security of the BPS. We encourage the reliance on working groups, which provide important input on technical and other issues. And if NERC establishes ad hoc advisory groups, similar to the inverter-based resources registration executive group that was formed in 2022, we recommend NERC continue to engage with these groups until the issue is resolved.